Impact of terrorism on multinational companies in emerging markets

Elahi, Naveed

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King's College London

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IMPACT OF TERRORISM ON MULTINATIONAL COMPANIES IN EMERGING MARKETS

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Preface

This dissertation is submitted for the degree of Philosophy at the King’s College London. This research is about the impact of terrorism on multinational companies in the emerging markets. There was a yawning gap in the research on this particular aspect. It strives to ascertain the approaches of the MNCs to adjust their strategies to operate successfully in the emerging markets afflicted with terrorism. Institutional Theory has been applied to fathom and gauge the role of institutional factors in the peculiar settings of the emerging markets and how the managers of MNCs handle them. In the process, the Institutional Theory has been extended and terrorism is seen as a standalone risk rather than a part of political risk, as was considered earlier. The findings would not only offer new thoughts for the researchers using the Institutional Theory, it would also enlighten the managers of MNCs to develop and adopt astute strategies to cope with the challenges of operating in emerging markets afflicted with terrorism.

Firstly, I would like to express my sincere gratitude to my supervisors Prof. Pervez Ghauri and Dr. Fatima Wang for their continuous support throughout my Ph.D. study. Their invaluable input and incisive comments kept me afloat and on track. I am indebted to them for their patience, motivation, and valuable knowledge. Prof. Ghauri constantly cajoled me to adopt appropriate methodologies and to use right tools for analysis. Dr. Fatima coaxed me to keep the theory in mind and develop it all along the research work. Their guidance helped me during the course of research and writing of this thesis. I could not have imagined having better supervisors and mentors for my Ph.D. research.

Besides my supervisors, I would like to thank Prof. Jon Hindmarsh, Associate Dean (Doctoral Studies) King’s Business School for his insightful comments and guidance at the up-grade stage which enabled me to devise proper strategies to approach the interviewees for case studies.

I owe special and sincere thanks to all those who assisted and supported me during this arduous journey. I take this opportunity to express my gratitude to numerous individuals and organizations.

I am extremely grateful to all the interviewees, anonymous as they wished to remain, related to MNCs, whom I interviewed in Pakistan and Turkey. They gave their time
generously, willingly sharing important information pertaining to their strategies and approaches to run their affairs in challenging circumstances. Without their precious input, it would not be possible to conduct this research.

I am thankful to Mr. Zulfikaur Wajid of Bestways Charity UK for partial but tangible financial support. My friends Ibne Hassan and Dr. Adnan Majid deserve my special thanks for their intellectual and logistical support all along the study.

Last but not the least, I would like to thank my family: my parents, my wife Asma, my daughter Ghina, sons Ruet Elahi and Yureed Elahi for cheerfully tolerating my prolonged pre-occupations throughout the writing of this thesis. I am also thankful to my brothers Dr. Saeed Elahi and Zil-a-Ilahi for their moral support and encouragement.
Abstract

Terrorism exerts negative impacts on international business and Multinational Companies (MNC). Emerging Markets (EM), though fraught with terrorism related perils, offer greater opportunities of profits to the MNCs than in the developed markets, which are believed to have reached the saturation point. The significance of this research is accentuated by the fact that despite perils, EMs are attractive destinations for MNCs. Therefore, it is imperative to discern the impacts of terrorism on MNCs in emerging markets to foresee and forestall threats to their operations by formulating appropriate strategies.

The purpose of this research is to explore how direct and indirect impacts of terrorism pose serious operational and management challenges to the MNCs operating in EMs and how MNCs modify their strategies and structures to handle them. Albeit one can find considerable research on MNCs’ business in emerging markets, little attention has been paid on the impact of terrorism on MNCs operating in emerging markets and how established MNCs should befittingly respond to this situation. Literature review, carried out for this study, based on more than one hundred and thirty research papers published in top-tier journals, indicates clear dearth of research on this topic.

This research intends to fill this gap by carrying out case studies of four established MNCs operating in the two EMs afflicted with terrorism. Pakistan and Turkey, being large EMs facing acute terrorism, have been selected for the case studies. The managers of these MNCs were interviewed for this purpose. Prior to it a pilot case study was carried out to test the research questions and to remove distortions in interview questions and their understanding.

The study will contribute towards deeper understanding of impacts of terrorism on MNCs and will demonstrate how MNCs respond to these impacts to continue successful operations in the emerging markets.

Keywords: Terrorism; Direct and indirect Impacts; Multinational Companies; Emerging Markets.
1. INTRODUCTION

Emerging Markets (EMs) have become increasingly favourite destinations of multinational companies (MNCs) (London and Hart, 2004; Enderwick, 2008; Ruddick, 2014; IMF, 2017). Though there are enormous opportunities in these markets, they are full of difficulties and drawbacks (Zhang, 2008; Pinkasovitch, 2018). Terrorism is one such drawback, which has become top concern for MNCs operating in such markets, because of its potential to undermine their business. This study aims at ascertaining how the MNCs operating in the EMs, afflicted with terrorism, handle the impacts of terrorism.

1.1 Significance of Emerging Markets

Emerging Markets (EMs) are endowed with majority of the world’s people (about six billion) and land, and faster growth than the developed world (London and Hart, 2004, IMF, 2016). In the year 2013, the emerging economies accounted for more than half of world GDP on the basis of purchasing power. This exceptional growth is considered a significant economic transformation in modern history (IMF, 2013). Occasional dips apart, EMs continued to grow at a greater pace than the advanced countries. Growth in EMs was projected to strengthen to 4.5% in 2018 and 4.7% in 2019 as compared to 2.2% in advanced economies. MNCs expanded in the EMs at a great speed and scale, which is evident from the fact that till 2008 emerging economies boasted 70 companies in the Fortune Global 500 list of the world’s biggest companies, up from just 20 a decade ago (Accenture, 2008). This number had been rising in the subsequent years. About 132 largest companies of the world had established their headquarters in EMs till 2014, up from 21 in 2000.

A brief comparison of conspicuous aspects and characteristics of the EMs and developed markets, gleaned from the sources used in this research, mentioned in Table 1.1, highlight the growing significance of EMs, which makes them favourite destination of MNCs.

Table 1.1: Comparison of Developed Markets & EMs

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Developed Markets</th>
<th>Emerging Markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>1)</td>
<td>Saturated</td>
<td>Opportunities galore Vast land mass and majority of world population</td>
</tr>
<tr>
<td>2)</td>
<td>Slow growth</td>
<td>Fast growth</td>
</tr>
<tr>
<td>3)</td>
<td>GDP is shrinking</td>
<td>Half of World GDP on the basis of purchasing power</td>
</tr>
<tr>
<td>4)</td>
<td>Foreign exchange Reserves – Less than EMs</td>
<td>Have taken over the developed markets</td>
</tr>
<tr>
<td>5)</td>
<td>Little increase in consumption</td>
<td>Consumption will more than double by 2025</td>
</tr>
<tr>
<td>6)</td>
<td>Costs are higher. Infrastructure and regulations are already developed</td>
<td>Costs are going down as more investment in infrastructure development, especially in transportation, power and communication taking place</td>
</tr>
</tbody>
</table>

Multiple Sources

According to IMF Report (2013), from 2003 to 2011, the share of world output provided by the emerging economies grew at more than a percentage point a year. After a mild dip during 2014-15, they regained momentum in 2016. Growth in emerging market and developing economies is expected to remain steady at 4.7 percent in 2018–19, and to rise modestly over the medium term.5

The trend of the contribution of emerging economies to the world output is given in Figure 1.1.

5 IMF World Economic Outlook: Challenges to Steady Growth (Oct 2018)
Figure 1.1: Emerging Market Share of World GDP

Figure 1.2 shows that the share of world GDP of the developed economies is gradually shrinking whereas of emerging markets in Asia and Europe is fast expanding. It is increasing in Pakistan as well.

Share of world GDP 2004-2014

Figure 1.2: Share of world GDP 2004-2014

Based on purchasing power parity ($)
Similarly, the Figure 1.3 shows that the foreign exchange reserves in emerging markets are increasing at a greater rate than in the developed markets.

**Figure 1.3: Foreign Exchange Reserves- Dev Markets & EMs**

<table>
<thead>
<tr>
<th>Year</th>
<th>Emerging markets</th>
<th>Developed markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>1,163</td>
<td>661</td>
</tr>
<tr>
<td>2005</td>
<td>1,892</td>
<td>2,078</td>
</tr>
<tr>
<td>2015</td>
<td>3,979</td>
<td>7,525</td>
</tr>
</tbody>
</table>

*Source: Thomson Reuters Datastream (2018)*

The Figure 1.4 further supports the estimates of Figure 1.3 that the rate of world GDP increase is 0-2% in developed countries, 2-4% in North America, North Africa and Middle East, and 4% in Asia. This indicates a remarkable growth in EMs.

**Figure 1.4: World GDP**

*At market Exchange Rate*

*Source: Economist Intelligent Unit (2018)*

---

07d16aad2152.html?ft_site=falcon&desktop=true#axzz4LqCW211a (Accessed on December 16, 2018).

The dip in growth of EMs is linked with global growth trend which remained downwards from 2013 onwards. According to IMF World Economic Outlook (WEO), the global growth was in low gear in 2013, weaker-than-expected in 2014 and 0.3 percent lower in 2015. However, as per IMF WEO Report (2016) global growth was projected at 3.4 percent in 2016 and 3.6 percent in 2017. According to IMF Report 2017, EMs and developing economies accounted for almost 80 percent of the global economic growth, two times more their share twenty years ago. Axiomatically, the conditions augur well for the EMs.

EMs emerged more than three decades ago and thirty years down the lane they are still considered to be emerging. EMs having enormous size, where over 80% of the world population resides in about three quarters of the world's land mass, showing rapid and constant growth, deserve a more appropriate nickname now, like, High Growth Markets (HGM), which may sound more encouraging and befitting. These countries are researched to inhabit different environmental characteristics compared with the advanced countries (Lee, Abosag and Kwak, 2012).

Coupled with natural endowment of size, several emerging economies are investing in infrastructure development, especially in innovation, transportation, power and communication, which has helped bring down the costs of selling in EMs (Cavusgil, Knight and Riesenberger, 2013; Rao-Nicholson, Vorley and Khan, 2017). Many EMs have developed or accessed technologies that have made them competitive on a global basis. Indubitably, some EMs have highly differentiated structures, the demand forecast has become easier, with professional consulting and advertising organisations established in most of these markets. To cap it all, liberal policies of the governments in emerging economies, providing full support for foreign investment, have made the process of reaching business agreements much more convenient.

By continuing to develop their economic and social infrastructures, institutions and markets, and by investing in their people's education, EMs are expected to grow further, to consolidate their economic and business power, and to exceed the GDP of the developed countries within two decades (Griffith, Cavusgil and Xu, 2008). Large MNCs are well aware of these facts therefore majority of international businesses

---

include the EMs into their strategic decision-making (Enderwick, 2009; UNCTAD, 2007). Further, emerging economies have unique capabilities and strategies in advanced technologies which is also a source of attraction for foreign direct investment (FDI) by MNCs (He, Khan and Shenkar, 2017).

There is a realization in the MNCs that the global consumer base is on the rise, with emerging markets playing a significant role in that growth. As depicted in Figure 1.5 Management consultant McKinsey estimates emerging-market consumption will reach $30 trillion, roughly half of all global spending. For almost two decades, a growing number of MNCs have recognized and explored the enormous business opportunity at the base of the economic pyramid (Hart and Milstein, 1999; London and Hart, 2004).

**Figure 1.5: Emerging Markets Consumption**

*Estimated Annual World Consumption ($USD trillions)*

<table>
<thead>
<tr>
<th>Year</th>
<th>Developed Markets</th>
<th>Emerging Markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>$26</td>
<td>$12</td>
</tr>
<tr>
<td>2025*</td>
<td>$34</td>
<td>$30</td>
</tr>
<tr>
<td></td>
<td>$64</td>
<td></td>
</tr>
</tbody>
</table>

*Source: Angus Maddison, Groningen Growth and Development Centre, University of Groningen; Homi Kharas; Wolfenson Center for Development at Brookings Institution; McKinsey*


**1.2 Terrorism, Emerging Markets and MNCs**

Despite several positive indicators, EMs are characterised with some peculiarities, many of which could be considered risks for MNCs to operate there. The most notable among these risks are loss of control over ownership or loss of benefits of enterprise by government action; constraints imposed at the specific industry or specific firm level; riots; expropriation, restrictions on remittance of profits, discriminatory taxation, and public-sector competition; discontinuities, which are difficult to anticipate, occur in the business environment as a result of political change, etc. (Fitzpatrick, 1983).

Terrorism tops among such risks and its impacts are not restricted to EMs only. After 9/11 terrorist attacks in New York, it has become a global phenomenon. Since then risk
related to terrorism became more widespread as there had been a meteoric rise in terrorism, with an almost fivefold increase in fatalities since then (GTI, 2014; Mazzarella, 2005). Later studies show that global terrorist attacks increased by 80 per cent in 2014 and the death toll from terrorist activity increased nine-fold since the year 2000 (GTI, 2015).

Cofer Black, the former Head of the CIA Counter-Terrorism Center, said, “There was a before 9/11, and there is an after 9/11.” Condoleezza Rice, former National Security Advisor to the US President Bush, 2001 to 2004, stated, “The world has changed so much that it is hard to remember what our lives were like before that day.”

After this incident, the valuations of many MNCs declined by more than ten percent. The expected cash flows of MNCs were reduced, even when they were not directly hit (Madura, 2013). Terrorism emerged as a major risk to international business as it causes losses in foreign direct investment (FDI), damaged infrastructure, output losses, security costs, reduced economic growth, reduced tourism, trade losses, and higher insurance premiums (Keefer and Loayza, 2008). This substantial strain on the global economy caused by terrorism is a matter of concern for the truly internationally focused manager. Many high-ranking international executives considered terrorism second only to double-digit inflation as a threat to their international businesses (Mazzarella, 2005, World Economic Forum, 2018).

With every passing day the lethality and complexity of terrorism increased. The birth of terrorist organisation, so-called Islamic State, also called ISIS, ISIL and Daesh, in Iraq and its swift spillover in Middle East, Asia and even Europe gave further boost to international terrorism. Over years terrorism became more pronounced and actually turned more lethal in some EMs because of their limited capacities to bridle it. This state of affairs causes a massive decrease in a country’s net stock of foreign direct investment and inflicts significant damage on its economy (Abadie and Gardeazabal, 2008). Generally, a higher frequency of terrorism could deter potential investors to invest in a terrorism-infested area (Bandyopadhyay and Younas, 2014). Table 1.2 shows domestic and transnational terrorism incidences in different countries in comparison with percentage of FDI and foreign aid.

---

Table 1.2: Effects of Terrorism

Most countries with more than average terrorist incidents have lower foreign direct investments (FDI) and foreign aid.

<table>
<thead>
<tr>
<th>Sr. #</th>
<th>Countries</th>
<th>Domestic Terrorism Incidents</th>
<th>Transnational Terrorism Incidents</th>
<th>FDI (% of GDP)</th>
<th>Aid (% of GDP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Algeria</td>
<td>27.17</td>
<td>2.93</td>
<td>0.76</td>
<td>0.6</td>
</tr>
<tr>
<td>2</td>
<td>Angola</td>
<td>*</td>
<td>1.74</td>
<td>6.57</td>
<td>3.32</td>
</tr>
<tr>
<td>3</td>
<td>Argentina</td>
<td>10.31</td>
<td>5.79</td>
<td>1.48</td>
<td>0.06</td>
</tr>
<tr>
<td>4</td>
<td>Bangladesh</td>
<td>10.67</td>
<td>*</td>
<td>0.28</td>
<td>4.35</td>
</tr>
<tr>
<td>5</td>
<td>Brazil</td>
<td>*</td>
<td>1.88</td>
<td>1.64</td>
<td>0.07</td>
</tr>
<tr>
<td>6</td>
<td>Cambodia</td>
<td>*</td>
<td>1.79</td>
<td>5.41</td>
<td>11.49</td>
</tr>
<tr>
<td>7</td>
<td>Chile</td>
<td>42.38</td>
<td>5.67</td>
<td>4.03</td>
<td>0.19</td>
</tr>
<tr>
<td>8</td>
<td>Colombia</td>
<td>101.31</td>
<td>23.1</td>
<td>1.88</td>
<td>0.45</td>
</tr>
<tr>
<td>9</td>
<td>Ecuador</td>
<td>*</td>
<td>1.38</td>
<td>1.17</td>
<td>0.73</td>
</tr>
<tr>
<td>10</td>
<td>Egypt</td>
<td>10.21</td>
<td>*</td>
<td>2.55</td>
<td>5.7</td>
</tr>
<tr>
<td>11</td>
<td>El Salvador</td>
<td>72.31</td>
<td>6.33</td>
<td>1.95</td>
<td>2.52</td>
</tr>
<tr>
<td>12</td>
<td>Ethiopia</td>
<td>*</td>
<td>1.52</td>
<td>1.95</td>
<td>10.16</td>
</tr>
<tr>
<td>13</td>
<td>Guatemala</td>
<td>24.6</td>
<td>7.74</td>
<td>1.43</td>
<td>1.39</td>
</tr>
<tr>
<td>14</td>
<td>Honduras</td>
<td>*</td>
<td>2.07</td>
<td>2.52</td>
<td>6.17</td>
</tr>
<tr>
<td>15</td>
<td>India</td>
<td>92.33</td>
<td>8.1</td>
<td>0.62</td>
<td>0.65</td>
</tr>
<tr>
<td>16</td>
<td>Indonesia</td>
<td>*</td>
<td>1.38</td>
<td>0.76</td>
<td>1.34</td>
</tr>
<tr>
<td>17</td>
<td>Iran</td>
<td>8.76</td>
<td>2.86</td>
<td>0.52</td>
<td>0.08</td>
</tr>
<tr>
<td>18</td>
<td>Israel</td>
<td>24.95</td>
<td>2.1</td>
<td>1.74</td>
<td>3.48</td>
</tr>
<tr>
<td>19</td>
<td>Lebanon</td>
<td>12.69</td>
<td>14.52</td>
<td>11.58</td>
<td>2.47</td>
</tr>
<tr>
<td>20</td>
<td>Mexico</td>
<td>*</td>
<td>3.26</td>
<td>1.79</td>
<td>0.06</td>
</tr>
<tr>
<td>21</td>
<td>Nicaragua</td>
<td>17.98</td>
<td>2.66</td>
<td>2.41</td>
<td>11.37</td>
</tr>
<tr>
<td>22</td>
<td>Nigeria</td>
<td>*</td>
<td>2</td>
<td>2.71</td>
<td>0.84</td>
</tr>
<tr>
<td>23</td>
<td>Pakistan</td>
<td>61.17</td>
<td>7.1</td>
<td>0.79</td>
<td>2.81</td>
</tr>
<tr>
<td>24</td>
<td>Peru</td>
<td>110.57</td>
<td>8.79</td>
<td>1.92</td>
<td>0.91</td>
</tr>
<tr>
<td>25</td>
<td>Philippines</td>
<td>40.26</td>
<td>8.05</td>
<td>1.06</td>
<td>1.22</td>
</tr>
<tr>
<td>26</td>
<td>South Africa</td>
<td>32.34</td>
<td>*</td>
<td>0.76</td>
<td>0.32</td>
</tr>
<tr>
<td>27</td>
<td>Sri Lanka</td>
<td>32.36</td>
<td>2.9</td>
<td>0.88</td>
<td>4.96</td>
</tr>
<tr>
<td>28</td>
<td>Sudan</td>
<td>*</td>
<td>1.52</td>
<td>2.61</td>
<td>4.6</td>
</tr>
<tr>
<td>29</td>
<td>Thailand</td>
<td>22.17</td>
<td>1.43</td>
<td>2.12</td>
<td>0.59</td>
</tr>
<tr>
<td>30</td>
<td>Turkey</td>
<td>40.55</td>
<td>6.5</td>
<td>0.72</td>
<td>0.37</td>
</tr>
<tr>
<td>31</td>
<td>Venezuela</td>
<td>*</td>
<td>1.9</td>
<td>1</td>
<td>0.04</td>
</tr>
<tr>
<td>32</td>
<td>Yemen</td>
<td>*</td>
<td>1.67</td>
<td>1.37</td>
<td>3.52</td>
</tr>
<tr>
<td><strong>Average, 122 Countries</strong></td>
<td></td>
<td><strong>7.51</strong></td>
<td><strong>1.38</strong></td>
<td><strong>2.9</strong></td>
<td><strong>6.74</strong></td>
</tr>
</tbody>
</table>

*Source: Bandyopadhyay, Sandler, and Younas (2015)*
The linkage between domestic terrorism incidents index and Foreign Direct Investment (FDI) of Pakistan and Turkey, can be taken as litmus test, confirms the relationship between the two. Nevertheless, despite risks and challenges, MNCs had been spreading their operations in emerging markets as they could make good profits there. MNCs use international expansion as a springboard to acquire strategic resources, diversification, access to talent, competitive advantage and to reduce their institutional and market constraints at home (Luo and Tung, 2007; Van Rossum, 2017).

Earlier research reveals that the managements of MNCs usually tend to play down the impacts of terrorism on MNCs and fail to understand the complexity of direct and indirect impacts on businesses (Czinkota, Knight, Liesch and Steen, 2010). Though many MNCs have been aware of terrorist threats since 1980s and had devised counter terror plans for their operations abroad (Mazzarella, 2005), the real understanding of the post 9/11 form and nature of terrorism has been overlooked and attempts to formulate effective strategies to ward off the impacts of terrorism have been below the mark. According to an estimate, only 18 percent managers said anti-terrorism expenditures were seriously considered in their firm (Czinkota et al., 2010). In the same survey while nearly 50 percent of firms were concerned about the effects of terrorism or threats of terrorism, only a quarter had prepared a terrorism contingency plan. Only 12 percent said shareholders reward corporate efforts to prepare for terrorist threats.

### 1.3 Significance of Study

There had been clear dearth of substantial research on impact of terrorism on international business (Suder and Czinkota, 2005). But over years a consensus emerged among the scholars, policymakers, and practitioners that terrorism is an issue of growing importance to international business (Czinkota and Ronkainen, 2009), and a particular concern to firms with complex, global supply chains (Abadie and Gardeazabal, 2008). Now terrorism studies have become an integral part of the international business (IB) literature (Suder and Czinkota, 2013).

Although research on terrorism’s impact on management and international business has increased substantially since 9/11, theoretical and conceptual thinking about the nature of the terrorist threat and its implications for MNCs, their stakeholders, and the international business environment remains underdeveloped. Similarly, the research is
insufficient to understand how MNCs respond to the impacts or risks of terrorism to run their operations smoothly in emerging markets.

Scope of this research is to ascertain how the managers and policymakers of the MNCs operating in the emerging markets perceive terrorism related impacts and respond to them. It will give them new ideas to think out of box instead of remaining fixated on westerners’ solutions (Prahalad and Lieberthal, 1998) which might not work in different environment of EMs.

In addition to the theoretical and empirical contributions, this study is expected to contribute to practice and strategies to be adopted by the MNCs to handle and counter the impacts of terrorism.

1.4 Case Study

The research has been designed on case study basis covering, primarily, semi-structured interviews of key persons of selected MNCs. Pursuing the case study method, it seemed appropriate to choose at least four MNCs from two EMs afflicted with high level of terrorism for the purpose of this study. The four MNCs, Beverages, Nest, Fast Food and Oil Co. fulfilled the criteria developed to select the MNCs. Similarly, Pakistan and Turkey were selected as the two EMs continuously figuring on the Global Terrorism Index, having a number of established MNCs operating there for last many decades. The Table 1.3 shows that Pakistan was ranked fourth and Turkey twenty seventh, without much difference in score in Global Terrorism Index.

Table 1.3: Global Terrorism Rank of Pakistan & Turkey (2015)

<table>
<thead>
<tr>
<th>GTI RANK</th>
<th>COUNTRY</th>
<th>2015 GTI SCORE</th>
<th>CHANGE IN SCORE (Actual year 2013-14)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Iraq</td>
<td>10</td>
<td>0.406 2</td>
</tr>
<tr>
<td>2.</td>
<td>Afghanistan</td>
<td>9.233</td>
<td>0.238</td>
</tr>
<tr>
<td>3.</td>
<td>Nigeria</td>
<td>9.213</td>
<td>1.018</td>
</tr>
<tr>
<td>4.</td>
<td>Pakistan</td>
<td>9.065</td>
<td>-0.009</td>
</tr>
<tr>
<td>27.</td>
<td>Turkey</td>
<td>5.737</td>
<td>-0.144</td>
</tr>
</tbody>
</table>

Source: Global Terrorism Index. Measuring and Understanding the Impact of Terrorism (2015)
The key persons like senior managers and/or security heads of these MNCs were interviewed for this purpose. The key persons belonging to government regulatory authorities related to business and security were also interviewed. Besides the interviews, documents and record pertaining to the implementation of SOPs etc. shall also be examined.

Prior to conducting actual case studies, a pilot case study was carried out.

### 1.5 Research Area and Research Questions

Scholars have cited terrorism as a key international policy issue (Czinkota and Ronkainen, 2009) and one of the critical frontiers in international business issues (Ricart, Enright, Ghemawat, Hart and Khanna, 2004). They have realized that there is a dramatic change in terrorism after 9/11 and it is on the rise (Ricart et al., 2004, Smith and Ziegler, 2017). It is an increasingly serious threat to MNCs that merits additional attention from both the IB scholars and practitioners. According to Kotabe (2005), terrorism is an accepted fact of geopolitical life, and by implication it is a worthwhile topic of scholarly inquiry by the IB academics.

Besides conventional leftist and ethnic-separatist groups, MNCs must contend with a new and more lethal variant represented by al-Qaeda, its associates, and its multitudes of supporters across the globe. The advent of “new species of trouble” (Slovic, 2002) required new thinking and different strategies than those used earlier to manage political risks emanating from sovereign governments and host society political actors with limited aims and agendas.

Any type of terrorism greatly increases the level of uncertainty in the complexity of international business (Enderwick, 2001; Suder and Czinkota, 2005). Emergence of ISIS in the Middle East and expansion of its field of operations to Asia and Europe have definitely generated palpable tremors in the respective societies. Emerging economies are usually afflicted with a volatile brew of political risks i.e. government instability, social unrest, corruption, lawlessness, etc., which the American and European business managers, with their relatively clean markets and stable governments are generally unaccustomed to. Most of the emerging market internationalized businesses are also privately owned and are not subject to the level of scrutiny as encountered by public firms (Rao-Nicholson and Khan, 2017). This makes EMs afflicted with terrorism the
situation becomes more complicated.

The question arises why MNCs take the risk to venture into the areas afflicted with terrorism. Undoubtedly, the challenges are unique, especially terrorism, but at the same time there are tremendous opportunities which attract MNCs for higher gains (He et al., 2017). The drawbacks and challenges include security, environment, health, bad or weak public governance and administration, lack of public transparency, high levels of bribery and corruption, poor records on human rights, inadequate environmental, safety and labour standards and high levels of poverty and inequality and to top all terrorism (Zhang, 2008). The opportunities include fast growing wealth, the largest and fastest-growing segment of the world’s population and higher profits (Tan, 2009).

With the manifold increase in terrorism in EMs and elsewhere after 9/11, a new set of challenges emerged for MNCs like how to run their operations and affairs in the EMs afflicted with terrorism? It requires new paradigms and conceptual frameworks to work on. The volume of research on terrorism being published in political science journals increased several times as compared to what it was before 9/11 as shown in Figure 1.6.

**Figure 1.6: Increase in Volume of Research on Terrorism**

<table>
<thead>
<tr>
<th>Year</th>
<th>Nonfiction: &quot;Terror&quot;</th>
<th>Fiction &amp; Literature: &quot;Terror&quot;</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>25</td>
<td>25</td>
</tr>
<tr>
<td>1991</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>1992</td>
<td>75</td>
<td>75</td>
</tr>
<tr>
<td>1993</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>1994</td>
<td>125</td>
<td>125</td>
</tr>
<tr>
<td>1995</td>
<td>150</td>
<td>150</td>
</tr>
<tr>
<td>1996</td>
<td>175</td>
<td>175</td>
</tr>
<tr>
<td>1997</td>
<td>200</td>
<td>200</td>
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<tr>
<td>1998</td>
<td>225</td>
<td>225</td>
</tr>
<tr>
<td>1999</td>
<td>250</td>
<td>250</td>
</tr>
<tr>
<td>2000</td>
<td>275</td>
<td>275</td>
</tr>
<tr>
<td>2001</td>
<td>300</td>
<td>300</td>
</tr>
<tr>
<td>2002</td>
<td>325</td>
<td>325</td>
</tr>
<tr>
<td>2003</td>
<td>350</td>
<td>350</td>
</tr>
<tr>
<td>2004</td>
<td>375</td>
<td>375</td>
</tr>
<tr>
<td>2005</td>
<td>400</td>
<td>400</td>
</tr>
<tr>
<td>2006</td>
<td>425</td>
<td>425</td>
</tr>
<tr>
<td>2007</td>
<td>450</td>
<td>450</td>
</tr>
<tr>
<td>2008</td>
<td>475</td>
<td>475</td>
</tr>
<tr>
<td>2009</td>
<td>500</td>
<td>500</td>
</tr>
</tbody>
</table>

However, one of the results of proliferation of terrorism research is that integration and cumulating of knowledge have been difficult to achieve (Young and Findley, 2011). There is little integrated research on impacts of terrorism on MNCs in EMs. There is a dearth of literature on how international firms respond to the effects or threat of terrorism and how do they cope with them. It is a gap, which makes this research important.

Terrorism, a word and a phenomenon having negative connotation, strikes wrong chords of the governments and MNCs who reflexively feign to deny its presence and try
to sweep it under the carpet as if it does not exist nor has any bearing on them. This ostrich like approach induces greater threat because the palpable danger of terrorism lurks nearby and keeps striking, having direct or indirect impacts, but the firms remain unprepared and in a state of denial. The outcomes of the study will arm the governments and MNCs with credible knowledge to understand the impacts of terrorism and to handle the same in a deliberate and planned manner. This research will try to ascertain how and to what extent terrorism compelled them to make adjustments in their business strategies and systems.

MNCs disposition to avoid tackling the issue of impacts of terrorism also emanates from their inability to discern the limitations and constraints that prevent them from formulating and adopting effective policies and strategies to face the impact of terrorism. This study will examine and explain these limitations and constraints and attempt to reduce the gap in the research in this regard.

Institutional Theory has been employed in this study as it is widely used to explain impacts on enterprise strategies in different markets (Hoskisson, Eden, Lau and Wright, 2000). It offers the lens to study the milieu and wider context which constrains, shapes, and penetrates the organisation therefore it is increasingly used by international business and management researchers to explain the behaviour and strategies of MNCs (Tihanyi, Devinney and Pedersen, 2012). It also emphasizes the influences of the systems surrounding organisations that shape social and organisational behaviour (Scott, 1995; Hoskisson et al., 2000). The research questions have been designed in light of the Institutional theory as it provides complex and comprehensive conceptual understandings of the processes that cannot be pinned down. The answers of these questions can help further develop the theory.

To investigate above aspects, one main research questions and three sub-questions have been formulated for this study.

**Main Question: How MNCs handle the impacts of terrorism in the emerging markets they operate in?**

It begins with the research problem; with important focus on exploring the behaviour adopted by MNCs to run their operations in a special setting. It will rely on the Institutional Theory to understand the idiosyncratic approach of MNCs in institutional
environment of EMs afflicted with peculiarities, especially terrorism. It will contribute value to the field and add to existing knowledge.

In order to narrow the aspects of impacts of terrorism, compulsions to adopt certain strategies to handle these impacts and the constraints that prevent to formulate them, three sub-questions are formulated:

RQ i. What are the impacts of terrorism that adversely influence operations of MNCs in emerging markets?

RQ ii. How terrorism has compelled MNCs to adjust their security strategies, structures, controls and mechanism to address these challenges?

RQ iii. Are there any limitations and constraints that prevent MNCs from formulating and adopting effective measures to face the impact of terrorism?

RQ-i will help us explore the understanding of the managers of MNCs of these impacts and how do they relate them with their businesses. It would be interesting and useful to study the transformation of their approaches to address the emerging challenges of terrorism (RQ-ii). RQ-iii aims at knowing the limitations and constraints that can impede the process of formulation and implementation of the policies and strategies.

The answers to these questions will make substantial contribution in the literature and knowledge on this topic. The theoretical and empirical contributions made by this study would open new vistas for future research on the related avenues and topics pertaining to EMs, international business, MNCs and terrorism. It is an attempt to establish a basis for future research and the construction of models that will help to find the necessary normative approaches. The enhanced knowledge on manageability of impacts of terrorism will result in the containment of victimization in the future. This study can be useful for theoretical advancement for political-economic research and corporate policy.
2. LITERATURE REVIEW


To ensure systematic study selection and data collection processes, I adopted principles following a systematic literature review (Zimmermann and Foerstl, 2014). I employed keyword searches of terrorism, multinational companies and emerging markets. Further two-pronged search approach was adopted; searched relevant articles from the references of articles published in top-tier journals; searched relevant articles in prestigious journals as mentioned in the attached Appendix A.

The review of the literature provides the background and context for the research problem. “It should establish the need for the research and indicate that the writer is knowledgeable about the area” (Wiersma, 1995, p. 406). It also shares with the reader the results of other studies that are closely related to the study being reported (Fraenkel and Wallen, 1990). Moreover, “it relates a study to the larger, ongoing dialogue in the literature about a topic, filling in gaps and extending prior studies” (Marshall and Rossman, 1989).

Suder and Czinkota (2005) mentioned that “Terrorism” within the IB domain has proven to be a particularly demanding challenge for researchers and practitioners for two reasons: its unpredictability and quasi-intangibility, yet has a real indirect impact on business internationalization and performance.

2.1 Emerging Markets and MNCs

Emerging Markets have been defined and categorized differently by different scholars. According to Cavusgil et al. (2013) the terms such as ‘developing markets’, ‘emerging markets’ and ‘rapidly industrializing nations’ are often used interchangeably. Antoine van Agtamael, an economist in the World Bank, first used the term ‘emerging market’
at the end of 1980s, to refer to rapidly growing economies with rapid industrialization.

The label Emerging Markets was probably coined because the 'labels 'emerging markets', 'developing countries', and 'third world' uncovered a fragmented rather than holistic view of institutional context’ (Alvi, 2012).

Cavusgil et al. (2013), however, elaborated that not all developing countries can be called emerging markets. Specifically, only those developing countries that: (1) are undertaking a process of economic reform designed to address poverty and improve the living standards of their inhabitants; and (2) have an economy that has recorded positive economic growth over a sustained period can "truly" be classified as emerging markets. His emphasis is on economic reform for poverty alleviation and positive economic progress.

Enderwick (2007) further clarified that initially the term emerging market was applied to the former satellite states that were emerging from a planned to a market economy. However, later on its use was generalized to replace the term developing country in describing economies at relatively low-income levels. This definition attempts to differentiate between the developing countries and EMs on the basis of income level.

Arnold and Quelch (1998) explained that in the early 1980s, the term newly industrializing countries was applied to a few fast-growing and liberalizing Asian and Latin American countries. Because of the widespread liberalization and adoption of market-based policies by most of the developing countries, the term "newly industrializing countries" has now been replaced by the broader term emerging market economies. An emerging economy can be defined as a country that satisfies two criteria: a rapid pace of economic development, and government policies favouring economic liberalization and the adoption of a free-market system. The International Finance Corporation (IFC, 1999) identified 51 rapid growth developing countries in Asia, Latin America, Africa, and the Middle East as emerging economies.

The following two definitions by financial experts and financial institutions carry a pragmatic hue:

1) The Managing Director International Monetary Fund, Christine Legard stated that EMs are a group of about 30-50 countries that are in a transition phase—not too rich, not too poor, and not too closed to foreign capital, with regulatory and
financial systems that have yet to fully mature. She has defined and identified the EMs in clear and practical terms.

2) As per BBVA Research, the Emerging Markets are classified in two sets of developing economies (Table 2.1). As of March 2014, the groupings were as follows:  

Table 2.1: Groups of Emerging Markets

<table>
<thead>
<tr>
<th><strong>1- EAGLES</strong> (Emerging and growth-leading economies)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Brazil</td>
<td>Expected Incremental GDP in the next 10 years to be larger than the average of the G7 economies, excluding the US.</td>
</tr>
<tr>
<td>2. China</td>
<td></td>
</tr>
<tr>
<td>3. India</td>
<td></td>
</tr>
<tr>
<td>4. China</td>
<td></td>
</tr>
<tr>
<td>5. Indonesia</td>
<td></td>
</tr>
<tr>
<td>6. Mexico</td>
<td></td>
</tr>
<tr>
<td>7. Russia</td>
<td></td>
</tr>
<tr>
<td>8. Turkey</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>2- NEST</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Argentina</td>
<td>Expected Incremental GDP in the next decade to be lower than the average of the G6 economies (G &amp; excluding the US) but Higher than Italy’s.</td>
</tr>
<tr>
<td>2. Bangladesh</td>
<td></td>
</tr>
<tr>
<td>3. Chile</td>
<td></td>
</tr>
<tr>
<td>4. Colombia</td>
<td></td>
</tr>
<tr>
<td>5. Egypt</td>
<td></td>
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<tr>
<td>6. Iran</td>
<td></td>
</tr>
<tr>
<td>7. Iraq</td>
<td></td>
</tr>
<tr>
<td>8. Kazakhstan</td>
<td></td>
</tr>
<tr>
<td>9. Malaysia</td>
<td></td>
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<tr>
<td>10. Nigeria</td>
<td></td>
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<tr>
<td>11. Pakistan</td>
<td></td>
</tr>
<tr>
<td>12. Peru</td>
<td></td>
</tr>
<tr>
<td>13. Philippines</td>
<td></td>
</tr>
<tr>
<td>14. Poland</td>
<td></td>
</tr>
<tr>
<td>15. Qatar</td>
<td></td>
</tr>
</tbody>
</table>

However, the lists of emerging markets change quickly as the markets included are often selected according to growth indicators and projections on an annual basis. The lists also vary between institutions, as they all use a varied range of indicators and different growth projections when creating their emerging market lists (Cavusgil et al.,

---

The FTSE index breaks down stock market indices according to their development level; accordingly, the advanced emerging countries are Brazil, the Czech Republic, Hungary, Mexico, Malaysia, Poland, South Africa, Turkey and Taiwan. The secondary emerging countries are Chile, China, Columbia, Egypt, India, Indonesia, Malaysia, Morocco, Pakistan, Peru, the Philippines, Russia, Thailand and the UAE (Cavusgil, Ghauri and Akcal, 2008).

EMs have peculiar characteristics, which distinguish them from the developed markets. A notable characteristic of EMs is that the institutions, which underpin them, are often unstable and underdeveloped (Tracey and Phillips, 2011). The comparison in Table 2.2 between the two further elaborates their distinct characteristics.

**Table 2.2: Comparison between Developed & Emerging Markets Dimensions**

<table>
<thead>
<tr>
<th>Dimensions</th>
<th>Developed markets</th>
<th>Emerging markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Level of economic development</td>
<td>High</td>
<td>Low/Medium development</td>
</tr>
<tr>
<td>2. State of economy (and society)</td>
<td>Developed/ Stable</td>
<td>Transitional/ Unstable (Economic/Political reforms)</td>
</tr>
<tr>
<td>2.1. Macroeconomic framework</td>
<td>Developed/ Stable</td>
<td>Undeveloped (being created)</td>
</tr>
<tr>
<td>2.2. Market institutions</td>
<td>Developed</td>
<td>Undeveloped (being built)</td>
</tr>
<tr>
<td>2.3. Market conditions</td>
<td>Stable</td>
<td>(Un)stable</td>
</tr>
<tr>
<td>2.4. Market infrastructure</td>
<td>Developed</td>
<td>Undeveloped (being built)</td>
</tr>
<tr>
<td>2.5. Governmental involvement</td>
<td>Not so high</td>
<td>Relatively high</td>
</tr>
<tr>
<td>2.6. Cultural resistance to market economy</td>
<td>Low</td>
<td>Higher</td>
</tr>
<tr>
<td>3. Rate of growth</td>
<td>Low</td>
<td>High</td>
</tr>
<tr>
<td>4. Room for growth</td>
<td>Narrow (matured markets)</td>
<td>Huge (undeveloped markets)</td>
</tr>
</tbody>
</table>

Enderwick (2007) narrated some more characteristics of emerging economies: EMs enjoy some of the fastest growth rates in the world; EMs’ limited investments in technological development and their dependency on the advance economies for technology; Business systems in EMs are different from those found in the mature economies of the West and Japan; EMs offer a wealth of opportunities, such as their
size, high rates of growth, diverse cost and operations; provide a new market; and provide opportunities for learning. It means EMs are in the age of adolescence but have a promising future.

Enderwick (2009) further added four characteristics of Large Emerging Markets (LEMs). First, rapid growth within LEMs has provided a new impetus to the internationalization of business. Second, the emergence of the LEMs has encouraged increased specialization within the world economy and the “fine slicing” of value-adding activities (Buckley and Ghauri, 2004). Third, international businesses marketing products and services in LEMs are becoming increasingly aware of both the opportunities and threats that such markets bring. Fourth, the rise of emerging economies has been accompanied by the growing competitiveness of LEM enterprises. This explanation reveals that EMs spur internalization of business, increased specialization, enhanced awareness and growing competitiveness.

Mahajan and Banga (2005) added to the characteristics of the EMs claiming that the companies entering these markets face challenges but there are also opportunities for companies with the right solutions. They mentioned the following characteristics: Markets, culture, and environments are demanding; markets are fragmented; populations are youthful and growing; there is limited income and space; infrastructure is weak; technology is underdeveloped; distribution channels are weak; and markets are changing rapidly. The crux is that fortune favours the bold. If MNCs are ready to pick up the gauntlet to venture in the EMs, there is opportunities galore. Abosag, Yen and Barnes (2016) have investigated that businesses had to make significant amount of efforts to develop relationship with the stakeholders, which casts positive impact through increased trust. Therefore, such efforts could also help in developing remedies to countries menaces like terrorism.

Hoskisson et al. (2000) gave their own list of characteristics of emerging economies as low income, rapid-growth countries using liberalization as their primary engine of growth. They have divided EMs into two groups: developing countries in Asia, Latin America, Africa, and the Middle East and transition economies in the former Soviet Union and China. Private and public enterprises have had to develop unique strategies to cope with wide scope and quickness of economic and political change in emerging economies.
Miller (1998) opined that even though every EM is a unique one, most common characteristics of EMs could be summarized in the following ways:

1) Physical characteristics, in terms of an inadequate commercial infrastructure as well as inadequacy of all other aspects of physical infrastructure (communication, transport, power generation);
2) Sociopolitical characteristics which include, political instability, inadequate legal framework, weak social discipline, and reduced technological levels, besides (unique) cultural characteristics;
3) Economic characteristics in terms of limited personal income, centrally controlled currencies with an influential role of government in economic life, expressed, beside other, in managing the process of transition to market economy.

This trilogy of characteristics gives a clear road map to the MNCs to formulate their strategies for EMs on these lines. The characteristics of EMs described by all the scholars given in the literature review above are summarized in Figure 2.1, which make the picture of EMs’ peculiarities and potentials clearer:

**Figure 2.1: Potentials & Peculiarities of Emerging Markets**

<table>
<thead>
<tr>
<th>POTENTIALS</th>
<th>PECULIARITIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>i. Fastest business growth.</td>
<td>i. Technologically underdeveloped.</td>
</tr>
<tr>
<td>ii. Opportunities galore.</td>
<td>ii. Weak infrastructure.</td>
</tr>
<tr>
<td>iii. New markets; low costs.</td>
<td>iii. Different business systems</td>
</tr>
<tr>
<td>iv. Challenges; opportunities for smart companies.</td>
<td>iv. Demanding markets, culture and environments.</td>
</tr>
<tr>
<td>v. Growing population; over 4/5th of the world’s population; youth bulge</td>
<td>v. Fragmented markets.</td>
</tr>
<tr>
<td>vii. Increased specialization.</td>
<td>vii. Weak distribution channels</td>
</tr>
<tr>
<td>viii. Awareness to IB of opportunities and threats.</td>
<td>viii. Weak judicial and legal systems</td>
</tr>
</tbody>
</table>
2.1.1 *Increased Focus on EMs in International Business*

London and Hart (2004) claimed that established markets are becoming saturated; MNCs have turned increasingly to EMs in the developing world. MNCs have launched new initiatives that explore the untapped market potential at the base of the economic pyramid, the largest and fastest-growing segment of the world’s population. Zhang (2008) has reiterated this point that these markets are full of opportunities.

Tan (2009) toed the same line that ‘For MNCs operating in emerging markets, the fast-growing wealth represents a tremendous opportunity. At the same time, these emerging markets also present huge challenge to the MNCs due to underdeveloped institutional environment, weak public governance, widespread bribery and corruption, lack of regulatory legislations and rules, public transparency, and respect for human right’.

Lee et al. (2012) highlighted that networking with local actors significantly influence entry process in EMs is significantly and this opportunity can be effectively availed through early entry in such countries.

Griffith et al. (2008) also pointed out that no doubt the emerging countries make up about three quarters of the world's land mass and account for over four fifths of the world's population, they control only one fifth of global GDP. But they predicted that EMs are expected to grow further, to consolidate their economic and business power, and to exceed the GDP of the developed countries within two decades. It depends on how efficiently MNCs manage their business, social and political relationships in emerging markets (Ghauri, Hadjikahani and Elg, 2012).

Cavusgil et al., (2013) further reinforced the positive aspects of EMs by highlighting the key factors that led to an increased focus on EMs in international business which are as follows:

i) Market potential is no longer too small for marketing efforts. Maximum population growth and infrastructure development rates are predicted for emerging economies. The size of the market is huge as over 80% of the world population resides in EMs and cannot be ignored.

ii) Several emerging economies are investing in infrastructure development,
especially in transportation, power and communication, which has helped bring down the costs of selling in EMs.

iii) Though some EMs have highly differentiated structures, the demand forecast has become easier, with professional consulting and advertising organisations established in most of these markets.

iv) Many emerging economies have developed or accessed technologies that have made them competitive on a global basis.

v) With governments in emerging economies providing full support for foreign investment, reaching business agreements is no longer a cumbersome process.

vi) The information revolution has made more and more information available about emerging economies, and business strategy formulation has become a lot easier.

Despite these positive aspects the business environments are quite different in EMs as compared to the developed economies. The most glaring peculiarity is that EMs face higher level of risks as compared to developed countries. Franco, Ray and Ray (2011) conducted survey of 173 MNE subsidiaries in 6 emerging economies regarding political risk and found out that higher levels of risks in emerging markets are caused by the comparatively under-developed institutional frameworks and more rapid changes in the investment climate characterizing emerging economies. Established sources of political risk include expropriation and nationalization, war, civil disturbance and ethnic or religious tension and terrorism. Rao-Nicholson, Khan and Marinova (2018) researched that political resources could result in a short-term positive impact on the performance of businesses, but the success is for a short period of time.

It is worth mentioning that after a dip in gross domestic product growth in EMs from 2009 onwards, most economists forecasted recovery in average EM GDP growth or at least stabilization at close to 2015 level (DAWN, 2015). ‘EM finds its feet’, ran the title of a Goldman Sachs outlook report for 2016. The International Monetary Fund (IMF) concurs, seeing a recovery in average EM GDP from a forecast 3.9pc in 2015 to 4.5pc in 2016 (ibid). If the economists do not ignore the basic structures and strengths of EMs, like huge size of population in these markets, infrastructure development etc. their predictions for EMs
would be more positive and realistic. Tracey and Phillips (2011) had aptly argued that while the high degree of institutional uncertainty in emerging markets often acted as a barrier to entrepreneurship, it could also provide important opportunities for entrepreneurs. If EMs, in addition to other peculiarities, are afflicted with terrorism too, the situation becomes more complicated. It requires new paradigms and conceptual frameworks to work on. There are studies and researches on MNCs and emerging markets. However, there is little research on combination of terrorism, MNCs and EMs. It is a gap, which makes this study important.

2.2 Terrorism

Terrorism is a very old phenomenon but it became more global after 9/11 attacks (Suder and Czinkota, 2005). It is on the rise, with an almost fivefold increase in fatalities since 9/11 (MacAskill, 2014). Most terrorist incidents occurred in the Middle East and South Asia (Enders and Sandler, 2006). Though the US spent $4.4tn (£2.8tn) on the war against terrorism, the wars in Iraq and Afghanistan and operations elsewhere, the elimination or even reduction of terrorism is still a far cry. Rather it entered Europe and from 2015 onwards frequent terrorist incidents occurred in UK, France, Belgium, Italy, Finland, Sweden and Germany. The list of countries with highest number of deaths in comparison with terrorism attacks during 2013-15 is given in Figure 2.2.

Figure 2.2: Casualties Caused by Terrorism

<table>
<thead>
<tr>
<th>Countries</th>
<th>Deaths</th>
<th>Of which: perpetrators</th>
</tr>
</thead>
<tbody>
<tr>
<td>Iraq</td>
<td>18.6</td>
<td>9.5</td>
</tr>
<tr>
<td>Afghanistan</td>
<td>7.2</td>
<td>10.8</td>
</tr>
<tr>
<td>Pakistan</td>
<td>5.4</td>
<td>2.8</td>
</tr>
<tr>
<td>Nigeria</td>
<td>4.8</td>
<td>1.3</td>
</tr>
<tr>
<td>Syria</td>
<td>3.3</td>
<td>6.3</td>
</tr>
<tr>
<td>India</td>
<td>2.8</td>
<td>2.5</td>
</tr>
<tr>
<td>Yemen</td>
<td>2.0</td>
<td>2.7</td>
</tr>
<tr>
<td>Somalia</td>
<td>1.5</td>
<td>3.4</td>
</tr>
<tr>
<td>Philippines</td>
<td>0.9</td>
<td>0.4</td>
</tr>
<tr>
<td>Congo</td>
<td>0.4</td>
<td>0.2</td>
</tr>
<tr>
<td>Thailand</td>
<td>0.3</td>
<td>1.4</td>
</tr>
<tr>
<td>Sudan</td>
<td>0.2</td>
<td>0.7</td>
</tr>
<tr>
<td>Russia</td>
<td>0.1</td>
<td>0.9</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Algeria</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Similarly, the year-wise trend of deaths on account of terrorists bombing from the period 1989 to 2018 in different countries including emerging economies is given in Figure 2.3.

**Figure 2.3: High Casualty Terrorist Bombings, 1989-2018**

Source: Center for Systematic Peace. [http://www.systemicpeace.org/conflicttrends.html](http://www.systemicpeace.org/conflicttrends.html)

Terrorism is one of the glaring political risks, which has grown from a mainly non-probabilistic uncertainty into a full-fledged risk in its own name after 9/11 (Suder and Czinkota, 2013). Political risk is defined as “the potential loss of one’s investment in or
managerial control over a foreign asset because of instability and political changes in the host country” (Schermerhorn, Hunt and Osborn, 2005, p.130). Cavugil, Ghauri and Akcal (2013) explained that country risk or political risk refers to the prevalence of adverse influences, which may occur due to changes in a country’s political and legal environments. Multinational corporations with long-term projects in unstable developing regions are especially susceptible to political risk (Howell and Chaddik, 1994). The increasing risk of terrorism can cause changes in country’s political environment and give birth to new legal regulations. It causes severe adverse influences on all sectors including the businesses. Therefore, increased attention to the dark-side of the business, which also includes terrorism threats, could help in understanding the business model and its management (Abosag et al., 2016).

Terrorism is a complex phenomenon, which is looked at and defined differently by different quarters. There are more than one hundred definitions of terrorism (Schmid, 1983), which try to understand it from different viewpoints. However, most definitions of terrorism see eye to eye on the idea that violence, or the threat of violence, is employed to terrify or intimidate people to bring about change in political or social systems. Fear and threat exert pressures on governments, populations and organisations that may help terrorists achieve goals that are unrelated to the violence itself.

A widely respected definition of terrorism, based on a survey of over 100 definitions produced around the world, provides: “Terrorism is an anxiety-inspiring method of repeated violent action, employed by (semi-) clandestine individual, group or state actors, for idiosyncratic, criminal or political reasons, whereby – in contrast to assassination – the direct targets of violence are not the main targets” (Carlile, 2007, p.34). The last portion of this definition, ‘the direct targets of violence are not the main targets’ is relevant to this study too as most impacts of terrorism on businesses are indirect as most often, they are not the main targets but still they suffer.

Hoffman (2006) defined terrorism as ‘the deliberate creation and exploitation of fear through violence or the threat of violence in the pursuit of political change.’ He elaborated that terrorism is specifically designed to have far-reaching psychological effects beyond the immediate victim(s) or object of the terrorist attack. It is meant to infuse fear within, and thereby terrorize, a wider `target audience’ that might include a rival ethnic or religious group, an entire country, a national government or political party, or public opinion in general. Businesses, of course, are no exception.
Enders and Sandler (2012) defined terrorism as the premeditated use or threat to use violence by individuals or subnational groups to obtain a political or social objective through the intimidation of a large audience beyond that of the immediate victims.

Neumann (2009) saw eye to eye with Suder and Czinkota (2005), Hoffman (2006) and Enders and Sandler (2012) regarding the emerging form of terrorism, that terrorism developed through a process of evolution as its organisational structures, modus operandi, political agendas and types of warfare had changed over the years as a result of certain dynamics, such as the information revolution created by modernity and globalization. It concluded that both governments and societies needed to better confront the challenges created by these “new” forms of terrorism in the areas where it had evolved.

A few definitions of terrorism coined by states, departments and international organisations are given in Table 2.3:

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Definition</th>
<th>By</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>“Criminal acts intended or calculated to provoke a state of terror in the general public, a group of persons or particular persons for political purposes are in any circumstance unjustifiable, whatever the considerations of a political, philosophical, ideological, racial, ethnic, religious or any other nature that may be invoked to justify them.”</td>
<td>The UN General Assembly Resolution 49/60 (adopted on December 9, 1994), titled &quot;Measures to Eliminate International Terrorism,” contains a provision to describe terrorism.</td>
</tr>
<tr>
<td>2.</td>
<td>“Any act or threat of violence, whatever its motives or purposes, that occurs in the advancement of an individual or collective criminal agenda and seeking to sow panic among people, causing fear by harming them, or placing their lives, liberty or security in danger, or seeking to cause damage to the environment or to public or private installations or property or to occupying or seizing them, or seeking to jeopardize national resources.”</td>
<td>The Arab Convention for the Suppression of Terrorism was adopted by the Council of Arab Ministers of the Interior and the Council of Arab Ministers of Justice in Cairo, Egypt in 1998. Terrorism was defined in the convention.</td>
</tr>
<tr>
<td>3.</td>
<td>“Criminal acts, including against civilians, committed with the intent to cause death or serious bodily injury,</td>
<td>UN Security Council Resolution 1566</td>
</tr>
</tbody>
</table>
or taking of hostages, with the purpose to provoke a state of terror in the general public or in a group of persons or particular persons, intimidate a population or compel a government or an international organisation to do or to abstain from doing any act.”

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>4.</td>
<td>“Any act intended to cause death or serious bodily harm to civilians or non-combatants with the purpose of intimidating a population or compelling a government or an international organisation to do or abstain from doing any act.”</td>
<td>A UN panel described terrorism in this manner on March 17, 2005.</td>
</tr>
<tr>
<td>5.</td>
<td>“Terrorist offences are certain criminal offences set out in a list comprised largely of serious offences against persons and property which: given their nature or context, may seriously damage a country or an international organisation where committed with the aim of: seriously intimidating a population; or unduly compelling a Government or international organisation to perform or abstain from performing any act; or seriously destabilizing or destroying the fundamental political, constitutional, economic or social structures of a country or an international organisation.”</td>
<td>The European Union defines terrorism for legal/official purposes in Art.1 of the Framework Decision on Combating Terrorism (2002).</td>
</tr>
<tr>
<td>6.</td>
<td>“An act designed seriously to interfere with or seriously to disrupt an electronic system”. An act of violence is not even necessary under this definition.”</td>
<td>United Kingdom’s Terrorism Act 2000</td>
</tr>
<tr>
<td>7.</td>
<td>“Activities that involve violent or life-threatening acts that are a violation of the criminal laws of the United States or of any State and… appear to be intended (i) to intimidate or coerce a civilian population; (ii) to influence the policy of a government by intimidation or coercion; or (iii) to affect the conduct of a government by mass destruction, assassination, or kidnapping; and (C) occur primarily within the territorial jurisdiction of the United States…”</td>
<td>Section 2331 of Chapter 113(B), Title 18 of the United States Federal Criminal Code gave this definition and lists the crimes associated with terrorism.</td>
</tr>
</tbody>
</table>
| 8. | “Terrorist activities include

• Threatening, conspiring or attempting to hijack airplanes, boats, buses or other vehicles.

• Threatening, conspiring or attempting to commit acts of violence on any "protected" persons, such as government officials

• Any crime committed with "the use of any weapon or dangerous device," when the intent of the crime is determined to be the endangerment of public safety or substantial property damage rather than for "mere personal monetary gain.” | US Patriot Act of 2001 |
9. “Calculated use of unlawful violence or threat of unlawful violence to inculcate fear. It is intended to coerce or intimidate governments or societies ... [to attain] political, religious, or ideological goals.”

   U.S. Army Field Manual No. FM 3-0, Chapter 9, 37 (14 June 2001).

10. “The calculated use of unlawful violence or threat of unlawful violence to inculcate fear; intended to coerce or to intimidate governments or societies in the pursuit of goals that are generally political, religious, or ideological.”

   Department of Defence Dictionary of Military Terms

11. “The unlawful use of force or violence against persons or property to intimidate or coerce a Government, the civilian population, or any segment thereof, in furtherance of political or social objectives.”

   Federal Bureau of Investigation (FBI).

   This definition serves the form and nature of post-9/11 terrorism befittingly.

Source: https://dema.az.gov/sites/default/files/Publications/AR-Terrorism%20Definitions-BORUNDA.pdf

An overview of all the above definitions of terrorism points out that though every definition reflects the priorities and particular interests of the specific agency and country, three elements are common in all of them, i.e. use of violence or threat of violence, through creation of fear, in pursuit of political or social change. It also highlights the fact that terrorism aims at intimidating the subjects beyond the immediate victims or object of terrorist attack (Hoffman, 2002). Indirect impacts therefore are in fact intended and not just the unintended fall-outs.

Of all the definitions of terrorism, I use the one coined by the U.S. Department of Defence (DoD), “The calculated use of violence or the threat of violence to inculcate fear; intended to coerce or to intimidate governments or societies in the pursuit of goals that are generally political, religious, or ideological” (Fay, 2007, p.561). It is simple but comprehensive and has the capacity to explain terrorism in all its forms and manifestations, especially the nature and scope of post-9/11 international terrorism. The use of concept of intimidation of ‘societies’ besides governments, gives it a universal dimension. Bruce Hoffman (2002) had also termed DoD definition of terrorism as arguably the most complete of the other definitions given by FBI and US State Department, etc.
2.3 Impacts of Terrorism on MNCs

An MNC is a business concern that has a worldwide approach to markets and production or one with operations in more than a country (Mellen and Sullivan, 2007). Multinational corporations are the main purveyors of international business. They as an entity, with problems of organisation and a purposive strategy became central to the international business agenda in the 1970s (Buckley, 2002).

According to Root (1994), an MNC is a parent company that:

1) engages in foreign production through its affiliates located in several countries;
2) exercises direct control over the policies of its affiliates; and
3) implements business strategies in production, marketing, finance and staffing that transcend national boundaries (geocentric).

Dunning seeks to explain through ‘eclectic paradigm’ that MNCs exist and may be more successful than the domestic firms in the host countries if they hold three competitive advantages, i.e. ownership, location and internalization as shown in Figure 2.5, over the local firms (Dunning, 1988, 2001; Dunning and Wymbs, 2001).

<table>
<thead>
<tr>
<th>Ownership or firm-specific advantages</th>
<th>Location advantages</th>
<th>Internalization advantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product differentiation; risk</td>
<td>Differences in input prices. Quality of</td>
<td>Asymmetric information among suppliers and buyers (market</td>
</tr>
<tr>
<td>diversification; specific</td>
<td>the inputs (e.g., natural resources,</td>
<td>imperfections). Reduction of exchange rate costs. Agreements</td>
</tr>
<tr>
<td>endowments</td>
<td>sophistication of the labour). Financial</td>
<td>are possible.</td>
</tr>
<tr>
<td></td>
<td>resources. Transport costs, communications</td>
<td></td>
</tr>
<tr>
<td></td>
<td>and infra-structures</td>
<td></td>
</tr>
<tr>
<td>Greater efficiency, coordination and</td>
<td>Barriers to free trade (e.g., import</td>
<td>Avoid or exploit governmental intervention (such as tariffs or</td>
</tr>
<tr>
<td>leverage of the resources accessed in</td>
<td>quotas, tariffs). Distance to the factor</td>
<td>investment incentives)</td>
</tr>
<tr>
<td>each location improving firm’s</td>
<td>markets and inputs</td>
<td></td>
</tr>
<tr>
<td>capabilities and resource pool.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Use of headquarters’ resources (e.g., through transfer prices) | Investment policies; country risk, tax incentives of the host country | Reduction of buyer and/or supplier uncertainty.
---|---|---
Larger size, economies of scale and scope. Prior multinationality | Physical distance, language, culture. | Control the supply in terms of quality and quantity. Control sales.
Flexibility in the acquisition or production due to better location. Recognition of opportunities for mergers and acquisitions, new competitive advantages of increase of the market share | Clusters of related firms, benefiting from agglomeration externalities. | Strategic gains. Internalization of externalities.

*Source: Ferreira and Pinto, (2011). Adapted from Dunning, J. (1999)*

Location advantage can be benefitted by MNCs provided they take stock of country risk, more specifically of terrorism, in the host country.

Terrorism has given rise to an additional type of business risk, which may be called terrorism risk or security risk. Such risk directly or indirectly affects the operations of multinational enterprises or their value chain partners, leading to loss of revenues or business opportunities (Abosag and Farah, 2011; Wernick, 2006). There is a need to understand the uniqueness of the new risk that can make people suffer from great terrorist threats even if there are no fatalities (Prieto-Rodríguez, Rodríguez and Pandiello, 2009). Measurement of terrorism based on the number of terrorist casualties fails to grasp the consequences for people in terms of economic or utility losses. Economic losses can be one major casualty and collateral damage of terrorism.

Direct terror-related risk to businesses should be a matter of concern too, since 62% of terrorist attacks between 1999 and 2003 were targeted at businesses. Terrorism affects MNCs in numerous ways. Risk management, recruitment, expatriation, insurance, security, and operational hindrances are just to name a few (Abosag, 2010; Abosag and Farah, 2011). Post 9/11 times surely are tough for MNCs. Some even prefer to acknowledge terrorist groups especially in international business as a distinct stakeholder. This demonstrates the increasing concerns within the business environment to terrorism (Czinkota, 1998). Abosag and Farah (2011) has researched that positive
emotions are tied to brands, their boycott lead to negative impact on the sales and stock price. And the boycotts which are religiously motivated ultimately influence the way consumers perceive the products. Possible remedy in this scenario is a ‘comeback strategy’ by distancing from the boycott without alienating from the customers (Abosag, 2010).

According to Czinkota, Knight, Liesch and Steen (2005) terrorism poses direct and indirect threats to firms. Market imperfection increases transaction costs and creates barriers to the free flow of goods. The 9/11 event contributed to the decline in the global economy. Aviation, tourism and retailing were affected. Terrorist acts demonstrated adverse effects on buyer demands and market supply as well as marketing strategy. It has been noted that terrorists direct their attacks against businesses far more than any other target. In particular, the transportation and tourism sectors, the financial markets, and the amount of foreign direct investment in a country are especially responsive to terrorist attacks. It is quite alarming that majority of businesses remain unprepared to meet such risks (Czinkota and Ronkainen, 2009).

Direct impacts included damage or disruption of power, communication, transport and other infrastructure due to physical damage, injury, trauma and death on human level, and destruction on a physical level. This level was mainly explored and conceptualized in the literature and included business continuity planning/preparedness (Jrad, Morawski and Spergel, 2004; Zsidisin, Melnyk and Ragatz, 2005), business resilience (Enderwick, 2006; Sheffi, 2005), crisis management, disaster recovery (Decker, 2005) and disaster planning (Gerber and Feldman, 2002). Though these studies explored this level of impact but further addition is needed with specific reference to MNCs. Indirect impacts remained thoroughly unexplored.

MNCs need to address such risks in an organized manner. The risks should be categorized from high-risk, medium-risk to low risk using risk matrix. The more risk a company is able to mitigate the more sustainable the company can become (Muthuveloo, Pulenthiran and Ping, 2013).

A long-term economic consequence of the increased focus on combating terrorism is that governments have to play a bigger role in allocating capital. As investments shift from private business investment to defence and security-related spending, the accumulation of directly productive capacity may be crowded out. There is also an
increase in private sector spending to improve the security of business infrastructure, operations and information.

Varying assessments have been made regarding the effects of terrorism on economic activity. Becker and Murphy (2001) argued that terrorism should not have a large effect on economic activity, because terrorist attacks destroy only a small fraction of the stock of capital of a country. They doubt the longevity of terrorism era and hope that prosperity would rise from the ashes. In contrast, empirical estimates of the consequences of terrorism typically suggested large effects on economic outcomes (Abadie and Gardeazabal, 2003). Mobility of productive capital in an open economy may account for much of the difference between the direct and the equilibrium impact of terrorism. Terrorism may have a large impact on the allocation of productive capital across countries, even if it represents a small fraction of the overall economic risk. In addition to increasing uncertainty, terrorism reduces the expected return to investment. As a result, changes in the intensity of terrorism may cause large movements of capital across countries if the world economy is sufficiently open, so international investors are able to diversify other types of country risks. Higher levels of terrorist risks are associated with lower levels of net foreign direct investment positions, even after controlling for other types of country risks. ‘On average, a standard deviation increase in the terrorist risk is associated with a fall in the net foreign direct investment position of about 5% of GDP. The magnitude of the estimated effect is large, which suggests that the “open-economy channel” impact of terrorism may be substantial’ (Abadie and Gardeazabal, 2008).

It has been documented that the direct impact of terrorist attacks on productive capital is relatively modest. This seems to be true even for events of catastrophic terrorism. For example, it is estimated that the 9/11 terrorist attacks resulted in a loss of 0.06% of the total productive assets of the US economy (Becker and Murphy, 2001). In consequence some authors have argued that terrorism is unlikely to exert a significant influence on economic activity in the long run. The calculations in Becker and Murphy (2001) bound the long-run effect of the 9/11 attacks to 0.3% of GDP (IMF, 2001; OECD, 2001).

In contrast, reduced-form estimates of the economic effects of terrorism typically suggest much larger effects, at least in those areas where the risk of terrorism is particularly severe or sustained. For example, the impact of terrorism in the Basque Country, a 10% drop in per capita GDP was found which emerges during a period of
two decades and that is attributable to the terrorist conflict (Abadie and Gardeazabal, 2003). Chen and Siems (2004), Enders and Sandler (1996), and Suarez and Pshisva (2006), among others, similarly found large effects of terrorism on economic variables.

The US MNCs face a greater threat as globalization and anti-Americanism fuel one another and they cannot isolate themselves from political trends. After all, they have $2.5 trillion worth of assets abroad. Some 30% of the profits earned by companies on Standard & Poor’s 500-stock index are derived from foreign operations. The risks to U.S. companies abroad include consumer boycotts, loss of procurement contracts, adverse regulatory rulings, and difficulty in hiring top local talent. In addition, U.S. commercial facilities could become targets of violence. Growing distrust could also poison trade negotiations (The Economist, 2003; Jain and Grosse, 2009).

Czinkota et al. (2005) gave a series of propositions intended to clarify the linkage between terrorism, management and marketing. They argued that as the salience of terrorism increases managers will tend to include it in those factors that they consider when developing or revisiting strategy; they will consider it when evaluating markets; firms will tend to establish larger safety stocks of inventory or increase inventories of essential input goods as a cushion against the direct and indirect effects of terrorism; will create upward pressure on pricing and lead managers to raise prices.

Bouchet (2004) pointed out that FDI flows had shrunk since their peak of 2001 and trade tensions increased between Europe, North America, Japan and emerging markets’ countries. He further added that the combination of increasing global terrorism, tighter banking regulations and a worldwide economic slowdown reduced market access prospects for EM markets and increased the scope of liquidity difficulties. Koh (2006) expressed the concern that in the aftermath of the 9/11 attacks, the flow of investment from major industrial countries to less developed countries slowed down. The other short-term impact included the disruptions to the global services, airline industry, and tourism and hotel industries. The dampening of consumer and investor confidence and the accompanying reassessment of operational and security risks left many businesses dangerously exposed. Long lasting effect can be trust deficit in the government’s capacity to protect the country. Conversely according to UN’s World Investment Report (2015) the Inward FDI flows to developing economies reached their highest level ever,
at $681 billion with a 2 per cent rise in 2014. It can be said that after a dip as a result of post 9/11 global fear of terrorism, international business revived and gained confidence.

Public spending on homeland security and defense went up in many countries. According to a study by the Stockholm International Peace Research Institute, military spending worldwide in 2003 increased by about 11% in real terms, compared with the figures in 2002, which saw a 6.5% increase over 2001 (Global Peace Index, 2013). The global economic impact of containing violence was estimated to be US$9.46 trillion in 2012 or 11% of Gross World Product (ibid). The economic impact of violence on the global economy in 2014 was significant and was assessed at US$14.3 trillion or 13.4 per cent of world GDP. Since 2008, the total economic impact on global GDP increased by 15.3 per cent, from US$12.4 trillion to US$14.3 trillion (Peace Index Report, 2015).

From a managerial economics perspective, MNCs incur a wide range of significant business costs, both fixed and variable, due to the threat of global terrorism. One fixed cost involves upgrading the physical security of the firm’s personnel, property, plant, and equipment located in areas where “…the incidence/likelihood of terrorism against a multinational firm–its employees and property–is well above average risk” (Ryans and Shanklin, 1980, p. 67). Many multinational executives employ outside security consultants for advice on confronting the threat of terrorism. Security consultants provide detailed economic and political analysis of high-risk areas of interest to international firms.

Some international firms may reduce their direct capital investments or business operations within geographic areas of high terrorism risk. A survey of international executives predicted that increased terrorist attacks over time would “ultimately lead to more and more multinational companies retreating from positions of heavy involvement” (Ryans and Shanklin, 1980, p. 67). This assessment however did not prove true as despite manifold increase in terrorism as compared to 1980, when this prediction was made, the MNCs are investing more in EMs where threat of terrorism is higher than developed countries. But one aspect has remained true, which was true in 1980, as per survey of 48 U.S. MNCs and 34 from other countries, that executives rank terrorism as second only to inflation as a barrier to doing business worldwide.

The threat of terrorism caused some multinational firms to make, at times, inefficient personnel decisions. The personnel decisions intended to mitigate the risk of terrorism often imposed some unintended, long-term costs on the firm. Terrorism caused global managers to consider carefully the use of expatriates in foreign assignments (Ryans and Shanklin, 1980, p. 68).

According to Barth, McCarthy, Phumiwasana and Yago (2006), an increasing number of terrorist incidents may indicate increased political instability in a country. In this regard, a number of cross-country empirical studies have found that political instability has a negative impact on economic growth (Alesina and Perotti, 1996; Barro, 1991; Mauro, 1995). Other cross-country studies have found that political instability also has a negative impact on investment and savings (Alesina and Perotti, 1996; Venieris and Gupta, 1986). If terrorism persists, economic costs can be permanent.

Violence, including armed conflict, social unrest, terrorist threats, etc., does not influence the probability of whether a country receives any FDI inflow, but reduces the amount of FDI inflow a country receives (Li and Vashchilko, 2010). A study by the World Bank (2003) on the Palestinian-Israeli conflict estimated that its cost on the Israeli economy was about 4 percent of GDP. Another study by the World Bank (2004) estimated that the Palestinian territories suffered as much as a 50 percent decline in GDP from 1992 to 2004 due to conflicts.

Global terrorism exacts high costs in terms of lives lost and property destroyed—the obvious costs of terrorism. There are, however, other costs less widely recognized but just as real. Similarly, some of the business costs due to terrorism are quantifiable, while many are not. One of unquantifiable but very serious influence of terrorism is stress or strain level of employees, which results in change in work attitudes and performance (Bader, Benjamin and Berg, 2014). It negatively influences an expatriate’s work attitudes toward his or her team, organisation and task. Many studies (Hang-yue, Foley and Loi, 2005; Leavitt, Fong and Greenwald, 2011; Caligiuri, 2000; Shaffer, Harrison, Gregersen, Black and Ferzandi, 2006; Puck, Mohr and Rygl, 2008; Tungli and Peiperl, 2009; Mainiero and Gibson, 2003; Ryan, West and Carr, 2003; Howie, 2007), either explicitly or implicitly conclude that terror events are stressful for individuals or, in other words, that people experience stress due to an attack. Any kind
of stress affects one’s private and professional life. Lin, Liou, and Wu (2007) argued that besides being pushed by technical development and pulled by the demand for hi-tech products, technology is also often influenced greatly by the sudden impacts from other external environments.

The biggest challenge for states is religiously-motivated groups which seem undeterred by any policy but may be limited in their ability to carry out attacks when states emphasize restriction (Miller, 2007), therefore after 9/11, the focus of studies has been on the threat posed by militant Islamists. But terrorism studies are not the only discipline that has the mandate to look into this sort of terrorism (Czwarno, 2006). Because the potential and implications of Islamist militancy are something that spanned a broad array of disciplines, international relations, political science, security studies, strategic studies, and area studies also had some responsibility to address the threat. There have been various shortcomings in these disciplines. The most significant discipline in this research project—terrorism studies—is overwhelmed by problems that hinder its ability to produce sound research. Merari(2007) highlighted the “inadequate contribution of academic research on terrorism to governmental policy making” and attributed it to three factors: the difficulty of researching terrorism, the lack of interest in terrorism within the mainstream social sciences, and government failure to utilize the expertise of the academic community.

The relationship between terrorism and business has been studied in the literature on terrorism but it certainly has not been at its forefront (Frey, 2009). The worrying point is that terrorism is on the rise in many parts of the world which is a threat to all of the nations. The "new terrorism" of religiously dedicated holy warriors is less vulnerable to being deterred by military and law enforcement threats. Indeed, the use of violence not only failed to diminish international and domestic terrorism but also provided the ideologists of terrorism with useful ammunition (Turk, 2002). Axiomatically international business would keep facing the impact of terrorism therefore it ought to plan and prepare accordingly.

Terrorists opt for those kinds of actions from which they expect the highest benefit-cost ratio. The businesses are target on account of the following reasons:

1) Some firms are highly visible targets; an attack on them is certain to attract the attention of the media, wide sections of the population, and of course the
government, thus supplies terrorists with the publicity they seek.

2) Many firms are soft targets in the sense that it is impossible to prevent potential terrorists from coming near or even entering the premises.

3) When firms are attacked, the economic process is disrupted. The firms directly or indirectly affected may be induced to relocate to other areas or countries. International firms are less likely to undertake direct foreign investments in that area. The economic situation within the country may worsen leading to dissatisfaction and possibly even revolts, making it more likely that the proclaimed goals of terrorists become more acceptable and reasonable.

4) Some companies may be part of the control and authority on which the power of the government that is opposed by the terrorists rests. The firms may be owned by the government or by members of the government. Companies may support the government financially, or help it by providing advice and technological means. Attacking such firms reduces the government’s possibilities to pursue its own goals (Frey, 2009).

There exists a little established body of theory on terrorism and there has been virtually no research published on the relationship between terrorism, management and marketing (Czinkota et al., 2005). Because there has been paucity of research on this topic in business, authors have focused on devising concepts and theory specific to this field. Management literature provides 3 views of strategy: Situation-specific view; Universal View; Contingency View. The contingency view has proven a useful theoretical basis for various researches. Contingency approaches by definition imply that the relationship between two variables is contingent upon some third variable and thus scholars should investigate terrorism as a moderator variable and the nature of its interaction with antecedent variables in influencing important dependent variables.

2.4 Countering Impacts of Terrorism

2.4.1 Role played by MNCs

MNCs ought to prepare to deal with the “before, during and after” of terrorism. Terrorism should be considered as well in planning on the location of foreign subsidiaries, proposed target markets, and especially international distribution channels and supply chain management. Flexibility plays a larger role for firms
with extensive international linkages. Manufacturers should re-evaluate existing transportation arrangements, expand contingent shipping arrangements, and consider their inventory policies as part of efforts to combat terrorism. Consideration should be given to diversifying and increasing the number of suppliers in the event of rising input prices.

Lin et al. (2007) pointed out that since the events of 9/11, the world has become increasingly sensitive to the threat of terrorism. The apocalyptic spirit of Al-Qaeda and likes may be around for decades. Since it is unlikely that threats of terrorism will completely disappear in the foreseeable future, it behooves engineers and architects to act now to restore everyday life at airports and other public places to the civility known before the present era. This can be done with the judicious application of modern magnetic, electrical, opto-electronic, chemical, and biological technologies in service to human safety and human dignity.

If human intelligence is not sufficient to choke off terrorism, the circulation among technology and terrorism will be endless. Terrorism will present opportunities and challenges for technology development. The post-September 11-security environment has forced a dramatic acceleration of such transformation efforts. Multi-pronged efforts ranging from use of technology to educate the public are imperative to counter terrorism.

**Rising violence and need for preparedness:** Over the last 60 years, there have been more than 228 armed conflicts active in 148 locations throughout the world; from the end of the cold war to 2002, there were more than 125 violent conflicts resulting in 7 million deaths (Getz and Oetzel, 2010). Violence has increased dramatically and given the predictions the trajectory is likely to rise. The prevalence and severity of violent conflict coupled with increased global foreign direct investment over this period resulted in a greater likelihood that businesses would be directly or indirectly affected by violence (Fearon, 2004).

**Prepare or Perish:** Preparation is the key but most companies need to do more at this important first stage. Nearly one in four companies had no business continuity plan at all, and a further 14% said their plan was insufficient in light of current political violence (Czinkota et al., 2010). However, there had been
some improvement in this regard during the last one decade.

It is important to study MNCs confronting violent conflict with respect to existing projects or facilities rather than those considering a new investment in an area beset with violence. An existing project faced with terrorist threats have little choice to wind up and leave. It has to adopt strategies to ward off the threat and ensure continuity of operations to earn profits. On the other hand, when contemplating new investment, a firm might opt to wait until the conflict has abated (Maddox, 1990). He further observed that though it seems imperative to ensure high level of preparedness to avoid terrorist threats, the response to the terrorist threat is inadequate and misdirected.

**Reasons of becoming Target:** Where businesses are the target of terrorism, it is usually because of what they represent, rather than anything they do. The US National Counter Terrorism Center’s list of significant terrorist events describes 24 attacks on McDonald's restaurants between 1993 and 2005 worldwide. Of the minority where responsibility was claimed, motivation for the attacks included nationalism, anti-globalization, religion and Marxism—but in each case the perpetrators objected to the restaurant as a symbol of America, not a purveyor of products. Experts believe that there is a blurring of boundaries between Islamic, anti-globalization, and anti-American groups, with “hatred of the US in all its manifestations causing these to move in the same direction”.

**Proactive Role of MNCs to Counter Terrorism:** Meteoric rise in terrorism demands greater role of MNCs in countering terrorism. Especially when some governments are unable to handle the situation, and the multilateral institutions are reluctant to intervene, MNEs engaged in international ventures may find themselves in situations where they must respond to violent conflict to minimize investment risk or to promote stability in countries where they operate. It is wrongly assumed that the host government has the capacity, resources and willingness to influence activities within its borders.

**Know thy Enemy:** Awareness is integral part of preparedness. MNCs must know what sort of terrorism is going to hit them, directly or indirectly. It is observed that 59% see religious extremists as a high risk (The Economist, 2017). In reality the picture is more complex. Self-described “Marxist” and nationalist
terrorists were responsible for many more incidents than religious groups over
from 2001 till 2006. Researchers say that the jihadists are seeking to become
innovative in their approach to terrorism, which naturally poses new dangers.
Experts see jihadi terrorism as the leading threat. But it does not necessarily
indicate greater threat to business. Terrorists seek to plan spectacular attacks that
may not only have an impact on business directly, but also bring economic
activity to a halt indirectly. Experts agree that there is no room for complacency
(Lloyd’s, 2007).

Making Opportunity out of Crisis: Terrorism must not deter MNCs from
investing in dangerous places. According to The Economist (2015), dangerous
places can be hugely profitable, as many small mining firms have long known
from staking claims to mines in unstable countries and hanging on to them until
larger and only slightly less daring businesses buy them out. South African firms
are especially deft at judging risks in their continent: MTN, a big telecoms firm,
makes almost as much money in Nigeria as in South Africa. Risk-taking wins
markets. Singer (2003) stated, “For firms that are second or third in a market,
taking risks is a way to get ahead,” he argues. Marsh and McLennan, a huge
insurance broker, bought Kroll for $1.9 billion in cash, some gasped at the price.
Why so much? Because demand for the sort of services that firms such as Kroll,
provide intelligence gathering, investigation and security, especially in nasty
parts of the world, is now booming, and it is the brand leader.

Kroll is not alone in making money from dangerous parts of the world. The
second-quarter results of Halliburton, a controversial American conglomerate,
revealed that work related to Iraq contributed $1.7 billion—around one-third—
of the firm’s total revenues in that quarter. The revenues of its engineering and
construction subsidiary, Kellogg Brown and Root (KBR), were 68% higher than
in the same quarter of last year, thanks to government contracts in the Middle
East. However, 42 of its workers had died so far in Iraq and Kuwait. Pentagon
auditors reportedly found that Halliburton had failed to account for 43% of the
$4.18 billion that KBR has charged for feeding and housing American troops in
Iraq and Kuwait (The Economist, 2004).

Learning to Live with Perils: Terrorist groups with different causes and
motivations have always exchanged knowledge- for example the collaboration
between the Irish Republican Army (IRA) and Spain’s ETA or with the Revolutionary Armed Forces of Columbia (FARC). The type of combatants in the more asymmetrical wars also creates new dilemmas. Learning how to deal with these situations will take many companies into unchartered territory. Another challenge for businesses is that the international community is watching corporate behaviour more closely in zones of weak governance, bringing reputational considerations to the fore. Other emerging risks such as climate change and increased shortages in natural resources are likely to magnify the threat of political violence.

Perception Does Not Always Match Reality: Business needs better information to understand where the real risks lie, 10% firms do not collect information on political violence risks and 22% do not address these risks systematically, even within broad risk management strategies.

Companies that engage in local conflict issue can bring wide benefit to the business. Economic development initiatives must be aligned with conflict resolution. This is sometimes referred to as “conflict sensitive business practice”, the absolute prerequisite for which is an in-depth knowledge of the conflict in question (Lloyd’s, 2007).

As ever increasing threat of terrorism has added to uncertainty for the private sector and for long-term business prospects in many countries the need to learn to manage violent conflict risk does not appear to be dissipating (Oh and Oetzel, 2016). Firms that are able to develop capabilities around managing in unstable environments may not only benefit themselves but also provide jobs and some degree of economic continuity for host-country residents literally caught in the crossfire. Expertise managing these events can lead to financial success for the firm and economic survival and development for the host country in question (ibid).

Risk Assessment: Every global company in today’s world must consider adopting a comprehensive political risk-assessment strategy to ensure it invests in the right places and continues making the right decisions necessary to outperform its competitors (Willis, 1986).

Every company adopts political risk assessment at two or three levels. The
assessment team at the corporate headquarters can be assigned the task of creating a general model that identifies broad macro variables applicable for all international operations such as exchange-rate fluctuations, GDP growth rate, and threat of war, and broad, industry-specific micro variables. On the other hand, assessment teams at each international location can create sub-models that incorporate country-specific macro- and micro-variables. MNCs can take it a step further in creating region-specific models as well.

From improving the physical security of corporate assets to managing personnel issues in high-risk environments, multinational corporations experience a wide range of negative effects due to the threat of terrorism. As multinational corporations continue to operate across international boundaries, they will undoubtedly continue to clash with terrorist groups bent on achieving political goals through violent means. Even with the U.S. and its allies militarily engaged in the Global War on Terrorism, the people, the facilities, and the operations of multinational firms will continue to be the favourite targets of terrorist attack. Global terrorism causes international firms to divert scarce resources and management talent away from primary business operations to focus on mitigating the risk of terrorist attack. Global terrorism creates significant business costs for multinational firms that must first be understood by managers and then must be minimized to the greatest extent possible. To do otherwise would not only degrade the overall health of the global economy but also serve to encourage more terrorist violence against multinational corporations in the future (Mazzarella, 2005).

Eiteman, Stonehill and Moffet (2004) believe that MNCs’ dependence on government in fighting terrorism is a must. Other viewpoint is that MNCs can and must deal with terrorism in their own ways as essential agents of international trade on top of governmental cooperation. Multinational corporations share at least one same feature with terrorism, although not without a cost, and that is for being everywhere.

MNCs operating in areas affected by terrorism must acknowledge the difficulties violence and terrorism create for business and should undertake proactive roles for reducing the problem. It is imperative that firms move from the acknowledgement of the problem to responsive action. Even relatively small
and reluctant firms may make contributions to reducing violent conflict. A better understanding of firms’ responses to terrorism and violent conflict can help all those affected by violent conflict – firms themselves, governments, and others – develop strategies aimed at reducing terrorism-related violence and its devastating negative consequences (Oetzel and Getz, 2012).

Need to Investigate the Effects of Terrorism: The literature reports little on the effects of international terrorism on the firm and the knowledge to tackle them. Liesch, Steen, Knight and Czinkota, (2006) suggest that with heightened awareness of international terrorism, and the changed environment for the firm operating internationally, it is timely that the effects of terrorism on decision-making in firms be investigated.

It is equally important to have deep understanding of terrorism to take decisions about tackling it and to face its impacts. Kondrasuk, Bailey, and Sheeks (2005) opined that more progress in understanding terrorism and its effects on business should come more from quality academic research in business (rather than from conjecture and opinions as at present) and from further quality academic research in other fields such as history, political science, and psychology.

The managers must understand that crises evolve in an ordered fashion, passing through a series of stages, which are essentially those of pre-crisis, crisis and post-crisis (Fink, 1986). They should be prepared to anticipate, respond, react and learn. Pauchant and Mitroff (1992) identify the resulting tasks for managers as signal detection, preparation and prevention, learning, containment and recovery. The first two requires a proactive stance while the latter two are reactive and oriented towards the resumption of the status quo. Unlike 1980s and 1990s, after 9/11, to effectively fight terrorism, a better understanding of terrorists and terrorism must be gained than has been the case in the past (Hoffman, 2002). Learning from the experience is an interactive step, strengthening capabilities to deal with future problems (Henderson, 2003).

If MNCs make international trade especially in developing countries a success, not only revenue-wise but human and social aspects as well, it amounts to their
active role in the struggle against terror. In order to do so there are three main interrelated conceptions to be addressed: strategic commitment on ethical conduct, reputation management, and cooperation with other MNCs. None of the three focuses solely on high-tech security, armed bodyguards, or armoured vehicles for executives. This is in accordance with the main theme of less vigorous show of force and more proactive approach in ruling out grounds for terrorism (Moon, 2001).

No complex global issues can be resolved alone. All MNCs must give due weightage to the above mentioned concepts in order to portray a positive image of MNCs. It was suggested to form Trans-Corporate Security Cooperative to professionally deal with security threats to multinational operations (Harvey, 1985). In dealing with broader issues facing the social side of business there was cooperation such as National Business Initiative in South Africa, Philippines Business for Social Progress, and Instituto Ethos in Brazil (Moon, 2001).

**Innovation and Flexibility:**

MNCs have to compete with rivals on cost in order to be successful in the market. Huge expenditure on countering terrorist threats can add substantially to their costs, thus making it difficult to compete with rivals. In this case, without compromising on the security of their businesses, they can resort to other two drivers suggested by Vernon, (1966) innovation and differentiation of product, to compete with the rivals and stay successful in the market. Moreover, they can resort to “flexibility”, in order to adjust to increases in volatility as the sources of change and threat multiplied (Buckley and Casson, 1998).

### 2.5 Synthesis

The post 9/11 eras, marred with tangible increase in terrorism, ushered in tough times for MNCs, especially in EMs. Numerous impacts of terrorism had certainly posed new challenges to NMCs. During the last one and a half decade the tide of terrorism, instead of subsiding, has spread across the globe. The birth and growth of the terrorist group ‘Islamic State’ (IS) in Iraq and Syria, spread of al-Qaeda in different forms in various areas and radicalization of Muslim communities not only in Muslim countries but also in the Western states, gave impetus to global terrorism which did not augur well for the
business environment across the world.

Only in 2015, IS killed more than 6,000 people in Afghanistan, Bangladesh, Cameroon, Chad, Egypt, France, Iraq, Kuwait, Libya, Niger, Nigeria, Pakistan, Russia, Saudi Arabia, Syria, Tunisia, Turkey and Yemen (Melander, Pettersson and Themnér, 2016).

Later on as IS lost territory, it continued to shift away from a centralized command and control structure toward a more diffuse model. It carried out terrorist attacks in Manchester, UK; Barcelona, Spain; Sinai, Egypt; Marawi, Philippines; New York City; and elsewhere.¹²

Al-Qaida surreptitiously and gradually expanded its network and operations in 2017 and onwards in different parts of the world. Its global network includes the remnants of its core in Afghanistan and Pakistan, al-Nusrah Front (in Syria), al-Qa’ida in the Arabian Peninsula, al-Qa’ida in the Islamic Maghreb, al-Shabaab (in Somalia), and al-Qa’ida in the Indian Subcontinent.¹³

The American and Western MNCs were more vulnerable to terrorist attacks as compared to others. Especially in emerging markets the challenges were even greater. The threat to businesses might be particularly elevated due to increased efforts of governments to protect public assets, as the terrorists would target soft targets like businesses. A whole range of the direct and indirect impacts of terrorism on MNCs, discussed in the literature review above, can be summed up in Figure 2.4:

¹³ ibid
The information on direct and indirect impacts is conceptual. There is a need for empirical research on these impacts. Little was known about how international firms responded to the effects or threats of terrorism (Czinkota and Knight, 2008). Till 2018 there wasn’t much change in this regard.

Moreover, not only the policy against terrorism available to business is a neglected issue in the scholarly literature (Frey, 2009) especially in so far as individual firms rather than the business sector as a whole are concerned, there seems to be a perpetual apathy towards this propensity of unpreparedness as Harvey (1993) had observed much earlier that most MNCs did not have an anti-terrorist program. According to a survey less than 50% of the United States-based MNCs surveyed had formal programs to deal with a terrorist attack. He stated that MNCs spent their money on security equipment and not on training executives and their families. The training that did take place concentrated on handling weapons and avoiding being kidnapped. Respondents were also critical of the government's lack of assistance in dealing with terrorists. Harvey (1993) suggested the requirement for an organized, practical antiterrorist program that MNCs should introduce to be prepared adequately for facing terrorist attacks.
Storper (1993) had attempted to give a wide variety of reasons for this slow pace of preparedness against terrorism. These reasons include: (1) Companies believe they are too small and are not important enough to be a target for terrorists; (2) terrorism is a passing trend and therefore they do not need to be concerned with developing a systematic approach to the problem; (3) the United States government and/or the foreign government will handle the corporate problems with terrorists; (4) it is too difficult to protect against possible terrorist attacks; even the United States government cannot protect government facilities; and (5) it would cost too much to develop a comprehensive system to protect executives and assets worldwide. These concerns were relevant but did not address the increased level of terrorism and the fact that the United States businesses are the primary target of terrorists globally making the United States corporations one of the most vulnerable and soft targets for terrorists in the future.

About fourteen years after Harvey’s conclusion over unpreparedness of MNCs against the terrorists, the situation seemed the same in 2007. Lin et al. (2007) highlighted that, American companies were just as vulnerable and as unprepared as they were before. The preparations spiked after 9/11 but then downturned dramatically. They were back where they started — seemingly not taking the lessons of this tragic event seriously.

The academic community concerned with terrorism somehow failed to predict the events of 9/11. Academics were either preoccupied with the threat that was posed by China, its potential economic might, and possible threat to other regions of Asia. Experts within the field of terrorism studies focused on two topics: the IRA and Middle Eastern terrorism that was not related to Osama bin Laden or Al Qaeda. Some articles written by scholars also confirm that Middle Eastern studies also failed to predict or foresee what Al Qaeda was capable of executing.

Czinkota et al. (2005) pointed out the nonexistence of an established body of theory on terrorism and virtually nothing in published research on the relationship between terrorism, management and marketing. It increases the need to probe deeper into the impact of terrorism on businesses and on the linkage between terrorism, management and marketing. It is critical to develop theory, constructs, and conceptual frameworks that lay the foundation for knowledge development. There is a need to investigate terrorism’s relationship to business in order to determine the nature of the terrorist threat and how to mitigate its effects.
More than a decade after 9/11 catastrophic event, which had unleashed a new form of global terrorism, the scenario has gone from bad to worse. Even Europe has faced many terrorist attacks since 2015. The EMs, however, are more afflicted with terrorism and have less capabilities to eliminate it. The peculiar systems prevalent in EMs, as described in Figure 2.1 above, offer multiple challenges, which actually define the environment in which MNCs have to operate.

Notwithstanding the fact that MNCs based in EMs are making profits despite risks there. Dangerous places can be hugely profitable. Even before 9/11, the terrorist activities in nations like Colombia, Turkey, Indonesia, and Pakistan posed serious political risks as well for countries considering these regions favourably. The terrorist threats in these EMs have attained more lethal proportions and are not likely to peter out any time soon. The scholars need to delve deeper into the threats to international business in EMs and the MNCs ought to develop knowledge to understand and tackle the challenges in these markets, which though fraught with problems, offer many opportunities.
3. THEORETICAL LENS

A research study without the theoretical framework is like an edifice without foundations. It serves as the structure and support for the rationale for the study, the problem statement, the purpose, the significance, and the research questions. The theoretical framework provides a grounding base, or an anchor, for the literature review, and most importantly, the methods and analysis (Grant and Osanloo, 2014). Conversely, my experience from this research is that literature review leads us to choose appropriate theoretical framework. Lysaght (2011) highlighted the necessity of identifying one’s theoretical framework for a dissertation study: A researcher's choice of framework is not arbitrary but reflects important personal beliefs and understandings about the nature of knowledge, how it exists (in the metaphysical sense) in relation to the observer, and the possible roles to be adopted, and tools to be employed consequently, by the researcher in his/her work (p. 572).

3.1 Link between Institutional Theory and This Study

Institutional Theory has been increasingly used by international business and management researchers to explain behaviour and strategies of multinational enterprises (Tihanyi et al., 2012). Terrorism is a glaring peculiarity in EMs, which has not been profoundly researched specifically focusing on the role of the MNCs operating there. Use of this theory to understand and explain the impact of terrorism on MNCs in EMs can further develop the theory.

Institutional Theory can befittingly explore and explain the approaches of MNCs in EMs as ‘firms are embedded in country-specific institutional arrangements’ (Busenitz, Gomez and Spencer, 2000: 994). This idea has been further elaborated by Parsons (1962, pp. 63-64) that every organisation is a subsystem of "a wider social system which is the source of the 'meaning,' legitimation, or higher-level support which makes the implementation of the organisation's goals possible". Institutional Theory provides rich theoretical foundation for examining a wide range of critical issues and also allows for theorizing at multiple levels of analysis, which is essential for MNC research (Djelic and Quack, 2003) therefore an increasing number of international management scholars are applying institutional theory to the study of MNCs (Dacin, Goodstein and Scott, 2002). It is all the more important to apply it to study those MNCs that are operating in
the institutional environment of EMs that have peculiar social system accentuated with prolonged existence of terrorism.

Though terrorism has become an international phenomenon, it is more blatant in some EMs therefore there is a marked difference in institutional arrangements of developed countries and the EMs afflicted with terrorism. The regulative, normative and cognitive factors of two countries differ from one another. There is an institutional distance or institutional uncertainty between them. Firms hesitate to enter or operate in the countries with such distance and uncertainty (Xu and Shenkan, 2002:614).

Greater the institutional distance or institutional uncertainty bigger is the challenge for MNCs to operate in the host country. Glaring terrorism coupled with general peculiarities of EMs creates greater uncertainty. As the impacts of terrorism are direct as well as indirect, the latter more difficult to tackle, MNCs face a daunting uncertainty. As terrorism is surreptitious in nature and ‘designed to have far reaching psychological effect beyond the immediate victims as object of terrorist attack’ (Hoffman, 2003), the institutions and organisations existing in such environment are likely to have greater tendency to huddle together (Normative), respond religiously to the political and social pressures (Coercive) and follow one another (Mimetic).

Fear, the most potent tool of terrorism, creates uncertainty and affects the norms and practices prevalent in the society. These changes affect the behaviour of employees and stakeholders of organisations which have fall-outs on operations, production, service delivery and profitability of those organisations. Neo-institutional theory focuses on such phenomenon as it includes an explicit interest in institutional change and the role of actors in shaping institutional processes, making it a particularly powerful perspective for studying entrepreneurship of different kinds (Phillips and Tracey, 2007). Moreover, in addition to a concern with formal institutions (such as laws, technologies and the regulatory environment) which has been the focus of much institutional theory to date, neo-institutional theory is also characterized by a concern with informal institutions (such as values, practices and norms), which have been shown to profoundly affect entrepreneurial behaviour (Spence, 1985). Neo-institutional theory therefore provides an effective framework for thinking about the institutional environment of emerging markets.

Neo-institutional theory is rooted in sociology rather than economics. Unlike other
institutional approaches (Matthews, 1986; North, 1990) which generally emphasize conformity to institutional norms and/or the embedded nature of behaviour.

In developed countries it might be unthinkable for MNCs to deal with violent subnational or non-state entity but in EMs afflicted with terrorism they might have to consider terrorists as the stakeholders and tackle them directly, with or without the help of the host government. Terrorism is not subsiding, rather it is on the rise therefore international businesses and MNCs ought to prepare themselves to face this situation. Institutional theory provides the framework to understand the rationale of dos and don’ts that are prevalent in the host market and that can help MNCs to manage their activities in these markets.

At times the governments in EMs lack the capacity to tackle terrorism therefore MNCs play a proactive role, like CSR, to tackle some aspects of terrorism. Any such action by a large MNC is mimicked by other MNCs. It earns them legitimacy and makes the implementation of their goals possible.

Institutional forces affect organisations' processes and decision making. Perspectives derived to examine these institutional forces have both an economic orientation (Clague, 1997; Coase, 1998; North, 1990) and a sociological orientation (DiMaggio and Powell, 1983; Scott, 1995). Scott (2008) added that a growing band of scholars have developed and tested institutional arguments at the intra-organisation (Elsbach, 2002) organisation (Palmer and Biggart, 2002), and inter-organisation levels of analysis (Strang and Sine, 2002).

3.2 Why Institutional Theory Forms a Good Basis for This Study

Institutional Theory is found to be comprehensively fit for this research as it can appropriately build an argument, establish the context of the problem, and explain MNCs activities to handle these problems and uncertainty (Grant and Osanlo, 2014). It provides the lens to study the environment and wider context, which constrains, shapes, and penetrates the organisation (Katz and Kahn, 1978; Scott, 1995) and offers tools to study the internal functioning of MNCs. The use of institutional theory for business studies is summarized in Table 3.1.
<table>
<thead>
<tr>
<th>Topic Descriptions</th>
<th>Exemplary References</th>
<th>Main Institutional Ideas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Institutional profile/institutional distance. Country institutional profile is conceptualized as a three-dimensional construct, including regulatory, cognitive, and normative dimensions. Country institutional dimensions are practice or issue specific (e.g., quality management, entrepreneurial activity) Institutional distance is defined as the difference or similarity between Institutions and institutional environments are composed of three “pillars”: regulatory, cognitive, and normative the institutional profiles (i.e., regulatory, cognitive, normative) of two countries on a particular issue</td>
<td>Busenitz, Gomez, &amp; Spencer (2000), Eden &amp; Miller (2004), Kostova (1997, 1999), Kostova &amp; Roth (2002), Kostova &amp; Zaheer (1999), Xu &amp; Shenkar (2002)</td>
<td>Institutional arrangements are mostly country specific since they evolve within the boundaries of the socioeconomic environment and become established as a result of social interactions. Institutions and institutional environment are compared to three pillars, “regulative, cognitive and normative.” Institutional arrangements define the social context of organisations and shape organisational actions.</td>
</tr>
<tr>
<td>• Institutional upheaval</td>
<td>• Institutional patterns from the previous system continue to be observed owing to persistence and</td>
<td></td>
</tr>
<tr>
<td>• Institutional baggage</td>
<td>• Transitional institutional environments require certain types of strategies and lead to particular firm behaviours (e.g., bribes) inertia of institutions</td>
<td></td>
</tr>
<tr>
<td>• Institutional imperfection</td>
<td>• When the new institutions are not fully developed, proliferation of organisational patterns may be observed</td>
<td></td>
</tr>
<tr>
<td>• Corruption and “state capture”</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Different stages in the transition process</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-------------------------------</td>
<td>--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Comparative capitalism and economic action</td>
<td>National (and institutional) origin of business systems Institutional features of different types of business systems and Comparative capitalism approach to the issue of MNC corporate governance Extent of MNC embeddedness/disengagement with national institutional systems</td>
<td>Within institutional environment (country) similarity (i.e., isomorphism) of business systems and organisational characteristics.</td>
</tr>
<tr>
<td>Institutional constraints on MNCs</td>
<td>Child &amp; Tsai (2005), Dacin, Oliver, &amp; Roy (2007), Davis, Desai, &amp; Francis (2000), Flier, Van den Bosch, &amp; Volberda (2003), Henisz &amp; Delios (2001), Hitt, Ahlstrom, Dacin, Levitas, &amp; Svobodina (2004), Kogut, Walker, &amp; Anand (2002), Lu (2002), Yiu &amp; Makino (2002)</td>
<td>Determinism of (national) institutional environments in shaping organisations’ practices and structures through institutional pressures for isomorphism (National) institutional environments can be more or less supportive of particular types of economic activity (e.g., entrepreneurship), depending on the established regulatory, cognitive, and normative institutional arrangements</td>
</tr>
<tr>
<td>Diffusion, adoption, and institutionalization of organisational practices and structures across units within the MNC and across national borders</td>
<td>Eden, Dacin, &amp; Wan (2001), Gooderham, Nordhaug, &amp; Ringdal (1999), Guler, Guillen, &amp; Macpherson (2002), Kogut (1991), Kostova (1999), Kostova &amp; Roth (2002)</td>
<td>As a particular practice becomes fully institutionalized, it assumes a “taken-for-granted” status; developed institutional environments (external as well as internal) are characterized by clear expectations for firms’ actions New emerging practices are brought in by outsiders or “peripheral/marginal” organisations that are successful; others start mimicking them, motivated by their increasing legitimacy; as a result, new patterns of organisational action become shared and gradually institutionalized</td>
</tr>
<tr>
<td>Institutional explanation of cross-country differences in MNC practices and structures</td>
<td>Institutional explanation of cross-border diffusion, dissemination, convergence/divergence of organisational practices Institutional constraints on transferring organisational practices across national borders; “permeability” of borders Multiple and complex institutional environments from which MNC subunits “draw” their practices and structures. Handling of conflicting institutional</td>
<td></td>
</tr>
</tbody>
</table>
pressures on MNCs and MNC subunits from the internal organisational environment and their multiple external environments; the role of managers (limited active agency) Relational context within MNCs and context’s role in the institutional process of transfer and diffusion of organisational practices within the firm

NCs, MNC subunits, and host country institutional environments Liability of foreignness of MNCs in host countries:
- Sources and determinants of liability of foreignness
- Dynamics of liability of foreignness over time
- Strategies for overcoming liability of foreignness
- Consequences of liability of foreignness
- Measurement of liability of foreignness

**MNC legitimacy:**
- Nature and distinctiveness of MNC legitimacy
- Factors of legitimacy of MNCs and MNC subunits
- Multiplicity and complexity of legitimating institutional environments/actors for MNCs
- External/internal legitimacy of MNC subunits
- Dependence and dynamics between host countries and MNCs


Institutional requirements are established within the boundaries of an organisational field (class); organisations can be part of multiple organisational fields

Legitimacy is necessary and critical for organisational survival

Legitimacy is achieved through becoming isomorphic as a result of adopting practices and structures that are institutionalized in a particular environment (field)

**Source:** A list of select articles that exemplify the main types of applications (Kostova, Roth and Docin, 2008)

Organisations are under pressure to adapt to and be consistent with their institutional environment. Organisations attempt to acquire legitimacy and recognition by adopting structures and practices viewed as appropriate in their environment (Björkman, Carl and
These constraints and compulsions give birth to isomorphism in the MNCs (Yeniyurt, Townsend and Ghauri, 2009). According to Yidiz and Karakas, (2012) Institutional Theory focuses on the point that organisations follow institutional values and norms in order to establish their legitimacy in the perspective of other institutional bodies. Institutional theory can help understand why MNCs have to conform to the institutional environment and how they respond to normative pressures caused by terrorism.

MNC located in a foreign country is influenced both by potentially contradictory pulls from institutional factors in the local environment and by international isomorphic processes (Rosenzweig and Singh, 1991; Westney, 1993). Institutional Theory is most suitable to understand the challenges faced by MNCs to create a balance in two different environment and processes at the same time. In light of the understanding created by this study, researchers can offer appropriate solutions and measures to MNCs to handle this situation.

It provides a rich theoretical foundation to examine a wide range of critical topics and it allows the theory in multiple levels of essential analysis for the research of the multinationals in different markets (Peltonen, 2006). It not only sheds light on the internal functioning of MNCs and analyses the ways in which organisations operate and interact with concerned institutions. Besides it explores different patterns of economic development of policies toward foreign investment and MNCs, and of differences in internationalization patterns between MNCs.

Institutional Theory thus emphasizes the influences of the systems surrounding organisations that shape their behaviour (Scott, 1995; Hoskisson et al., 2000). Studying the processes and controls of MNCs is all about ascertaining influence of surrounding system on their behaviour. Institutional Theory is most appropriate under conditions of institutional ambiguity and contradictions. Because of the institutionally weak international institutions, MNCs are likely to pursue more idiosyncratic ways of organising (Kostova et al., 2008). It would be interesting to see and study juxtaposition of idiosyncratic and isomorphic behaviours of MNCs.

The main research question attempts to know the impacts of terrorism that adversely influence operations and performance of MNCs in emerging markets. Sub questions are about business strategies, structures and controls to address challenges in EMs and also
the limitations and constraints that prevent MNCs from formulating and adopting effective policies and strategies to face the impact of terrorism.

3.3 How Institutional Theory Works

Scholars have explained the mechanisms, processes and pillars of the Institutional Theory, which provide a framework to understand the disposition of organisations and institutions and the society they operate in. Institutional Theory studies how organisations can increase their ability and survive in a competitive environment by satisfying their stakeholders. It is presumed that organisations are subject to coercive, mimetic, and normative pressures which promote isomorphism by shaping business practices in a somewhat predictable manner (DiMaggio and Powell, 1983, 1991; Meyer and Rowan, 1977). Institutional changes occur due to these elements that promote similarities in structures and processes. This essential view of the institutional perspective is further emphasized by Kostova and Roth (2002) that organisations sharing the same environment employ similar practices and thus become "isomorphic" with each other. Institutional Theory sees organisations engaged in quest for legitimacy, they want to fit in to confirm to undeniably legitimate versions of themselves. The case studies for this study aim to know whether the pressures created by terrorism compel MNCs operating there to modify their strategies, mechanism and controls in a similar or predictable manner.

**Coercive Isomorphism** results from both formal and informal pressures exerted on organisations by other organisations upon which they are dependent and by cultural expectations in the society within which organisations function. These pressures often stem from political influence and the problem of legitimacy. In a supply management context, these pressures can manifest from the requirements of regulatory agencies, customers, political pressures and the force of the state, providing regulatory oversight and control through laws or regulations. This research will see how MNCs respond to influence of the organisations they are dependent on and to the cultural expectations in the EMs fraught with terrorism.

**Mimetic Isomorphism** occurs due to uncertainty that encourages imitation. Mimetic forces draw on habitual, taken-for-granted responses to circumstances of uncertainty. There is uncertainty associated with supply, and organisations may ‘transplant’ methods used successfully in other firms. Formal
benchmarking, as well as descriptions of effective practices in the literature may contribute to this sort of imitation. As the existing MNCs, faced with terrorist threats, have little choice to wind up and leave, the mimetic approach is considered the safest and quickest way of bridging uncertainty. They tend to adopt strategies used successfully by other MNCs to ward off terrorist threat and ensure continuity of operations.

**Normative Isomorphism** stems from the potent influence of the professions and the role of education. Normative pressures refer to the collective struggle by members of an occupation to define the conditions and methods of their work, to control ‘the production of producers’, and to establish a cognitive basis and legitimisation for their occupational autonomy. This collective struggle can result in a strong response to the terrorist threat, which is, for the time being, inadequate and misdirected. It needs to be found out whether in case of terrorism, the organisations resist normative isomorphism or adopt it. This is explained further in Table 3.2:

<table>
<thead>
<tr>
<th>Dynamic</th>
<th>Mechanism</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coercive</td>
<td>Power, Depending</td>
</tr>
<tr>
<td>Normative</td>
<td>Shared ideologies, world views, frame works or templates</td>
</tr>
<tr>
<td>Mimetic</td>
<td>Imitation to cope with uncertainty and/or secure legitimacy</td>
</tr>
</tbody>
</table>


1) **Regulative Elements** stress rule-setting, monitoring and sanctioning activities;

2) **Normative Elements** “introduce a prescriptive, evaluative, and obligatory dimension in social life” (Scott 2008: 54); and

3) **Cultural-Cognitive Elements** emphasize “the shared conceptions that constitute the nature of social reality and the frames through which meaning
is made” (Scott 2008:57).

These three elements vary substantially in the type of institutional order they support, each differing in the bases of order, reasons to respond or comply, logic of action, mechanisms and indicators, employed. Each offers a different rationale for claiming legitimacy, whether by virtue of being legally sanctioned, morally authorized or culturally supported (Scott, 2008). This research will find out how these three elements play a role in modification of their mechanisms and strategies of the MNCs operating in EMs. It will also highlight the constraints and compulsions that make them comply out of expedience (to avoid punishment), or because they feel morally obliged to do so, or because they cannot conceive any other way of acting. However, at the same time, each is properly seen as providing or contributing to an institutionalized social order: all supportive and sustainable behaviour (Scott, 2008). Eden and Miller (2004) have explained as to what these three pillars relate to, cover and determine, given in Table 3.3.

Table 3.3: Institutional Pillars and Carriers

<table>
<thead>
<tr>
<th>Carrier</th>
<th>Regulative (What organisations may or may not do)</th>
<th>Normative (what organisations can and cannot do)</th>
<th>Cognitive (what organisations should or should not do)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cultures</td>
<td>Rules, laws</td>
<td>Values, expectations</td>
<td>Categories, typifications</td>
</tr>
<tr>
<td>Social structures</td>
<td>Governance systems, power systems</td>
<td>Regimes, authority systems</td>
<td>Structural isomorphism, identities</td>
</tr>
<tr>
<td>Routines</td>
<td>Protocols, standard procedures</td>
<td>Conformity, performance of duty</td>
<td>Performance programs, scripts</td>
</tr>
</tbody>
</table>

3.4 Three Institutional Processes

Grewal and Dharwadkar (2002) provide a restructured context of the three initial institutional processes; regulating, validating and habitualising.

1) **Regulating**: In this process, the regulatory agencies may control institutions, such as business organisations through a combination of imposition and incentives to ensure stability, order, and continuity of societies. This process is very similar to coercive isomorphism, as discussed by DiMaggio and
Powell (1983) and the regulative pillar explained by Scott. This study can explore the institutional feature that compulsive environment created through regulations in order to ensure continuity of societies and compel MNCs to mimic or become isomorphic.

2) **Validating:** It involves interactions between normative institutions such as trade associations, professions and professional associations, and mimicking behaviour. Validating encompasses both the mimetic and normative pressures originally introduced by DiMaggio and Powell (1983). It means organisations derive legitimacy by adopting the standards introduced by the normative institutions. This study will ascertain whether this propensity is greater in the MNCs operating in EMs as the conditions are peculiar and risks are higher.

3) **Habitualising:** It refers to the invisible, base level institutional processes in which actions that are repeated become cast into a particular pattern that is then reproduced with minimal effort. Two sub-processes that facilitate habitualising include imprinting, which retains channel characteristics that originate at the time of channel inception, and bypassing, which involves cultural norms and shared beliefs developed collectively as a substitute for formal control and co-ordination mechanisms. Thus, organisational structures and processes become ingrained in the firm, and become ‘taken for granted’ as the ‘way these things are done’ (Scott, 1987). This research will offer interesting peep into the adaptability of Western/US MNCs operating in the EMs plagued with terrorism.

Tan and Wang (2011) pointed out that as a new approach in Institutional Theory, the institutional logic literature differs from the traditional isomorphism approach by highlighting that individuals and organisations can respond to institutional pressures in relatively non-deterministic ways when contending logics co-exist (Thornton and Ocasio, 2008). It reinforces the idea of Kostova et al. (2008) of MNCs idiosyncratic way of organizing where there is institutionally weak business environment. This study will try to test this idea through the case studies of MNCs operating in EMs having peculiar business environment. The research questions will explore the distinction between traditional isomorphism approach and non-deterministic ways of MNCs in the environment of uncertainty caused by prolonged terrorist activities in that market.
3.5 The Conceptual Research Model

The conceptual research model, derived from literature review, research questions and institutional theory, aims at explaining MNCs realize the severity of the settings which lead to modifications in the strategies, interaction with the host government, the limitations and constraints and formulation of strategies and the future plans to handle the changing scenario. Outcome explains the changes and transformations that take place in structures and strategies and the targets achieved through these processes. This model will help us answer the research questions and is guided by the literature review (Figure 3.1). It aims at devising a roadmap that may lead us to the answers of research questions and to arrive at concrete conclusions.

Figure 3.1: Conceptual Research Model

To elaborate it, the research model, as demonstrated in Figure 3.1, which shows seven variables depicting terrorism, post-9/11 terrorism, institutional factors, realization adjustments in MNCs’ strategies, constraints and limitations and finally the outcome. The arrows show the relationship between the variables. Variables in boxes one and two explain terrorism; the variables in the box in between these two boxes elucidate institutional factors, which lead to the variables representing MNCs’ approaches to
handle the changing institutional environment. The variables in outer boxes flanking MNCs aim at ascertaining the constraints and limitations affecting the processes of MNCs. The variable in the last box describes the outcome of the entire process of modifications of strategies. It will be the result of analysis of the phenomenon explored through case studies as per the earlier variables. Research model has been conceived with the objective to form basis of the analysis of the case studies undertaken, as discussed later in this paper, to investigate impact of terrorism on MNCs in emerging markets.
4. RESEARCH METHODOLOGY

Research methodology is a systematic way by which researchers describe, explain and predict phenomena and solve research problems. Ghauri and Grønhaug (2010) describe it as a process of planning, executing and investigating, in systematic manner, to find answer to the research questions, so that it is easier for others to understand and believe in our findings.

The research methodology adopted for this study has been discussed below in different portions. It gives the work plan of research by expounding the essential steps of the process including the criteria developed and adopted for case studies, data analysis, required to interpret the result.

4.1. Research Design

Research design is a comprehensive plan to relate the conceptual research questions to relevant and practicable empirical research (Ghauri and Grønhaug, 2010). It plays a prominent role in connecting the subsequent research activities such as data collection and data analysis. Three main types of research design are indicated, based on problem structure: exploratory research, descriptive research, and causal research (Ghauri and Grønhaug, 2010):

1) Exploratory Research

It is appropriate at the early stage to define the real nature of the research problem when it is less understood and perhaps formulate relevant hypotheses for later testing (Chisnall, 2001). The research design should be flexible and sensitive to discover insights not previously recognized (Kinnear and Taylor, 1996). The approaches normally employed in exploratory research may include secondary data sources, observation, interviews with experts and the use of qualitative assessments instead of detailed quantitative data.

One advantage of exploratory research is that use of open-ended questions and probing gives participants the opportunity to respond in their own words, rather than forcing them to choose from fixed responses, as quantitative methods do. Open-ended questions have the ability to evoke responses that are meaningful
and culturally salient to the participant, unanticipated by the researcher and rich and explanatory in nature (Mack, 2005).

2) Descriptive Research

It is applied when the research problem is structured and well understood (Ghauri and Grønhaug, 2010). Effective descriptive design is noticeable by a clear statement of the decision problems, specific research objectives, detailed information needs and measurement (Kinnear and Taylor, 1996). The cross-sectional design is popular when making use of descriptive research.

3) Causal Research

It is designed to gather the evidence of cause-and-effect relationships. It is appropriate to achieve the research objectives: to understand which variables are the causes of what is being predicted; and to understand the functional relationship between the causal factors and the effect (Kinnear and Taylor, 1996).

Exploratory design, considering the nature of research areas, has been used in this research. This is based on the logic followed for the selection of broader parameters needed to explore, and yet to be clearly defined that how the mechanics and related factors shall be worked out. It all depends upon what is available and how it can be correlated with the research objectives. Though the list of direct and indirect impacts of terrorism is available, there is not enough research to prove that MNCs know how to handle these impacts effectively and how to modify their strategies in this regard. The aim of this study is to explore the understanding of these impacts on the MNCs and their response to them. How do they adjust their strategies and systems to ward them off? Furthermore, to ascertain how and why constraints and limitations create hurdles in formulation of strategies to handle the impacts.

4.2. Approach

A number of qualitative research approaches have been formulated over a period of time, by coalescing components of different research paradigms. These include Grounded Theory (Strauss and Corbin, 1998), Comprehensive Process Analysis (Hardy, Rees, Barkham, Field, Elliott and Shapiro, 1998), Consensual Qualitative Research
(Hill, Thompson and Williams, 1997), Phenomenological (Giorgi, 1985) and others not so frequently referred. The highlights of the approaches prepared by Endacott (2005), after Creswell (1998) and Hek, Judd and Moule (2002), have been reproduced in the following Table 4.1:

Table 4.1: Highlights of Different Qualitative Research Approaches

<table>
<thead>
<tr>
<th>APPROACH</th>
<th>FOCUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ethnography</td>
<td>• Understanding cultural rules</td>
</tr>
<tr>
<td></td>
<td>• Observer role includes some participation in the situation</td>
</tr>
<tr>
<td></td>
<td>• Observation is a key data collection method, with informal and formal interviewing</td>
</tr>
<tr>
<td>Phenomenology</td>
<td>• Exploring a phenomenon in depth, may include ‘lived experience’</td>
</tr>
<tr>
<td>Grounded Theory</td>
<td>• Developing theory inductively from the data</td>
</tr>
<tr>
<td></td>
<td>• Relies on iterative process of data collection and data analysis</td>
</tr>
<tr>
<td></td>
<td>• Generating hypotheses which are then tested through data collection</td>
</tr>
<tr>
<td>Action Research</td>
<td>• Attempts to bring about change in practice during the research</td>
</tr>
<tr>
<td></td>
<td>• Attempts to influence the real world through a spiral process of change and evaluation</td>
</tr>
<tr>
<td>Feminist Research</td>
<td>• Non-threatening and non-hierarchical relationship between researcher and participants</td>
</tr>
<tr>
<td></td>
<td>• Two-fold goal:</td>
</tr>
<tr>
<td></td>
<td>o to raise consciousness of women’s issues</td>
</tr>
<tr>
<td></td>
<td>o to empower women as a result of the research</td>
</tr>
</tbody>
</table>

Source: Based on: Endacott, 2005; Creswell, 1998; and Hek et al., 2002.

4.3. Method

4.3.1. Qualitative and Quantitative Method

Qualitative research, exploratory by definition, is an approach rather than a particular set of techniques, and its appropriateness derives from the nature of the social phenomena to be explored (Morgan and Smircich, 1980). Qualitative research methods, i.e., focus groups, triads, dyads, in-depth interviews, uninterrupted observation, bulletin boards, and ethnographic
participation/observation, focus on discovering and understanding the experiences, perspectives, and thoughts of participants—that is, qualitative research explores meaning, purpose, or reality (Hiatt, 1986).

Furthermore, qualitative research properly seeks answers to questions by examining various social settings and the individuals who dwell in these settings. It aims at ascertaining how humans organize themselves and their surroundings and how inhabitants of these surroundings make sense of their environs through symbols, rituals, social structures, social roles, and so forth (Berg, 2001).

Whereas, quantitative research is characterized by the assumption that human behaviour can be explained by what may be termed ‘social facts’ which can be investigated by methodologies that utilize ‘the deductive logic of the natural science’ (Horna, 1994). A quantitative investigation looks for “distinguishing characteristics, elemental properties and empirical boundaries” and tend to measure “how much” or “how often” (Nau, 1995) by collecting data through surveys (online, phone, paper), audits, points of purchase (purchase transactions), and click-streams. These quantitative research methods attempt to maximize objectivity, replicability, and generalizability of findings, and are typically interested in prediction. Quantitative methods are frequently described as deductive in nature, in the sense that inferences from tests of statistical hypotheses lead to general inferences about characteristics of a population (Lincoln and Guba, 1985).

In a nutshell, qualitative research refers to the meanings, concepts, definitions, characteristics, metaphors, symbols, and descriptions of things. In contrast, quantitative research refers to counts and measures of things (Berg, 2001). The characteristics of qualitative verse quantitative method are given in Table 4.2:
### Table 4.2: Comparison of Quantitative & Qualitative Research Approaches

<table>
<thead>
<tr>
<th></th>
<th>Quantitative</th>
<th>Qualitative</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>General framework</strong></td>
<td>Seek to confirm hypotheses about phenomena</td>
<td>Seek to explore phenomena</td>
</tr>
<tr>
<td></td>
<td>Instruments use more rigid style of eliciting and categorizing responses to</td>
<td>Instruments use more flexible, iterative style of eliciting and categorizing</td>
</tr>
<tr>
<td></td>
<td>questions</td>
<td>responses to questions</td>
</tr>
<tr>
<td></td>
<td>Use highly structured methods such as questionnaires, surveys, and structured</td>
<td>Use semi-structured methods</td>
</tr>
<tr>
<td></td>
<td>observation</td>
<td>such as in-depth interviews, focus groups, and participant observation</td>
</tr>
<tr>
<td><strong>Analytical objectives</strong></td>
<td>To quantify variation</td>
<td>To describe variation</td>
</tr>
<tr>
<td></td>
<td>To predict causal relationships</td>
<td>To describe and explain relationships</td>
</tr>
<tr>
<td></td>
<td>To describe characteristics of a population</td>
<td>To describe individual experiences</td>
</tr>
<tr>
<td></td>
<td></td>
<td>To describe group norms</td>
</tr>
<tr>
<td><strong>Question format</strong></td>
<td>Closed-ended</td>
<td>Open-ended</td>
</tr>
<tr>
<td><strong>Data format</strong></td>
<td>Numerical (obtained by assigning numerical values to responses)</td>
<td>Textual (obtained from audiotapes, videotapes, and field notes)</td>
</tr>
<tr>
<td><strong>Flexibility in study design</strong></td>
<td>Study design is stable from beginning to end</td>
<td>Some aspects of the study are flexible (for example, the addition, exclusion, or wording of particular interview questions)</td>
</tr>
<tr>
<td></td>
<td>Participant responses do not influence or determine how and which questions</td>
<td>Participant responses affect how and which questions researchers ask next</td>
</tr>
<tr>
<td></td>
<td>researchers ask next</td>
<td>Study design is subject to statistical assumptions and conditions</td>
</tr>
<tr>
<td></td>
<td>Study design is subject to statistical assumptions and conditions</td>
<td>Study design is iterative, that is, data collection and research questions are adjusted according to what is learned</td>
</tr>
</tbody>
</table>

*Source: Based on Mack (2005)*

Though qualitative studies in International Business have been relatively scant (Doz, 2011) qualitative, case-study work has dominated the terrorism literature for decades. For example, of the 412 articles that surveyed from Terrorism and Political Violence from 1989 to 2008, 392 (95%) were qualitative. Studies in
Conflict and Terrorism had a similar count of qualitative articles with 433 articles (90%) from 1980 to 2008 (Young and Findley, 2011).

According to Doz (2011), qualitative research is uniquely suited to “opening the black box” of organisational processes, the “how”, “who” and “why” of individual and collective organized action as it unfolds over time in context. Managers in action are its predilection. So, it is well-suited to interview the managers of MNCs.

As part of the research design, qualitative methods rigorously add to theory building in management in a number of ways (Eisenhardt, 1989; Weick, 1989; Yin, 1989, 1994). For example, they stimulate deeper thought by providing rich, thick descriptions of real phenomena and action instances (Weick, 2007).

The organisation and management of multinational companies, complex multiparty collaboration and competitive efforts on critical issues, and changing demographics and migratory pressures are but three issues for IB where qualitative research might help further our understanding. The field is likely to remain phenomenon-driven as new issues and phenomenon emerge. Qualitative research methods offer the opportunity to help move the field forward and assist in providing its own theoretical grounding (Doz, 2011).

Hence qualitative research approach has been preferred for this study. The research will focus on qualitative paradigms and approaches to describe and interpret the experiences of research participants in a context-specific setting (Denzin and Lincoln, 2000). The qualitative research can be broadly grouped into Interpretive or Constructive paradigm and Critical and Ideological paradigm.

4.3.2. Constructivist and Ideological Paradigm

Constructivist (or interpretivist) paradigm can be perceived as an alternative to the "received view" or positivist paradigm. In contrast to positivism, constructivist position maintains that meaning is hidden and must be brought to the surface through deep reflection (Schwandt, 2000; Sciarra, 1999). This reflection can be ensured through interactive researcher-participant dialogue. Thus, a distinguishing characteristic of constructivism is the centrality of the
interaction between the investigator and the object of investigation. The researcher and participants jointly create (co-construct) findings from their interactive dialogue and interpretation.

The origin of critical theory is most often traced to the Institute of Social Research at the University of Frankfurt in the 1920s (Creswell, 1998). Pioneering critical theorists at the Frankfurt School included Max Horkheimer, Theodor Adorno, and Herbert Marcuse. These scholars, influenced by the German philosophical tradition of Marx, Kant, Hegel, and Weber, were of the view that "injustice and subjugation shape the lived world" (Kincheloe and McLaren, 2000).

Hence, Constructivist or Interpretivist against Critical-Ideological paradigm is more relevant to the research area, as the later primarily focuses on the social and ideological issues aimed at change and transformation of oppressed group, which is not close to the objective of knowing that how outcome of event or transactions is affected by set of related factors or processes, by getting feedback from those who were part of the process of initiating and implementing it.

Out of the above stated methods phenomenology is a research method that studies human events as they are immediately experienced in real-world settings, resisting prior categories and concepts that might distort the experiential basis for understanding the event (Husserl, 1970; Schutz, 1970; Van Manen, 1990; Moustakas, 1994; Giorgi and Giorgi, 2009). It allows the most comprehensive understanding of the lived experience (Oiler, 1982).

It seeks to “uncover the meaning of humanly lived phenomena through the analysis of subjects’ descriptions” (Parse, Coyne and Smith, 1985). In phenomenological research, it is important that the researcher clearly delineate his or her own assumptions, preconceptions, and presuppositions to avoid applying objective evidence in the current literature to the nature of the phenomenon (Ray, 1990). This process, known as bracketing (Arslanian-Engoren and Scott, 2003), holds in abeyance the researcher’s preconceptions and native assumptions until thematic interpretation is completed (Ray, 1990). Bracketing is performed to fully understand the meaning of the phenomenon to the individual involved in the experience (Oiler, 1982; Parse et al., 1985). This approach coincides very well with the desired objectives to be achieved by conducting semi-
structured interviews to have insight of the experience of those involved in the process of dealing with management of MNCs, to reach a conclusion. Thus, gives a valid rationale for following the approach in this study.

Phenomenology has become increasingly popular as a research perspective to study experience in the humanistic and social science disciplines. It can also be seen in professional contexts of management studies (Gibson and Hanes, 2003) along with the psychology (Giorgi, 1975, 1997), nursing (Anells, 1996; Koch, 1995, 1996), and education (Van, 1990, 2002). It suits well to the methodology adopted for the study, based on the interviews of the persons who had experienced the transactions and related processes undertaken to reach to a conclusion.

Constructivism-interpretivism and Phenomenology cannot be separated from each other as Heidegger, Churchill and Langan (1965) claim, “that the meaning of phenomenological description lies in interpretation” (p.61) i.e. that the business of phenomenology is the business of interpreting. They recall phenomenology, for this reason, “hermeneutic in the primordial significant of this word” (p.62). To attain valid knowledge of things, through a phenomenological foundation one has to look at the issues with exactness of sciences. This demands critical justification as well as a claim that its structure not only forbids putting the life-world a priori into question, but it turns phenomenology into a reactionary movement against philosophy and science through the construction of a priori and through the dogmatic claim that it is unchallengeable in principle and beyond improvement (Seigfried, 1976). Phenomenology approach under the umbrella of Constructivism-Interpretivism methodology is best suitable combination for this study as it leads to exploring the hidden issues by letting those involved to freely tell the procedures that were followed.

I have applied a combination of both Constructivism-Interpretivism and Phenomenology to this study as it meets the requirement of the methodology and approach desired to address the research questions.

4.4. Data Collection

Both secondary and primary data has been used in the study. The secondary data, being supplementary in nature, has been corroborated with the primary data collected through interviews, forming the basis for the research. The significance of both types of data for
conducting research is narrated below:

**Secondary data**: refers to the information already available through different sources, the user of the data has to clearly define the objective for which information is desired and the conclusion to be drawn there from. Apart from providing help in finding information, it also helps in developing understanding and explanation of the research problem, as we are aware that the research is a continuous process and we get more information the more we are in a position to refine our perception about the issue involved.

Secondary data helps researchers in the following manner (Ghauri and Grønhaug, 2010):

i) Answering the research questions or solving research problems;
ii) Deciding about the research methods or suggesting methods;
iii) Providing benchmarking measures.

**Primary data**: is collected if secondary data is not available or not adequate to answer the research questions. In some cases, the data required is so precise or specific that exclusive exercise to collect the same has to be carried out. Such data can be collected by way of observations, experiments, surveys (questionnaire) and interviews.

### 4.5. Case Study Methodology

For primary data collection case study is a research approach that is used to generate an in-depth, multi-faceted understanding of a complex issue in its real-life context (Crowe, Cresswell, Robertson, Huby, Avery and Sheikh, 2011). It is often applied to understanding the areas of organisational functioning that are not well documented and which are difficult to investigate through distant contact with organisations (Yin, 2003).

It is expected to provide insights into an issue or a particular management situation (Ghauri, 2004).

The case study is not a data-gathering technique but a methodological approach that includes a number of data-gathering processes (Hamel, Dufom and Fortin, 1993). The approach of case studies ranges significantly from general field studies to the interview of a single individual or group. Case studies may focus on an individual, a group, or an entire community and may utilize a number of data technologies such as life histories,
documents, oral histories, in-depth interviews, and participant observation (Hagan, 1993; Yin, 1994). Case studies have been applied in many studies (Hamel 1991; Inkpen and Dinur, 1998; Ghauri, Tarnovskaya and Elg, 2008; Yan and Gray, 1994) to provide a contextual understanding of the alliance learning issues.

This research is related to current phenomenon in a real-life context pertaining to a management function and how these processes influence the consequences. Logically, ‘how’ and ‘why’ questions are to be answered. For this purpose, case study is a preferred approach (Yin, 2003) that answers these questions. Therefore, comparative case study methodology has been applied in this research, to study a number of organisations on the same research areas, with somewhat the same questions and approach.

Qualitative researchers have to be sensitive (reflexive) to the ways in which researcher and the research process have shaped the data, including the role of prior assumptions and experience (Mays and Pope, 2000). Towards this end the case studies shall be conducted on one by one basis, so the experience of the completed one helps the study of the subsequent one or improvement in the one already conducted on the basis of experience subsequently gained.

4.5.1 Case Selection

Appropriate selection of cases ensures the possibility of legitimate generalization and theory development (Silverman, 2000). Following methods for the selection of cases can be used within the qualitative framework:

a) **Representative sampling** - selection of cases that contain related characteristics in wider form or one can say that the sample must be representative or typical (Silverman, 2000; Stake, 1995; Merkens, 2004).

b) **Purposive or Theoretical sampling** - selecting cases, where the subjects under study are most likely to occur and that are relevant to one’s theoretical position or research questions. This, however, does not mean selecting cases that are likely to support the theory. So called “deviant” cases that present negative instances, as defined by the theory, can be selected to provide a crucial test of the theory (Silverman, 2000; Manning, 1982).
c) *Learning Maximization Sampling* - selecting cases together can maximize the learning opportunities that can be achieved within the available resources (Stake, 1995).

Adequate care was exercised to select such cases that were more representative, relevant and significant thoroughly covering the research areas. The Representative Sampling method, hence, was deemed to be more appropriate for this study. Learning Maximization Sampling method was adopted for Pilot Case Study, conducted to refine the concepts planned for the study.

How many cases should be included in a study? The answer to this question is not easy to answer; many times only one case may suffice (Mintzberg, 1979; Yin, 2003, 2008). Yin (2009) further noted that due to the nature of the case study approach, “the typical criteria regarding sample size are irrelevant” and the researcher should rather focus on getting information on the various aspects of the case.

Case Study can either be based on “Single Case” or “Multiple Case”; the selection depends very much upon the nature of the research questions. Single cases are appropriate when a particular case is a critical case and we want to use it to explain or question an established theory. For example, in Marschan-Piekkar and Ghauri (1998) researchers studied regional control in headquarter-subsidiary and inter-subsidiary relationships in a single, Finnish multinational corporation.

Also, in a situation when a single case is an extreme or a unique case; for example, particular organisations may be of interest because they represent “outstanding successes’ or “notable failures” (Patton, 1990). Finally, a single case design is appropriate when a case is revelatory. Single case design can also be used in a pilot study or an exploratory study that serves as a first step to a later, more comprehensive study (Ghauri and Grønhaug, 2010; Yin, 2003).

The research areas of this study demand Multiple Case study, as Single Case study cannot be of help in the study where the research areas need to be analysed on a wider spectrum, demanding multiple cases operating in different geographical and other operating limitations. The same questions have been
studied in a number of organisations and comparison has been carried out, in a systematic manner, to draw conclusions. This has led to explore different dimensions of the research issues or to examine different levels of research variables. The case study design should be flexible so that it can be changed, modified or revised during the study with proper justification (Harman, 2002; Basu, Dastidar and Chawla, 2008; Aybar and Ficici, 2009; Chakrabarti, Gupta-Mukherjee and Jayaraman, 2008).

Representation of different regions has been a serious drawback in most of the studies carried out. They are, generally, based on the case studies and statistics of the developed countries and majority of them are focused on the US publically traded firms (Haleblian, Devers, McNamara, Carpenter and Davison, 2009). Cases have been selected from emerging economies to investigate how multinational companies having presence in Pakistan and Turkey operate by tackling the menace of terrorism.

4.5.2 Rationale of Case Selection

For conducting the case studies, selection has to be made from the pool of countries falling in the emerging economies, afflicted with terrorism, having wider scope of expansion of MNCs’ business, and selection of MNCs engaged in the consumer’s products as the dampening of consumer and investor confidence and the accompanying reassessment of operational and security risks can leave many businesses dangerously exposed (Koh, 2006). While selecting countries, due consideration was given to the EMs with large populations where terrorism was either widespread or expanding at an alarming pace causing grave concern to the businesses.

a) Selection of Countries

In light of the information about EMs, given in the literature review and elsewhere, initially ten emerging markets from Asia, Latin America and Middle East were taken into consideration, which were scrutinized in detail on case to case basis by using the following criteria:

i) Emerging markets afflicted with terrorism and well known for spectacular terrorist attacks
ii) Presence of Large MNCs for last many decades, even before terrorism set in.

iii) Markets with the high returns and high risk of terrorism

In light of above criteria, the following two countries were selected, shown in Figure 4.1:

i) Pakistan

ii) Turkey

The selection of above two EMs is justified by the data given in the Global Terrorism Rank (Table 4.3), Global Peace Index Score (Table 4.4) and the data on terrorist incidents and fatalities in both countries (Table 4.6, Figure 4.2, Figure 4.3).

Figure 4.1: Selected Countries

Real names have been concealed on request of the firms.

According to Global Terrorism Index the country rank of Pakistan and Turkey is given in the Table 4.3 as per the 2015 report, while global peace ranking is given in Table 4.4.
Table 4.3: Global Terrorism Rank of Pakistan & Turkey (2015)

<table>
<thead>
<tr>
<th>GTI RANK</th>
<th>COUNTRY</th>
<th>2015 GTI SCORE</th>
<th>CHANGE IN SCORE (Actual year 2013-14)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Iraq</td>
<td>10</td>
<td>0.406 2</td>
</tr>
<tr>
<td>2.</td>
<td>Afghanistan</td>
<td>9.233</td>
<td>0.238</td>
</tr>
<tr>
<td>3.</td>
<td>Nigeria</td>
<td>9.213</td>
<td>1.018</td>
</tr>
<tr>
<td>4.</td>
<td>Pakistan</td>
<td>9.065</td>
<td>-0.009</td>
</tr>
<tr>
<td>27.</td>
<td>Turkey</td>
<td>5.737</td>
<td>-0.144</td>
</tr>
</tbody>
</table>

Source: Global Terrorism Index. Measuring and Understanding the Impact of Terrorism (2015)

Based on the GTI ranking of the selected EMs in 2015, when the selections was made, Pakistan and Turkey, both, were afflicted with acute terrorism. Even in 2017 GTI ranking Pakistan ranked at No 5, one notch below than the previous ranking and Turkey attained rank No 9, much higher than the position it held in 2015.14

Table 4.4: Global Peace Index Score (2016)

<table>
<thead>
<tr>
<th>Country</th>
<th>Ranking</th>
<th>Global Peace Index Score</th>
<th>Militarisation</th>
<th>Society &amp; Security</th>
<th>Domestic &amp; Int. Conflict</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pakistan</td>
<td>153 out of 163</td>
<td>3.145</td>
<td>2.6</td>
<td>3.2</td>
<td>3.6</td>
</tr>
<tr>
<td>Turkey</td>
<td>145 out of 163</td>
<td>2.710</td>
<td>2.1</td>
<td>3</td>
<td>2.6</td>
</tr>
</tbody>
</table>


Global Peace Index Score (2016) shows Pakistan and Turkey ranked at 153 and 145, respectively, out of 163 countries. Higher the ranking more troubled is the place. Both were clearly afflicted with terrorism and violence. This streak of terrorism did not peter out. As per Global Peace Index Score (2019) the situation in Turkey worsened as it rose to rank of 152 which means violence and terrorism increased in Turkey whereas Pakistan maintained its position at 153 meaning thereby there was little improvement in

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the situation.\textsuperscript{15}

i) **Pakistan**, the second largest Muslim country, having population of 200 million, is an emerging market that has always been a favourite destination for MNCs. The first foreign investment in what is now Pakistan was by the Steel Brothers in 1913 in Morgah, Rawalpindi. This is known as Attock Oil. ICI invested in Khewra in 1935; Imperial Tobacco, Lever Brothers, the oil companies, the banks and others soon followed.

From 1947 onwards, Pakistan has been a fruitful place for investment by MNCs. The companies that operated here made good profits, which attracted many more to invest here. The American and European MNCs eagerly invested in Pakistan. In fact, the Dulles Brothers of USA (Froster at the State Department and Andrew at the CIA) issued a memo to the Fortune 500 companies that in addition to South Korea and West Germany, Pakistan was the preferred investment destination for the American companies.\textsuperscript{16}

Even today, despite risks of terrorism, Pakistan is an attractive emerging market for MNCs particularly the consumers’ products. In addition to Coke, Nestle, McDonalds, Shell and many other renowned MNCs like Pepsi etc. are operating in Pakistan for decades. Pakistan is among top ten Asian countries for FDI (UNCTAD, 2018), Table 4.5 shows FDI inflows in Pakistan along with the investing countries. Burger King opened its first branch in Karachi in 2013 and till December 2014, in less than a year, it opened ten branches in different cities of Pakistan.\textsuperscript{17} In fact, top nine American fast food chains, including McDonalds, are operating in Pakistan.

\textsuperscript{15} Global Peace Index \url{http://visionofhumanity.org/indexes/global-peace-index/} (Accessed on June 20, 2019)


\textsuperscript{17} \url{howpk.com/burger-king-pakistan/}, 2014 (Accessed on March 4, 2015).
Table 4.5: Country Wise FDI Inflows in Pakistan ($ Million)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>1,309.3</td>
<td>869.9</td>
<td>468.3</td>
<td>238.1</td>
<td>227.7</td>
<td>227.1</td>
<td>212.1</td>
<td>209.0</td>
<td>(65.5)</td>
</tr>
<tr>
<td>UK</td>
<td>460.2</td>
<td>263.4</td>
<td>294.6</td>
<td>207.1</td>
<td>205.8</td>
<td>633.0</td>
<td>157.0</td>
<td>174.3</td>
<td>79.8</td>
</tr>
<tr>
<td>U.A.E</td>
<td>589.2</td>
<td>178.1</td>
<td>242.7</td>
<td>284.2</td>
<td>36.6</td>
<td>22.5</td>
<td>(47.1)</td>
<td>216.4</td>
<td>164.2</td>
</tr>
<tr>
<td>Japan</td>
<td>131.2</td>
<td>74.3</td>
<td>26.8</td>
<td>3.2</td>
<td>29.7</td>
<td>30.1</td>
<td>30.1</td>
<td>71.1</td>
<td>21.6</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>339.8</td>
<td>156.1</td>
<td>9.9</td>
<td>125.6</td>
<td>80.3</td>
<td>242.6</td>
<td>228.5</td>
<td>83.4</td>
<td>130.9</td>
</tr>
<tr>
<td>Switzerland</td>
<td>169.3</td>
<td>227.3</td>
<td>170.6</td>
<td>110.5</td>
<td>127.1</td>
<td>149.0</td>
<td>209.8</td>
<td>2.8</td>
<td>76.0</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>46.2</td>
<td>(92.3)</td>
<td>(133.8)</td>
<td>6.5</td>
<td>(79.9)</td>
<td>3.2</td>
<td>(40.1)</td>
<td>(64.8)</td>
<td>(102.2)</td>
</tr>
<tr>
<td>Germany</td>
<td>69.6</td>
<td>76.9</td>
<td>53.0</td>
<td>21.2</td>
<td>27.2</td>
<td>5.5</td>
<td>(5.7)</td>
<td>(20.3)</td>
<td>(33.0)</td>
</tr>
<tr>
<td>Korea (South)</td>
<td>1.2</td>
<td>2.3</td>
<td>2.3</td>
<td>7.7</td>
<td>25.4</td>
<td>25.8</td>
<td>24.4</td>
<td>14.3</td>
<td>(18.6)</td>
</tr>
<tr>
<td>Norway</td>
<td>274.9</td>
<td>101.1</td>
<td>0.4</td>
<td>(48.0)</td>
<td>(275.0)</td>
<td>(258.4)</td>
<td>(21.6)</td>
<td>2.7</td>
<td>172.3</td>
</tr>
<tr>
<td>China</td>
<td>13.7</td>
<td>(101.4)</td>
<td>(3.6)</td>
<td>47.4</td>
<td>126.1</td>
<td>90.6</td>
<td>695.8</td>
<td>255.3</td>
<td>593.9</td>
</tr>
<tr>
<td>Others</td>
<td>2,005.2</td>
<td>1,964.2</td>
<td>1,019.6</td>
<td>631.3</td>
<td>289.7</td>
<td>285.5</td>
<td>224.4</td>
<td>261.7</td>
<td>90.4</td>
</tr>
<tr>
<td>Total including Pvt. Proceeds</td>
<td>5,409.8</td>
<td>3,719.9</td>
<td>2,150.8</td>
<td>1,634.8</td>
<td>820.7</td>
<td>1,456.5</td>
<td>1,667.6</td>
<td>851.2</td>
<td>1,281.1</td>
</tr>
<tr>
<td>Privatization Proceeds</td>
<td>133.2</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>FDI Excluding Pvt. Proceeds</td>
<td>5,276.6</td>
<td>3,719.9</td>
<td>2,150.8</td>
<td>1,634.8</td>
<td>820.7</td>
<td>1,456.5</td>
<td>1,698.6</td>
<td>851.2</td>
<td>1,281.1</td>
</tr>
</tbody>
</table>

Numbers in (...) means negative
Source: World Investment Report, 2018

There has been 38.8% increase in Net FDI in 2015-16 as compared to 2014-15.
Note: Pakistan’s Fiscal Year runs from 1st July till 30th June. The figures in brackets are in negative.\(^\text{18}\)

This aspect met the criteria of the selection of the EM having presence of big MNCs for last many decades, even before terrorism had set in and a market with the high returns and high risk of terrorism.

Pakistan is facing the menace of terrorism for more than last two decades and it has become a grave threat to the country (Pakistan Business Review, 2015). Table 4.6 shows that more than 56,000 people were killed in terrorist incidents from 2003 to 2015.

**Table 4.6: Terrorist Incidents and Fatalities in Pakistan 2003-2015**

<table>
<thead>
<tr>
<th>YEARS</th>
<th>INCIDENTS</th>
<th>CIVILIANS</th>
<th>SECURITY FORCE PERSONNEL</th>
<th>TERRORISTS/INSURGENTS</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>8</td>
<td>140</td>
<td>24</td>
<td>25</td>
<td>189</td>
</tr>
<tr>
<td>2004</td>
<td>18</td>
<td>435</td>
<td>184</td>
<td>244</td>
<td>863</td>
</tr>
<tr>
<td>2005</td>
<td>11</td>
<td>430</td>
<td>81</td>
<td>137</td>
<td>648</td>
</tr>
<tr>
<td>2006</td>
<td>30</td>
<td>608</td>
<td>325</td>
<td>538</td>
<td>1471</td>
</tr>
<tr>
<td>2007</td>
<td>34</td>
<td>1522</td>
<td>597</td>
<td>1479</td>
<td>3598</td>
</tr>
<tr>
<td>2008</td>
<td>40</td>
<td>2155</td>
<td>654</td>
<td>3906</td>
<td>6715</td>
</tr>
<tr>
<td>2009</td>
<td>50</td>
<td>2324</td>
<td>991</td>
<td>8389</td>
<td>11704</td>
</tr>
<tr>
<td>2010</td>
<td>168</td>
<td>1796</td>
<td>469</td>
<td>5170</td>
<td>7435</td>
</tr>
<tr>
<td>2011</td>
<td>61</td>
<td>2738</td>
<td>765</td>
<td>2800</td>
<td>6303</td>
</tr>
<tr>
<td>2012</td>
<td>218</td>
<td>3007</td>
<td>732</td>
<td>2472</td>
<td>6211</td>
</tr>
<tr>
<td>2013</td>
<td>78</td>
<td>3001</td>
<td>676</td>
<td>1702</td>
<td>5379</td>
</tr>
<tr>
<td>2014</td>
<td>13</td>
<td>1781</td>
<td>533</td>
<td>3182</td>
<td>5496</td>
</tr>
<tr>
<td>2015</td>
<td>6</td>
<td>237</td>
<td>64</td>
<td>431</td>
<td>732</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>20174</strong></td>
<td><strong>6095</strong></td>
<td><strong>30475</strong></td>
<td><strong>56744</strong></td>
<td></td>
</tr>
</tbody>
</table>

*Source: Board of Investment, 2016*

Till June 16, 2019 this number of fatalities had increased to 63891 due to suicide bombing, VBIED attacks and gun and grenade attacks.\textsuperscript{19} It met the criteria of acute terrorism and spectacular terror attacks in this EM.

Though from 2014 onwards there has been let up in the streak of terrorist acts, a number of terrorist acts took place in 2015 and 2016. The terrorist attack on Army Public School Peshawar on 16\textsuperscript{th} December 2014 in which about 146 students were killed became a national tragedy that huddled the civilian and military leadership under one roof to synthesize a National Action Plan to arrest the wave of terrorism. Similarly, some other glaring terrorist acts took place in Lahore, Quetta and Peshawar in 2015 and 2016, which resulted in deaths of scores of innocent people (Dawn, 2017).

\textbf{ii) Turkey} is the world’s 17\textsuperscript{th} largest economy with a population of 78.67 million (in 2015)\textsuperscript{20}. In September 2010, the FTSE Group promoted Turkey from ‘secondary emerging’ status to ‘advanced emerging’ status. In ten years, Turkey attracted more than $100 billion of FDI and ranked as the 13th most attractive FDI destination in 2012.\textsuperscript{21}

About 33\% of big multinational companies use their offices in Turkey as their regional headquarters. Companies that use Turkey as a regional management hub include Benetton, Bosch, BP, Citibank, Coca-Cola, General Electric, GlaxoSmithKline, Hewlett-Packard, Hyundai, Imperial Tobacco, Intel, LG, Mercedes-Benz, Microsoft, Pepsi, Procter Gamble, Samsung, Siemens and Unilever.\textsuperscript{22}

This aspect met the criteria of the selection of the EM having presence of big MNCs for last many decades, and a market with high returns.

Despite these positive indicators of healthy economy, there was high risk of terrorism, as Turkey had been facing terrorism since long, especially from

\textsuperscript{19} https://www.satp.org/satporgtp/countries/pakistan/database/casualties.htm (Accessed on June 20, 2019)
\textsuperscript{22} ibid
Kurdish separatists’ groups, that attained new momentum. Officials in Ankara revealed that they had thwarted an astonishing 85 terror attacks - including defusing live bombs in the year 2016. Most of the attacks are linked to separatist Kurdish groups, although some have been claimed by the terrorist group, Islamic State (ISIS) (Sunday Express, May 3, 2016).

In fact, a number of terrorist groups are active in Turkey. During 2015, there was an increase in PKK (Kurdish separatist) terrorist activity in south-east Turkey. There have been a number of attacks by other groups including suicide attacks by terrorist group, Islamic State (IS), also known as Daesh, and attacks by the far left DHKP(C) and Kurdish separatist TAK in cities including Ankara and Istanbul (www.gov.uk).

Three suicide bombers belonging to IS attacked Istanbul's Ataturk Airport on June 28, 2016, killing more than 40 people and injuring more than 140 others in a coordinated assault. Earlier in January, suicide bombers hit Sultanabad Square in Istanbul, close to some of the city's main attractions. A homegrown IS cell also carried out suicide bombings in the southeastern city of Adiyaman in 2015 (Los Angeles Times, 2016). The trend of attacks in Turkey in comparison with fatalities during the period 2002 to 2016 is given in Figures 4.2 and 4.3.

**Figure 4.2: No of terrorist attacks with fatalities in Turkey, 2002-2016**

Source: Global Terrorism Database (GTD)  www.start.umd.edu/gtd/
Later on in December 2016 four major attacks took place in Turkey in less than a month, including the high-profile assassination of the Russian ambassador by a Turkish policeman; a car bomb assault against riot police at a soccer stadium in Istanbul in which killed 44 police officers were killed and an attack on an elite club on the New Year’s night in which more than thirty people were killed. This streak of violence and terrorist attacks met the criteria of acute terrorism and spectacular terror attacks in this EM.

The above data was adequate and pertinent to select Pakistan and Turkey as the EMs afflicted with terrorism where large MNCs were operating and taking risks to earn higher profits.

b) Selection of MNCs

Next step was the selection of the MNCs operating in these emerging markets. Large MNCs have deeper stakes in the host EM therefore they make elaborate arrangements to manage their business. It offers greater opportunity to study its processes and systems. The business involved in retail and distribution is more exposed to impact of terrorism. The following criterion was devised for selection of MNCs for the purpose of this study:

i) Large leading MNCs operating in the selected countries

Source: Global Terrorism Database (GTD) [www.start.umd.edu/gtd/](http://www.start.umd.edu/gtd/)
ii) Preferably involved in manufacturing, distribution and retail business either on own outlets or at other outlets

iii) Renowned American and European brands companies, as the terror threats to them are considered higher than others.

On basis of above criteria, initially eight MNCs were taken into consideration. Finally four MNCs, i.e. Nest, Beverages, Oil Co and Fast Food, belonging to different businesses, were selected from the 2014 and 2015 Fortune List of top ten most admired companies due to various key attributes and are listed in Table 4.7.23

Table 4.7: Presence of Four MNCs in Pakistan and Turkey

<table>
<thead>
<tr>
<th>Company</th>
<th>Pakistan</th>
<th>Turkey</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beverages</td>
<td>It came to Pakistan in 1953.</td>
<td>50.3% owned by Anadolu Efes S.K., 20.1% owned by the Beverages Company, 3.7% owned by Özgörkey Holding, and the remaining 25.9% publicly traded on the Turkish stock exchanges. It is the 5th largest bottler in the Beverages System in terms of sales volume. The company is headquartered in Istanbul.</td>
</tr>
<tr>
<td>Nest</td>
<td>Operating since 1988 under a joint venture with Milk Pak Ltd and took over management in 1992. Now the leading Food &amp; Beverages Company in Pakistan with key focus on Nutrition, Health and Wellness and reaching the remotest of locations throughout Pakistan.</td>
<td>Entered the market by introducing its products in 1875. Opened first office in Istanbul in 1909. Two factories are operating in Turkey.</td>
</tr>
</tbody>
</table>

|-----------|----------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------|
| Oil Company | It has a retail network of strategically located 780+ sites. It offers the following:  
- a variety of fuels like High Octane, Super Unleaded and AGO  
- non-fuel retailing facilities  
- A range of technologically advanced high-quality lubricants. | It has been operating in Turkey since 1923. It has a network of over 1000 sites/stations. |

Source: Official Websites of the respective companies.

These four MNCs discussed in Table 4.7 are large American and European MNCs, involved in manufacturing and retail business, operating in the selected EMs for many decades and despite high risks they were earning high profits there. They perfectly meet the criteria formulated for selection of MNCs for the case studies.

4.6 Interviews

As elaborated above, the study mainly focuses on qualitative paradigms and approaches to explore and interpret the experiences of persons involved in the cases in a context-specific setting (Denzin and Lincoln, 2000). Such information is gathered by having personal interaction with the participants by divulging in detail that how things happened, and gathering from such deliberations information on the issues directly or indirectly connected with the research areas (Taylor and Bogdan, 1998). Therefore, interviews of corporate security managers/managers, involved in the management under study, have been conducted.

Interviews, as frequently discussed in literature, are mainly of three types: structured, semi structured and unstructured. The semi structured interview base arises from the sequence in which “subject matter is addressed from any inadvertent omission of questions, from unrepresentative sampling and from an uncontrolled over or under-representation of subgroups among our respondents” (Ghauri and Grønhaug, 2010, p.45).
Three ethical principles underpinning data collection process: autonomy, anonymity/confidentiality, and informed consent (Endacott, 2007), were ensured by first obtaining the approval from ethical committee of the institution and secondly by getting the consent, laying down the terms in general, from the interviewee (Annane, Outin, Fisch and Bellissant, 2004; Lemaire, 2004). As a part of the ethics approval, obtained from King’s College London, the names of the interviewees as well as of their firms have not been disclosed in the thesis.

Mainly the interviews of senior members of the management team of selected MNCs, who were part of the security decision making, from the formulation of strategy till implementation, were conducted. In case the interviewees provided varying information on the same subject, the material from the available secondary data/documents was employed to reach a conclusion.

1) Selection of Interviewees

Phenomenology requires the seeking out of individuals who have experience of the ‘phenomenon’ criterion based sampling (Creswell, 1998), hence, those directly engaged in the strategy formulation and implementation stages were selected for the interview and collection of information.

The list of respondents was guided by the following factors:

i) Managers who are involved in the formulation and implementation of security plan against terrorism

ii) Managers who can provide a holistic view of the MNCs’ vulnerabilities and security processes against terrorism

iii) Accessibility

To ensure correct and concrete view, effort was made to select individuals engaged in security and management. Managers involved in the decision making, implementation and subsequent situation evaluation, especially pertaining to security of the company, were to be considered, to have their perception of the issue as well as to corroborate the information obtained from some other person. Nevertheless, on the contrary, access to limited number of persons in the MNCs were allowed, which, though, has not affected the quality of the research significantly.

The interviews are semi structured or so called clinical focused interviews with a set of
pre-determined open-ended questions but not limited to them (Hopf, 2004). The interview will be divided into two parts; first the interviewer will be asked to narrate the entire tale of shift in security paradigm after 9/11. After that the discussion will be made with reference to the interview guide prepared for the purpose. This use of guide followed Hopf’s (2004) and Merton, Fisk and Kendall (1956) criteria for semi structured interviews:

i) Scope: the spectrum of the problem addressed in the interview should not be too narrow. The interviewee should have maximum opportunity to express their opinion. This concerns both theoretically anticipated and non-anticipated reactions.

ii) Specificity: the topics and questions that occur in the interview should be dealt with in a specified way, referring to specific subjects and not expressing global assessments.

iii) Depth: interviewees should be supported in presenting the affective, cognitive and value-related meaning, which particular situations have for them.

Following key decisions underpinning data collection through interview process (Endacott, 2005) will be addressed in the following manner:

i) Structure for the interviews;

ii) Timing;

iii) Number of participants; and

iv) Location.

Semi structured interviews will be supported by the guidelines prepared at the pre-interview stage. The timings of the interview will be predetermined. The statements will be substantiated by the evidence available in the office in the form of SOPs and written plans. The number of participants will be decided with the management at the initial meeting, subject to amendments at a later stage if more information is desired. Keeping these requirements of consulting written material and evidence, the location for interview should be the head office where the relevant persons and record will be available.

2) Interview Guide Development

The interview guide is more relevant in case of structured interviews. Though, in this
case, provided guidance to ensure all research areas will be touched upon. It is therefore, crucial in nature and its preparation requires care and caution. This guide will not help in asking direct questions on the issues rather views expressed by the interviewees will be guided to cover all the related matters, telling the whole story on their own while answering open ended questions. Accordingly, interview guide should not be wrongly interpreted as a set of questions asked as a part of the interview rather it serves as interviewer’s to-do-list to ensure the wholeness of the interviews. This list will also help in carrying out analysis of the information gathered during the interviews process to answer the research questions.

A preliminary interview guide, based on the research question and the framework, was prepared to do pilot case studies, which was later, refined on the basis of experience so gained. This ensured to carry out the entire process in a productive manner, covering following aspects of the research pertaining to direct and indirect impacts of terrorism and the measures taken to address the same: (based on the research questions and the conceptual model).

i) Pre-requisites - list of information required before contacting the concerned firm’s representatives.

ii) Introductory Meeting - with the firm’s representative to finalize the details and modalities of conducting interviews as well as access to the related record.

iii) Whom to interview - the list of persons finalized in the Introductory Meeting with the representative of the firm. So, the persons from the security as well as the administration sections, who coordinate in all aspects of the company’s security.

iv) Review of initial data / information - details about the existing security plans, arrangements and threats on record, before going for the interviews.

v) Study of the documents - details of the Standing operating procedures (SOPs), before going for interview, related documents to be examined to know detailed background of the process and management.

vi) Conduct of Interview - formal conduct of interview while keeping the background of the policy and management, as gained through above steps, in mind. The purpose of the interview was to get the background and details of the policy and management to counter the impacts of terrorism.

vii) Interview Parameters - semi structured interview will be conducted, therefore,
a list of issues involved, on the basis of the research areas was prepared to make the interviews more meaningful.

viii) Follow up Interview - to give finishing touches to the findings of the interview conducted.

3) Conducting the Interviews

Interviews of eight senior managers of eight MNCs, four each from Pakistan and Turkey, were conducted. Besides interviews of two senior most public-private sector business personalities were conducted. After compilation of the first interview results, where there arose the need to seek information on some more areas or on the areas left out, appointment was obtained from the concerned person by explaining the reasons requiring further discussion.

4.6. Data Analysis

Data analysis is a complex part of the qualitative research process, which has received less theoretical attention (Savage, 2000). In research studies, there is often a need of useful guidelines on how to analyse the substantial amount of qualitative data, but one generally faces lack of clear guidance for using particular analytic methods (Hunter, Lusardi, Zucker, Jacelon, and Chandler, 2002; McCance, McKenna and Boore, 2001). Most available guidelines or checklists related to qualitative studies are critical appraisal tools or focus on reporting qualitative research such as; the CASP (Public Health Resource Unit, 2006), COREQ (Tong, Sainsbury and Craig, 2007), Malterud’s guidelines (2001), and McMaster Critical Review Form (Letts, Wilkins, Law, Stewart, Bosch and Westmorland, 2007). They do not provide researchers with clear instructions on how to analyse, interpret and summarize qualitative data. Because of complexities of qualitative data analysis, any description of the practical aspects of the analysis process runs the risk of oversimplification (de Casterle, Gastmans, Bryon and Denier, 2012). There is no one right way to work with qualitative data, essentially qualitative data analysis is a process best ‘learnt by doing’ (Froggatt, 2001). It requires expertise in reading, thinking, imagining, conceiving, conceptualizing, connecting, condensing, categorizing and thereby creating a new storyline (Jennings, 2007). Extensive preparation is required to open the researcher’s mind to lay the groundwork for one to be creative (Hunter et al., 2002). In qualitative research it is essential that we know which techniques or methods can be used to guide and support this challenging
intellectual process (Jennings, 2007; Hunter et al., 2002).

Interpreting and analyzing qualitative data cannot happen by merely telling convincing stories, Silverman’s (2000), in qualitative research trustworthiness and authenticity rather than reliability are the main issues (Sinkovics, Penz and Ghauri. 2008). The idea is to present an “authentic” understanding of people’s experience. This means not just understanding the point of view of the individuals and groups being studied; in addition, data has to be interpreted against the background of the context in which they are produced (Hammersley and Atkinson, 1983).

“The most serious and central difficulty in the use of qualitative data is that the method of data analysis is not well formulated . . . the analyst faced with a bank of data has very few guidelines for protection against self-delusion, let alone the presentation of unreliable or invalid conclusion to scientific or policy-making decisions. How can we be sure that an “earthy”, “undeniable”, “serendipitous” finding is not, in fact, wrong?” (Miles, 1979, p.596).

Based on the literature on qualitative data analysis following six major problems are faced by researchers (de Casterle et al., 2012):

i) Over-reliance on qualitative software packages
ii) Word overload due to line-by-line approaches
iii) Coding using a preconceived framework
iv) Difficulty of retaining the integrity of each respondent’s story
v) Full potential of data is not exploited
vi) Data analysis as individual process

According to Miles and Huberman (1994) qualitative data analysis is choreographed not lifted off the shelf. Some methodologies have specific processes for data analysis like Arslanian-Engoren and Scott (2003) for one approach used in phenomenology. Common to all approaches is the process of developing codes and categories. General categories (or themes) may be developed from the data, which are then broken down into more explicit codes. Alternatively, line-by-line analysis of transcripts is used to develop codes, which are then built up into categories/themes. Another approach is to use a predetermined framework for codes, for example Carper’s (1978) four ways of knowing or Benner’s (1984) novice to expert framework.
These different techniques are summarized in the Table 4.8:

<table>
<thead>
<tr>
<th>TECHNIQUES FOR CASE STUDY ANALYSIS</th>
<th>EXPLANATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chronologies</td>
<td>Narratives of the events that took place, organized by date</td>
</tr>
<tr>
<td>Coding</td>
<td>Sorting the data according to concepts and Themes</td>
</tr>
<tr>
<td>Clustering</td>
<td>Categorizing cases according to common Characteristics</td>
</tr>
<tr>
<td>Matrices</td>
<td>Explaining the interrelationship between Identified factors</td>
</tr>
<tr>
<td>Decision Tree Modeling</td>
<td>Grounding a description of real-world decision and actions coherently by using multiple cases</td>
</tr>
<tr>
<td>Pattern Matching</td>
<td>Comparison between a predicted and an empirically based pattern</td>
</tr>
</tbody>
</table>

Source: Ghauri, 2004, p.115

I applied the approach defined by Miles and Huberman (1994), accordingly interweaving data collection and data analysis right from the first case/interview has been adopted in this research. This allows theory to develop alongside the growing volume of data, thus allowing formulation and reformulation of the research problem at the same time. This leads to new questions and new data collection, and there can be no definite phase of data analysis (Ghauri, 2004; Ghauri and Grønhaug, 2010; Miles and Huberman, 1994).

As far as software is concerned, I used NVivo to draw analysis on the studies carried out. NVivo is a computerized software tool that can assist a qualitative researcher, because it effectively manages large amounts of qualitative data (Bazeley, 2003; Richards, 1999). In particular, NVivo is designed to facilitate the construction of relational networks identifying the content and structure of respondents’ opinions (Fraser, 1999; Richards, 1999).

I inserted the data of case studies’ interviews in NVivo in form of Themes and Nodes.
There were seven Themes and several Nodes under every theme. A screen shot of the themes and nodes is provided in Figure 4.4. NVivo did not analyse the data itself. However, it facilitated me to have the data in an arranged manner which assisted in interlinking the content and opinions, enabling a more thorough and reliable analysis (Ghauri and Firth, 2009).

Figure 4.4: NVivo Output Screen

There were seven Themes and several Nodes under every theme. A screen shot of the themes and nodes is provided in Figure 4.4. NVivo did not analyse the data itself. However, it facilitated me to have the data in an arranged manner which assisted in interlinking the content and opinions, enabling a more thorough and reliable analysis (Ghauri and Firth, 2009).

Figure 4.4: NVivo Output Screen

Source: Screen shot of my work in N’Vivo

4.7. Analysis Criteria

The research requires, as illustrated in the research model, study of how MNCs understand the nature of impacts of terrorism, handle them and come up with solutions. Thus, requiring analysis of each component to explore the approaches being influenced by the institutional factors and its impact on the subsequent component, and finally on the outcome. The factors of each component and related variables are defined with reference to the literature review undertaken for the purpose of this study. The criteria used for the analysis of the processes of each component are elaborated in the following Table 4.9, which are applied to analyse each case study, comparative case analyses and final consolidated analysis.
Table 4.9: Process Measure for Analysis

<table>
<thead>
<tr>
<th>INPUT</th>
<th>Comments</th>
<th>Process Measure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Realization of post-9/11 terrorism threat</td>
<td>Assumes proper understanding of the new form of terrorism and threats has been developed.</td>
<td>Assessment scale ‘Weak, Fair and Robust’.</td>
</tr>
<tr>
<td>Adjustment in Strategies</td>
<td>Assumes correspondingly adequate adjustments have been made.</td>
<td>Weak: few elements included/ implemented.</td>
</tr>
<tr>
<td>Interaction with host Government</td>
<td>Is interaction with the host govt. strong enough to face the terrorist threat?</td>
<td>Fair: Most essential elements are taken care of.</td>
</tr>
<tr>
<td>Constraints/Limitations</td>
<td>Are constraints and limitations being handled effectively?</td>
<td>Robust: All essential elements are implemented.</td>
</tr>
<tr>
<td>Future Plans</td>
<td>Assumes proper thinking has been done to preempt impending threats and problems.</td>
<td></td>
</tr>
</tbody>
</table>

The analysis was structured on category criteria, allocated to seven Themes in four elements. The Nodes of all Themes were studied and categorized on basis of the elements taken into consideration. ‘Robust’ is the highest category allotted on basis of maximum elements; Fair, most essential elements are taken care of; and Weak, few elements are included. The comparison of the aggregate of categories led to draw conclusion. These limits were determined on the basis of experience gained as to level of effectiveness of the processes, during the case studies. To sum up, the process below, as guided by de Casterle et al. (2012), was adopted for undertaking analysis:

i) Every interview was meticulously transcribed verbatim immediately by the researcher, the transcript was thoroughly read at different times in order to familiarize with the data and getting a sense of the interview as a whole.

ii) The essence of the interviewee’s story in answer to the research question was articulated by way of narrative report, guided by the question: ‘What are
the essential characteristics of the interviewee’s story that may contribute to a better insight in the research topic?

iii) From narrative report to conceptual interview scheme was derived to provide concepts that were relevant to get insight into the research topic.

iv) The appropriateness of the conceptual interview schemes was verified through iterative dialogue with the interview data.

v) Forward–backward movement between within-case and across-case analysis was carried out to facilitate the identification of common themes, concepts or hypotheses (Swanson-Kauffman and Schonwarld, 1988).

vi) Based on the conceptual interview schemes, a common list of concepts was drawn up without imposing a hierarchical order.

vii) The actual coding process starts by reading each interview again with the list of concepts at hand.

viii) Every code was analysed through a careful exploration and study of all citations associated with the code.

ix) Integrated all these concepts in a meaningful conceptual framework or storyline in response to the research question.

x) Based on the conceptual framework and the in-depth analysis of concepts, systematically and carefully described the essential findings in answer to the research question.

To conclude, the strength of the analysis method adopted lies in following features:

i) Case-oriented approach characterized by balancing between within case and cross-case analysis (Ayres, Kavanaugh and Knafl, 2003; Sandelowski, 1995, 1996). To understand and treat each sampling unit as one case to make sense of the data collected for each individual sampling unit;

ii) Forward – backward dynamics using the constant comparative method (e.g. Froggatt, 2001; Sandelowski, 1995, 1996). From the start till the end of the process, the analytical work is characterized by iterative processes of analysis by digging data deeper and deeper in the research phenomenon.

iii) Use of data generated sensitizing concepts; thorough and extensive coding process to ‘first look at own data in order to see what he/she should look for in the data’ (Sandelowski, 1995).
Focus on people-ware rather than software (e.g. Jennings, 2007; Hunter et al., 2002; Sandelowski, 1995). By focusing on a thorough preparation of the coding work, prevents from relying too quickly and too heavily on qualitative software packages, thereby getting lost in a meaningless mass of codes.

4.8. Pilot Study

4.8.1. Overview

As pilot study the Middle Eastern food stuff MNC, named for this study as ‘Foodie’, operating in 84 countries, including Pakistan, was studied. The interviews were conducted as per the interview guide in a semi-structured manner. The heads of operations of Pakistan and UAE/Saudi Arabia were interviewed.

The analysis was done in accordance with the description explained in the seven themes. The final analysis was made on the basis of judgment yardsticks of four aspects, i.e. understanding, will/response, strategy and implementation. NVivo was not used at this stage.

4.8.2. Post-9/11 Terrorist Threat Perception

Foodie had set up its unit in Pakistan in 2003 when terrorist attacks in Pakistan witnessed an uptick. The managers informed that the MNC took risk to invest in Pakistan when it was plagued with terrorism because the profits were high. It was a calculated risk to invest in an EM afflicted with terrorism to make profits. But when the level of terrorism increased, it reviewed the plan to further expand the business in this country; decided to focus on maintaining the existing unit.

“We had started the company after 9/11, in 2003. We knew about the globalization of terrorist threat but decided to go to areas with untapped potentials. We established Oil producing unit at Port Qasim Karachi, Pakistan in 2003. But terrorism in Pakistan increased in 2004 onward. We put our plans of further investment in Pakistan on a hold. We were looking for further units but we had to review our decisions. It was decided to maintain the existing one and wait for stability for further investment.”, elaborated by the interviewee,
Manager for the UAE and Saudi Arabia, who was instrumental in initiating the business in Pakistan.

This means that impact of terrorism compelled to make new decisions, change strategies, and modify structures in order to avoid setbacks and losses.

Rise in terrorist activities can compel a firm to adjust the business strategies, structures and controls to a new environment. It results in two approaches; one, review the earlier decisions, and two, make adjustments in the existing plans.

“As said earlier we had invested 100 million Riyals (37 million dollars) in the Oil unit in Pakistan and we were planning to invest more over years. But due to increasing terrorist activities in the country and especially in Karachi, where the unit is based, we held further investments. Secondly, we took measures like target hardening of the unit, in-house security arrangements, training sessions of the employees etc.”, said the interviewee.

Though ‘Foodie’ was not specific target of terrorists, its managers considered overall terrorist environment a matter of concern for their company.

“It is a matter of overall security environment in the city and the country which is marred with terrorist activities. That impacts us as well. However, a couple of times we did receive threats for extortion.”, an opinion was given by the interviewee.

The interviewee intuitively perceived terrorism as the top risk; other options were violence aimed at the region larger than the home country, violence aimed at the company’s home country and political violence aimed at the company itself.

“Terrorism is the greatest threat. They are the militants with political agenda. So, I choose option one.” said the interviewee.

This opinion was not based on scientific analysis or on the expert opinion of a security analyst hired particularly by the firm. A general view or institutive analysis can be correct if the management of a firm thinks hard about it, howsoever unscientific or irregular it may be.
4.8.3. Types of Terrorist Threats and Impacts

There were sparse direct threats to the firm.

“There was just one threat of extortion. I learnt that there was one case of kidnapping which was resolved through intermediary. Ransom was paid in Dubai. There was no direct terrorist attack on the unit of the head office of the company in Karachi.” informed the interviewee, as he was aware of this incident.

But the impact of this threat and incident could be long lasting. One kidnapping incident remained in the minds of the management and the employees for a long time. It was an incident, which could be quoted. On the other hand, indirect impact of terrorism in the country was a continuous phenomenon but it usually did not seem to have attracted immediate and high concern of the firm’s management.

However, the managers were of the opinion that between the two sets of impacts, indirect impacts were beyond the control of the firm therefore such impacts were more worrisome for the management.

“The second set (indirect impact of terrorism) is more problematic and difficult to manage because it is out of our control. Though direct attack on the firm’s building and operations can be extremely damaging but appropriate security arrangements can diminish the chances of impact.”, said by the interviewee.

Though it was difficult to clearly gauge which set was more lethal, the aspect of lack of control over indirect impacts made them more bothersome.

Terrorist acts create anxiety and uncertainty in the employees. It seemed there was a lack of a proper system to address the problem of anxiety and uncertainty in the employees. The interviewee said, “Our managers brief the employees and try to soothe them.” Either it was not considered too important to address this aspect or budgetary constraints prevented from spending extra amount on psychologists or psychiatric help etc. Employees’ anxiety was an overlooked area. Employees’ feedback system should have been developed. It must include their reaction on fear of terrorism that could hit them.
4.8.4. Managing Terror Threats and Impacts

The management displayed limited understanding of the security against terrorist threats. Emphasis was on target hardening through human and hardware security.

“We have enhanced the security of the unit and the office. A combination of human and hardware security has been employed. Guards, CCTV cameras, entry control systems etc. are used for the security. MD takes decisions in this regard. He allows to include it in the budget with the consent of the CEO.,” said the interviewee.

The procedure to make this expenditure on developing security of the office and the unit seemed cumbersome as the CEO of the company gave the approval.

Even target hardening approach would not have delivered maximum results in absence of written strategy and Standard Operating Procedures (SOPs). The management considered that display of printed posters for awareness would suffice. It amounted to leaving too much to the discretion of the employees. The fact is that posters or written directions displayed on the walls can at best create awareness to some extent and give directions to employees to adopt some measures in case of terrorist attack. It is in no way a substitute to strategy or SOPs for comprehensive security.

Though the issues pertaining to threats of terrorism were discussed quite frequently in the board meetings of the company, no systematic method was adopted to gauge the rise and fall of terrorism in the country and there was absence of security expert (security manager) who could come up with solid solutions. Ideally reflections on threats of terrorism should be part of daily meeting, glaring issues must be discussed in a professional manner and an expert should offer solutions immediately.

Though the company realized that there was grave threat of terrorism and took steps to counter the same, there were gaps and loopholes in its plans and implementation.

“In last five years, firm strengthened security of manufacturing unit and the office, hired security head (lesser than a security manager) to train security men
and to develop SOPs for security against direct impact of terrorism.”, claimed by the interviewee, GM UAE and Saudi Arabia.

It was an attempt to fine-tune the target hardening and the physical security. However, there seemed little emphasis on preventing the indirect impacts. Moreover, the arrangements against direct impacts like strategy to provide security to executives outside the office and unit were non-existent.

The company insured its assets and property against terrorist risk. It was a policy to insure assets and property in emerging markets against terrorist risk.

The company hired trainers and consultants to train and encourage its Top Management Team (TMT) to be aware of the new realities of the Global Business Environment (GBE) and to adapt their businesses to the changing features of business environment. However, specific programs for awareness about terrorism were missing. Terrorism being a major risk to MNCs, a firm cannot afford to have managers without basic training and knowledge of terrorism prevention, especially in the countries facing serious terrorism.

Company’s contingency planning, inventory management, and supply chain adjustments were not up to the mark. Nevertheless, the interviewee explained: We plan for dispatches; if one area of the supply company suffers from a terrorist attack or incident, we are in contact with others to ensure smooth supply of our dispatches.”

Though all three aspects are not covered, the company had some kind of arrangements to ensure continuity of supply in case of disruption in normal operations of supply.

4.8.5. Steps to Adjust Business

Despite being a fairly big MNC, ‘Foodie’ did not think of becoming leaders and innovators in developing new strategies for managing terrorism risks because they considered themselves not big and old enough to indulge in this leadership role. The interviewee said, “We are contented to let the bigger and older MNCs take lead in this regard.” Though terrorism poses risk to almost all MNCs and businesses but a few are expected to take tangible initiatives to tackle it. The spirit of developing a shared and united stand to face terrorism among the
MNCs can make a difference. Though Foodie’s head office and manufacturing units were located separately, its manufacturing unit was at one place.

CBNR (Chemical, Biological, Nuclear and Radiological) risk is perceived as a significant threat by almost one quarter of companies. IFFCO considered it a far-fetched threat. So, it didn't bother to make any plan to attend to such a threat. In fact, the MNCs ought to realize that CBNR risk was not a very distant possibility.

There was approximately 20-25% increase in security spending of the company during 2008-15. It was a substantial increase. Without substantial increase in the budget on prevention of impacts of terrorism, it is not possible to provide foolproof security to the company’s employees, operations and set-ups.

The capacity of a company to rebuild and run manufacturing unit if it is hit by a terrorist attack is vital. Foodie could rebuild and restart operations quickly if the manufacturing unit was partially hit. However, severe or substantial damage could compel it to take longer time to restart its operations. Even worse there were chances that if the factory was hit beyond quick repair to restart its operations, its owners could consider winding up the operations in Pakistan.

For almost eight years (2003-2011) the factory Manager handled security affairs. No professional was hired to handle the risk of terrorist acts. Despite very high risk the impacts of terrorism still got a back seat in the priorities of the company.

4.8.6. Interaction with the Government and the Responses

The firm’s experience with the police in connection with the response to call for help against terrorism remained satisfactory. Whenever there was a rise in terrorism or the firm received threat it approached the police and administration for help. Usually the response was quick and adequate. Response by Rangers in Karachi had been better than police after 2013.

They informed that during the two years’ time (2014 and 2015), the persistent endeavours of the Government of Pakistan had given confidence to the firm that terrorist threat would be addressed promptly. The confidence level in the response of the government agencies increased and the company could operate with more confidence. Though agencies vary in their agility to respond, the firm
got relief and response from any of them in any case. It gives a fair idea that Government’s response to counter terrorism and to strive to improve security situation matters a lot for the companies.

4.8.7. Future Plans

The company hoped that the terrorist risk to businesses/company would diminish in Pakistan over the next five years.

“The operation led by Rangers against the miscreants and terrorists has made the things better in Karachi. If it continues successfully for some time things would get better in times to come.”, said the interviewee.

There was a mixed reaction of hope and skepticism about the risks from terrorism. Uncertainty can be detrimental to progress and expansion of company. Managers tend to take cautious decisions in an atmosphere of uncertainty.

Despite terrorism and its impacts, the company never thought of winding up its business in Pakistan. The interviewees revealed that despite threats they had never thought of closing down the business. As far company was making profits, despite risks, they would like to continue the operations. Further investment and expansion plans will remain shelved till the situation becomes normal and stable.

4.8.8. Constraints/Limitations

Budgetary or other constraints can restrict attempts to modify and amend strategies or implementation of security measures to face terrorist threats. Foodie was no exception.

“Resources are never unlimited. It is never a smooth sailing to get approval of funds for security arrangements. Mostly partial funds are approved. Besides it takes more efforts to make the Head office realize of the fact that indirect impact of terrorism could have greater negative effect on the firm and it needed better strategy. These factors slowed down or hampered the process of modifications or amendments of strategies.”, said the interviewee.

The need to prevent impacts of terrorism in a comprehensive manner was not
understood properly.

There can be social and cultural barriers which can limit freedom of formulating strategies to dilute the impacts of terrorism.

“Pakistan is facing Islamist terrorism whereas 98% population is Muslim and religion is well-entrenched in the society. It is quite complex to tackle religious extremism or talk about it freely as it can be construed as an attack on religion. The Law Enforcement Agencies also face this dilemma and have to tread carefully to avoid stirring the religious sensibilities of different sects and religious parties.”, stated by the manager.

Firm has to operate differently from its base country and has to be cautious about the religious and cultural sensibilities of the general public which include the employees as well. Social and cultural sensibilities become more accentuated in the environment afflicted with religious terrorism and extremism therefore more care is required to avoid stirring such cultural and social sentiments.

In case of terrorist threat, the response from the police was not as good as from the Rangers.

“During the last two years, ever since the government has launched the Rangers to handle the situation, our confidence level in the govt. agency has increased and we can trust that they would take notice of any sort of terrorist threat.”, said the interviewee. Though agencies vary in their agility to respond, the firm gets relief and response from any of them in any case.

4.8.9. Findings

A quick review of above suggests that there were tangible chunks in the plans to address the direct impacts of terrorism. The first and foremost step to face this impact is sound risk management procedures and protocols, which were not formulated. There was glaring absence lack of program to fully inform employees of the hazards they face. Moreover, the company did not supply the wherewithal to enhance their safety through training and technical means like armored vehicles or security details. To cap all, there was no planning of company’s response in the event of a kidnapping or extortion. For example, in a hostage recovery, specialists were not prepared to recommend and implement a
negotiating strategy, interface with authorities, counsel and comfort for the victim’s family, protect the ransom funds, or at least supervise, the ransom’s delivery.

As full-fledged security manager was not appointed, the factory manager was given additional responsibility to look after the security affairs. The managers had little familiarity with the plan to respond which was more damaging because even the best laid plans are useless if managers are not aware of the plan’s existence or of their particular individual roles and responsibilities in the event of a crisis. There was insufficient realization that ‘avoidance’ is the best strategy to deal with direct impact of terrorism. Absence of defensive programs over a prolonged period of time in a high-risk area has higher probability of causing troubles. The overall policy of the company showed concern over likely impacts of terrorism in Pakistan but the supporting mechanism and procedures were not up to mark.

Nevertheless, Foodie initiated its operations in Pakistan in 2003, which means it was well aware of the ongoing terrorism related situation therefore its management did not have to undergo modification of perceptions and corporate tactics. It had the convenience to make good estimates of expenses and inconvenience of a more stringent corporate security program. Business decision mechanism was in place, which had foreknowledge of the manner of doing business in Pakistan. Nevertheless, it could not escape spending more on high rate of insurance, which resulted in higher cost of production. They made a comparison with the production of edible oil in Pakistan and Egypt and found that the cost was higher in Pakistan mainly because of higher rate of insurance caused by terrorism.

Regardless, the arrangements and procedures to handle indirect impacts need more elaborate plans than arrangements for direct impacts like target hardening to protect the personnel and facilities. It requires deeper thinking and sound policymaking by the higher echelon of the company. In this case, even the arrangements to address direct impacts were not systematic and up to the mark. Payment of extortion money was the tacit strategy. The company didn't seem to have clear SOPs to react quickly in case of a terror attack at its unit or supply
chain.

Though the company realized that terrorism was forcing businesses to tighten up procedures in areas such as; i) employee vetting, ii) the choice of sub-contractors and iii) location of operations, practical adoption and implementation of SOPs seemed fragmented and deficient.

I learned several valuable things from this pilot study. First, I found that I needed to add questions about issues that I had not realized were important, such as difference in understanding of impacts of local managers and the higher echelon at the headquarters, their reactions on social media campaigns against the company even in case of distant act like reaction on Charlie Hebdo caricature issue, and how persistent terrorist activities could affect the future of the employees. I also discovered additional useful questions, such as asking the participants to describe specific events that illustrated what they had been saying. Second, I gained a deeper understanding of their experiences, modifying my conceptual framework. Both previous research and prior beliefs had led me to underestimate the long-term consequences of the indirect impacts. I learned that I needed to step back and listen to interviewees’ experiences in new ways. Finally, I found that their responses were sometimes guarded and predictable.

4.8.10. Analysis

The Foodie management perceived terrorism on top of all other sort of risks, especially after 9/11, because it had an overwhelming impact on the employees, operations and the environment they operated in. Their perception, though intuitive and generalized, was strong and clear, on the basis of which they did make some changes in the security strategy. It establishes that impact of terrorism compels to make new decisions, change strategies and modify structures in order to avoid set-backs and losses. Moreover, such an arrangement in a country where terrorism is the biggest risk to the operations of a company can be attributed to the myopic and unprofessional approach of the management. Budgetary constraints and distant decision making by the CEO are the snags and practical reasons for the adopted approach.

Similarly, it may be difficult for the MNCs to decide whether direct impacts
were more lethal or the indirect. However, it is an undeniable fact that the advantage to be able to make appropriate security arrangements to guard the installations and employees against direct impacts makes indirect impacts more problematic which involves many stakeholders. In a way, indirect impacts are more important as they are difficult to manage. Despite this understanding, Foodie’s emphasis on target-hardening revealed management’s skewed approach to handle terrorist threats and its impacts.

The management of Foodie knew very well that anxiety caused among the employees due to terrorist threats was an ignored area. It would have been appropriate to adopt proper ways to allay their fears and to teach them how to manage the fears and anxiety caused by it. Slackness to adopt effective measures to overcome fear and anxiety of the employees amounts to giving advantage to the terrorists whose aim is to create fear.

Foodie’s case study tells that even if an MNC operating in a dangerous environment is not a direct target of terrorist threat it must not wait to adopt security measures because if overall security situation is deplorable any entity can become a soft target anytime.

The pattern of decision making at Foodie reveals that remote control and distant decision making to control the risks and impacts of terrorism can undermine promptness and usually the urgency of matter is not fully understood which results in slow decision making at the distantly placed HQ.

Foodie’s approach to address impacts of terrorism was proactive to a limited extent but much below the required level. There was a need to have proper consultant or expert that could give exhaustive plan and implement the same in letter and spirit after undertaking a thorough security audit. Monitoring of proper and sustained implementation of such plan was also needed. In EMs afflicted with acute terrorism, a company cannot afford to be deficient in knowledge, strategy and seriousness to tackle the impacts. They ought to adopt comprehensive methods in this regard.

If manufacturing unit is at one place and not decentralized, like in case of Foodie, the operations become more vulnerable to terrorist attacks. In case of decentralized units, if one is attacked the others keep operating and the
production/operations do not come to a standstill.

Foodie’s case reveals that it was slow and reluctant to adopt new procedures probably because their implementation required deep thinking, formulation of better strategy and more finances. These requirements probably keep the firms reluctant to go all out for these processes.

There was a difference in continuing with their operations despite terrorist risks and to think of pulling out if the factory was hit beyond repair. Once palpable amount of investment is made and reasonable profits are being reaped, companies do not think of wrapping up the business despite terrorist threats. Foodie felt safe due to positive response of government agencies, which means that adequate government response to protect the companies matters a lot for the confidence of companies.

It seems that overall understanding of all seven themes was fair but the will to form and implement strategies was usually weak. This is explained further in Table 4.10.

<table>
<thead>
<tr>
<th>MAIN THEMES</th>
<th>UNDERSTANDING</th>
<th>WILL/RESPONSE</th>
<th>STRATEGY</th>
<th>IMPLEMENTATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Post 9/11 Terrorist Threat Perception Impact</td>
<td>Fair</td>
<td>Weak</td>
<td>Weak</td>
<td>Weak</td>
</tr>
<tr>
<td>Experiencing Actual Terrorist Threats or Attacks</td>
<td>Fair</td>
<td>Fair</td>
<td>Weak</td>
<td>Weak</td>
</tr>
<tr>
<td>Ways to counter and manage the terror threats and impacts</td>
<td>Fair</td>
<td>Fair</td>
<td>Weak</td>
<td>Weak</td>
</tr>
<tr>
<td>Steps to Adjust the Business operations</td>
<td>Fair</td>
<td>Weak</td>
<td>Weak</td>
<td>Weak</td>
</tr>
<tr>
<td>Interaction with the Government/Its Responses</td>
<td>Robust</td>
<td>Fair</td>
<td>Fair</td>
<td>Fair</td>
</tr>
<tr>
<td>Constraints/Limitations</td>
<td>Fair</td>
<td>Weak</td>
<td>Not known</td>
<td>Not known</td>
</tr>
</tbody>
</table>
A graphical presentation of Table 4.10 is given in Figure 4.5:

Figure 4.5: Case Study Analysis

<table>
<thead>
<tr>
<th>Robust</th>
<th>Fair</th>
<th>Weak</th>
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</table>

- **Post-9/11 Terrorism and Institutional Factors Impact**
- **Experiencing Actual Terrorist Threats**
- **Ways to counter and manage the terror threats and impacts**
- **Steps to Adjust the Business operations**
- **Interaction with the Government**
- **Constraints/ Limitations**

Steps to adjust the business operations and interaction with the government are shown with the highest impact in the robust category.
5. CASE STUDIES

As detailed in the research methodology the case studies are, primarily, based upon interviews of key person/persons involved in the security and management of selected MNCs. Also, the documents related to the transactions, where possible, were examined to develop better understanding of the process followed as well as to substantiate the information gathered through interview process. Information publicly available from the websites, and other sources, of the acquirer as well as of the target firm was also referred and used for the purpose.

5.1 Case Study 1. NEST - Turkey

Overview

The case study is related to an MNC named Nest Turkey for this study. This interview was conducted with the Corporate Security Manager Nest Turkey (Nest-T), responsible for the supply chain security, information security, transport security and crisis management of the company in the country. He was also responsible for supporting in investigation matters of the company. Company Brief: Nest has two entities in Turkey; one plant, one water plant, nine depots across the country and 400 distributors.

Terrorism in EMs and Institutional Factors

The Corporate Security Manager Nest-T confirmed that according to his understanding terrorism was the highest risk for MNCs in Turkey since 2015 onwards. The advent of Islamic State terrorist group and Turkey’s involvement in Syrian war added lethality to terrorism scenario in Turkey which resulted in rapid changes in the internal security laws, regulations and norms. So, it was many years after 9/11 that Turkey had started facing high level of terrorism therefore Nest-T considered it a top threat to its operations. Consequently, Nest-T, like other businesses, had to modify itself according to the emerging situation.

Its management minutely studied the institutional factors and braced to take appropriate measures to attain legitimacy and ensure security. The entirely changed security environment posed new challenges and there were hardly any existing practices by other businesses, which could be mimicked by Nest-T. This fact triggered the need to make elaborate changes and introduce new processes to provide internal consistency.
Realization of Post-9/11 Terrorism Threat

Nest-T seemed to have taken a bit long to realize the severity of post 9/11 terrorism posed threat to its business. The Corporate Security Manager stated that till 2015 terrorism was not a serious issue in Turkey except for some attacks by al-Qaeda in Istanbul years ago. In fact, prior to 9/11 Turkey was already facing terrorism by Kurdistan Workers’ Party (PKK)\textsuperscript{24}. “Of course, sometimes we face localized unrest and armed clashes between terrorist groups and security forces. This poses risk of disruption to our supply chain. At time in south east Turkey because of PKK terrorism there are road closures and motor way closures.” It means it had a fair idea of terrorist threats, but of different nature. The situation was compounded by al-Qaeda threat and actual terrorist attacks after 9/11. Nest-T realized, though belatedly, that Turkey was also not spared by post 9/11 global terrorism phenomenon and it had to handle this threat.

The realization of post 9/11 terrorist global phenomenon should have created awareness that all businesses operating in EMs afflicted with terrorism could be a possible target of terrorists. The Corporate Security Manager insisted on playing down the terrorist threat to his firm, as he did not consider its company a specific target of any terrorist group. However, he was cognizant of the fact that its employees could fall prey to terrorism at public places and streets. Especially the failed coup attempt and its involvement in Syrian war, after which some glaring terrorist incidents occurred in Istanbul in 2016, Nest-T became serious and concerned about the impact of terrorism on the business.

It is important for MNC management to think about the emerging risk scenarios. It helps adopt proper preemptive measures accordingly. Adequate knowledge of current and previous threats helps devise adequate strategies. The Manager identified social unrest, civil war, and international war in the region as emerging risk scenarios. He added that Turkey was involved in the war in Syria which was an international war.

The three main terrorist threats pointed out by the Nest-T Security Manager were violence, terrorist group Islamic State and war in Syria. First, the political violence in the country was not less than terrorism as it caused disruption. Second, the terrorist

\textsuperscript{24} The Kurdistan Workers’ Party (Kurdish: Partiya Kakeren Kurdistane) is a militant and political organization based in Turkey and Iraq.
group Islamic State was a threat in the region as it carried out bomb attacks in the country and rocket attacks from Syria. Third, Turkey's military intervention in Syria had caused an increase in threat to Turkey and the private businesses.

The manager considered indirect impact as more important than direct impact of terrorism because it was difficult to handle the former. “MNC can strengthen its security to protect the infrastructure and personnel against direct impacts but indirect impact can result in loss of reputation and revenues as well. Without clear understanding of direct and indirect impacts, it is not possible to modify and devise proper strategies and systems to handle the same.

Adjustments in Strategies

The interviewee was of the view that though Nest in Turkey had not been specific target of any terrorist group, the chances of threats from so-called Islamic State terrorist group and civil unrest in the country had increased. Daesh or so-called Islamic State (IS) could cause noticeable terrorist threat.

The realization of emerging terrorist threats led to a number of adjustments in business security strategies like change in travel policy, travel restrictions, restricted sales activity, etc. Security committees were formed and Standard Operating Procedures were formulated. Heightened threat of terrorism and more chances of harm to employees or business is a catalyst for adjustment in business strategies. This is what the Nest-T did. “We have changed our travel policy. We have imposed travel restrictions on international travels and also in some areas of Turkey. Occasionally we restrict our sales activity. Sometimes we ban access to some areas in our country.”

The next step included the formulation of Standard Operating Procedures (SOPs) which were must for cogent response to terrorist threats. “We have written plans. We have committees also (who look into security aspects and prepare SOPs).” Nest has a security booklet for security of its offices and operations around the world.

Nest-T had a full time corporate security manager who was part of top management. (The interviewee was the corporate security manager; he was a former police officer.) By dint of his police experience, he could maintain liaison with law enforcement agencies and effectively handled the threats of terrorism and extremism to the company. The interviewee being the Corporate Security Manager participated in the security committees and in formulation of strategies etc.
The manager stated that Nest-T brought about modifications in the strategy to ensure continuity in business and ward off any threats that could throw spanner in the smooth running of business. “I think we have brought improvement in business continuity; we have made supply chain activities safer and enhanced the use of technology.” It formulated a roadmap for continuance and/or restoration of critical functions during and after a terrorist attack and other disasters.

Nest-T framed contingency plan for continuity of business and to prepare for worst scenarios caused by terrorism. “We have contingency plans for all scenarios including terrorism, kidnapping for ransom, loss of a site, loss of a business process because of terrorism, supply chain security, Inventory management, etc.” All such SOPs were written down and distributed among key personnel well ahead of any incident that could cause a disruption to MNC’s operations. Nest-T developed business contingency plans, not only against terrorism but also for all aspects.

Nest-T being a large MNC played a leading role in creating effective models for handling the impacts of terrorism so that smaller companies could learn lessons from it. It shared information and best practices with all security managers with the spirit to learn from each other. The manager added that MNCs required managers who not only understood business theory and practice but who also understood risk modeling, which could be shared with all others.

Insurance against impact of terrorism should be part of the strategy. Due to uncertainty of terrorism and disruption factors, international businesses have to bear the costs of political risk insurance (Mazzarella, 2005). “All buildings and all other assets and products in warehouses are insured. Supply chains are also bound to insure their assets.” But MNCs faced the cost of higher overall insurance premiums in the absence of an accurate, industry-wide terrorism risk insurance pricing system.

The manager informed that Nest-T believed in proactive approach as it focused on eliminating problems before they had a chance to appear or at least to be prepared enough to face a problem and minimize the impact. It was essential to ensure business continuity. It recognized a crisis situation and then prepared contingency plans, based on scenarios, for continuity of business.

Use of biometrics, RFIDs, CCTV cameras, security products, surveillance tools etc. has increased all over to strengthen and upgrade security. It helped overcome the
deficiencies of manpower security. “The use of technology is quite high in Turkey and in the company as well. We are moving from man guarding to electronic security. We have better level of use of technology than other companies.” Emphasis is on a combination of human security and tech security.

Adequate and effective steps to adjust and modify business plans are possible when the management takes the threat of terrorism seriously and ensures to discuss it at length in the board meetings. “In Nest quite good time is spent on this aspect. Everyone expects advice of security manager and the managements takes it seriously.” Corporate Security Manager is part of TMT therefore due weight is given to his point of view and demand.

Nest-T believed that a combination of top down and bottom up approaches for decision making delivered better results. It not only consulted the ground and the beat force but also the higher stratum because by leveraging a combined top-down/bottom-up approach, the management could get a truly comprehensive input enabling the managers to make sound decisions that was not possible by using either of the twin approaches alone. Flow of credible and timely information about terrorism related situation and developments in the country and the region as well makes the difference.

Nest-T developed a good network of private security managers in the country via WhatsApp and held physical meetings with them. The subgroups and security forces’ representatives also joined the group. International intelligence sources Stratfor, Jamestown Foundation etc. were regularly consulted to have updated knowledge of terrorist threats. Nest-T religiously followed this arrangement to exchange information and stay in touch for the security of businesses in a sustained manner. Its security committees monitored the arrangement and frequently got together to take necessary decisions and actions.

Without having a fair understanding of the intricacies of security Top Management Team (TMT) would not be able to approve necessary measures and funds for security. “All of them at the high level management are aware of the emerging developments in the country. I join management board meetings as required and I deliver lectures and impart training to top management also.” Furthermore, it was important for the TMT and Security team to have clear understanding of the form and nature of terrorist risk likely to grow in the region which could be a threat to their business. More than 2000/3000 Turks were fighting in Syria which could be a high risk for the country and
the businesses. A TMT, well aware of it, could devise proper strategies accordingly.

Strategists think that decentralized units can defeat the objective of the terrorists to disrupt the business activity permanently or for a longer time. This arrangement can give the company a better leverage to avoid disruption of business. But the security manager Nest-T believed that it was better to keep it at one place as business wise it was convenient to handle all at one place. “In Turkey business or security people do not expect any risk of the magnitude of complete destruction of a factory. We do not expect direct attack. So far all attacks are against the security forces.” This approach does not commensurate with the views of security strategists who advocate for decentralized units.

Contrary to his above response the manager admitted that it was important to protect and secure the distribution network to avoid disruption. “We have contingency plans. Loss of distributors and supply chain can be handled. And we have 9 depots at different places.” Primarily these depots were established at different places to cater to the distributors in different areas and not for security reasons.

The manager knew that the threat of undesirable elements linked with terrorists penetrating in the society and businesses were quite high but Turkey’s laws did not permit to carry out comprehensive vetting of an individual before hiring him. Therefore, Nest-T, like other most companies, carried out partial vetting and exercised due diligence within legal parameters before hiring people and making choice of suppliers.

When companies introduce more security arrangements axiomatically the expenditure increases. The manager admitted that with the increase in terrorism, enhanced security measures had to be adopted which resulted in increase in expenditures. More budgets were required for new technologies, devices like CCTV cameras and satellite phones etc. But, he added, the increase was not astronomically high.

MNCs must develop the capacity to recover from a terrorist attack. In wake of the inception of global terrorism, security has become more important than ever, in every aspect of living.25 Contrary to this fact the manager believed that his company did not expect a terrorist attack of this magnitude, which would totally incapacitate the

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operations and production. However, he claimed that the company had the capacity to rebuild.

Terrorists succeed when they manage to instill fear among the public. Fear of terrorism can affect efficiency and punctuality of employees of MNCs. Measures should be adopted to overcome their fear and anxiety. “We hold workshops and give briefs to top team and to expats to allay their fear. I keep the management aware of it through text messages.” Regular workshops and briefings and of course timely information to allay apprehensions are a must. The families of the employees also need briefings.

*Interaction with Host Government*

MNCs must develop good and close interaction with host governments and follow local rules and laws enacted to tackle terrorism in letter and spirit. The manager believed that business could not flourish without good interaction with the local government departments. Especially in heightened security environment, it was all the more important to interact with the police and the law enforcement agencies to ensure smooth and protected operations.

The first aspect to know is that laws can influence the internal mechanics of an MNC’s decision-making process. However, it can be a challenge to comply with local laws and rules which can be quite different from the culture of home country of an MNC. The manager emphasized that in any case, MNCs have to comply with the laws of the host government pertaining to terrorism or other issues therefore they should be adept in it. Nest-T consulted its security counterparts in the country and sought views of other international companies. It also consulted external consultancy companies and had an internal evaluation and responded accordingly.

Businesses must be ready to seek support of government departments, when needed. Though Nest-T had not faced terrorist threats and attacks but its supply chains faced closure of routes in southeast of the country or export shipment were delayed due to security reasons; it had to communicate with the police and seek its help. The security manager kept close liaison with the local police and law enforcement agencies to meet such exigencies.

This close interaction with the police and confidence of its quick response in times of emergency gave a sense of security to the management. “Whenever there is any need or situation arises, we immediately contact the police or counter terrorism authorities. We
get a very fast police response.” The manager showed confidence in police response.

Favourable government policies create conducive environment for the MNCs.

The manager expressed satisfaction over the adequacy and efficacy of the policies of the host government. Similarly, he reposed confidence in the efficiency of the courts, which according to him efficiently handled the cases related to crimes and terrorism.

**Constraints/ Limitations**

While MNCs strive to bring changes in its strategies to handle the impacts of terrorism, a host of constraints and limitations hamper smooth transitions and modifications.

MNCs incur a wide range of significant business costs, both fixed and variable, due to the threat of global terrorism including upgrading the physical security of the firm’s personnel, property, plant, and equipment located in areas where “…the incidence/likelihood of terrorism against a multinational firm–its employees and property–is well above average risk” (Ryans and Shanklin, 1980, p. 67). But sanction of extra funds for security arrangements doesn’t come easily. However, Corporate Security Manager, commented, “I don’t think there is any such constraint. If you can explain clearly to the management they would not reject your demand. Put rationale behind it. Credibility of security manager, correct assessment of the situation and justified demand for security budget can convince the management to provide required funds. It also depends on top management's understanding of the threats.

MNCs originating from different countries and cultures can face social and cultural challenges and it requires managerial adaptation due to differences between national cultures and prevalence of terrorism in host country. The interviewee however viewed it differently, “People have suffered a lot due to terrorism. They all want to fight against it. Moreover, most of the management is comprised of Turks. They understand the problems.” He meant that Nest-T was well acquainted with the local customs and culture therefore it was not a problem to act accordingly.

Quick decisions are required to tackle swift impacts of terrorism. The manager relied on top management before taking significant decisions. “I consult and ask the region and country management before making significant decisions. I don’t take decisions on my own.” Prolonged consultations and over-reliance for decisions on higher quarters can cause undue delays.
**Future Plans**

MNCs must respond to changing environment around it. MNCs must respond to the institutional changes. Adaptability to the emerging scenarios and changing rules to meet new challenges is must for running the business smoothly. The manager Nest-T confirmed that new rules were made as per requirement and emerging situation. It adopted the change in the policy and new rules of the host government. Experts are of the opinion that the risk of hazardous (CBRN) incidents in military or even civil scenarios is very real, with potentially devastating consequences for people and the environment. Nest-T was not sure about it and it was weighing the likelihood of such attacks. CBNR seemed bit too farfetched scenario therefore specific remedies or solutions for such attacks were not introduced.

Terrorism can bring about a change in employment/hiring pattern. "I don't think it has any impact on our hiring policies. Most of employees and managers are now mostly locals." Terrorism can be one reason of hiring locals at higher levels. All Corporate Security Managers in Turkey are locals.

Nest-T had no plan of disinvestment. Once the MNC had started operations it was not easy to make decisions to stop further investment or make major decision of disinvestment because of terrorism, especially when the company was making profits in that country. There was a realization of deteriorating conditions but disinvestment was not on the cards.

### 5.2 Case Study 2. NEST - Pakistan

**Overview**

The case study is related to an MNC named Nest Pakistan (Nest-P) for this study. Nest-P has two entities in the country; one plant, one water plant, nine depots across the country and 400 distributors. The Public Affairs manager of Nest-P was interviewed who was based at the Nest-P HQ and looked after the affairs of the company throughout the country.

**Terrorism in EMs and Institutional Factors**

The Public Affairs Manager opined that terrorism was probably the highest risk for MNCs. Pakistan was worst hit by terrorism; therefore Nest-P considered it a major or a top threat to its business in Pakistan. Due to perpetual threat of suicide bombings and terrorist attacks in urban centers of the country from 2002 onwards the norms and regulations changed rapidly. The internal and external environment of the company could not remain unaffected by the situation.

The manager explained that since the beginning of international terrorism, risk affected not only businesses but all segments and sectors of societies all over the world. Even when there were no direct terrorist attacks on businesses, MNCs could not remain unaffected and unaltered because global terrorism had stirred the social, cultural and legal norms in all countries of the world. Governments changed their policies and laws; therefore, MNCs had to alter their approaches, strategies and systems too.

Realization of Post 9/11 Terrorism Threat

Situational awareness is important to make necessary modifications in strategies and approaches. MNCs must realize the severity of post 9/11 terrorism. The Manager admitted that the company had a good realization of post 9/11 global terrorism threats to its business because it was such a massive watershed event, which ushered in a new era impacting the dynamics of systems, regulations, laws and security concerns across the world. “9/11 threat is as big a threat for us as for anybody else”. There was a vivid realization that businesses must respond to the changing systems, cultures and norms, especially in the emerging markets afflicted with terrorism.

Though Nest P did not consider itself a specific target of terrorists, it understood that it could be one of the targets like all others, “Everybody is a potential target”. The interviewee was clear in her mind that terrorism was focused on attacking or harming any organisation to create fear. The interviewee reiterated that the company had never received any direct or specific threat. However, this should not be a matter of satisfaction and complacency for the management.

She further reinforced her opinion that though the American companies were usually under a greater threat from terrorists than the MNCs of other countries, Nest being a non-American company could not take it for granted, “There is a threat of terrorism to any enterprise”. Nevertheless, she clarified that in Pakistan terrorists were targeting the local people more than the foreigners. Her claim made sense because the number of
terrorist attacks on foreigners in Pakistan was miniscule as compared to Pakistanis.

It is important for MNCs to think about the risk scenarios in the host country. The interviewee highlighted two aspects of terrorism; one, whatever is the biggest threat in the country the same is a threat to them. Secondly, the terrorist threat keeps changing varying from religious extremism to terrorist attacks. It is sensible to identify main terrorist threats as adequate knowledge of threats to company helps devise good strategies.

It is also very important to have clear understanding of direct and indirect impacts of terrorism on MNCs. Nest-P seemed to be wearier of indirect impact than direct impact of terrorism. The manager claimed that both scenarios were equally challenging but the company was more cautious about indirect impacts because it could strike at the reputation of the company etc., “Reputational risk is the top of concern. It is bigger than revenues”. However, it did give due weightage to direct impacts of terrorism too. The manager stated that Nest-P took every aspect into consideration whether it was reputation or loss of revenues. It is imperative to assess the situations from all angles. All the situations, whether direct and indirect impacts, can have critical impact on operations of MNCs, if not managed in time.

Adjustment in Strategies

MNCs need to change and adjust their business strategies to handle impacts of terrorism. The manager claimed that Nest-P strongly believed in the need for changes in the system to handle the impacts of terrorism because a more lethal external environment created by post 9/11 terrorism had necessitated these adjustments in business strategies. Especially in the emerging markets afflicted with terrorism the need for modifications in the strategies were all the more important.

The manager spelled out a number of measures taken to adjust and amend the strategies of the MNC which could ward off the impacts of terrorism. To begin with it formulated written Standard Operating Procedures (SOPs) and rules to ensure organized response to threats of terrorism. Nest-P developed a security booklet, which contained rules and procedures for security. It covered keys for all areas of security. It was a set of rules for all Nest companies across the world. Besides more localized SOPs and security measures were developed for Nest-P, which were readily available with the Corporate Security Manager of the company.
A competent corporate security manager is a must to ensure formulation and implementation of impregnable security measures for a company. Nest-P had a Corporate Security Manager (Head of Security) who headed the security team and looked after the security affairs. The manager explained that Nest-P had placed dedicated security teams at headquarter and at the zonal levels. Then there was a security manager North (Head office Lahore), Security Manager South (Karachi) and Security Manager Lahore. They operated in close coordination as per the Security Manual and local SOPs.

The Corporate Security Manager and his team had trained its employees the concept of vigilance so that everybody could participate in countering impacts of terrorism. According to the Company’s Human Resource Policy, managers have the prime responsibility for building and sustaining an environment where people have a sense of personal commitment to their work and give their best to ensure the Company’s success. In line with this policy awareness campaigns were conducted to inculcate in the minds of the employees that security was everybody's responsibility. They were made aware of the rules laid down in the security booklet and they were kept abreast of the emerging threats, as he explained, “Nest believes in best practices therefore this environment has been created in the company. This system has emerged as the best practice for the corporates to look after the national security.” From time to time these measures were assessed and evaluated.

Contingency Plan is a must for continuity of business. The manager explained that contingency planning existed as the company’s response to any kind of external event was structured and approved by the HQ. Nest’s Policy on Safety stated that the company establishes emergency and contingency plans to deal with residual risks to minimize threats to the business.

Large MNCs must play a leading role and display best practices for other smaller companies. The manager explained that Nest-P was operating here for a long time therefore its approach had matured and it was receptive to new technologies and approaches. However, most companies were not usually very open in discussing and sharing security and safety issues and measures. Nest-P admitted the importance of sharing the experiences, “It's important to look at other industry players and adopt the best practices.” Similarly, large MNCs must introduce innovations. Nest-P strived to
adopt new methods and ways to meet emerging challenges and threats. For example, it relied on very secure technological systems like radio-frequency identification (RFID), biometric access system, CCTV cameras, etc. and developed extremely sophisticated IT systems to avoid cyber-attacks.

Insurance against impact of terrorism should be part of the strategy. The manager claimed, “All properties are insured.” But it was not terrorism specific insurance. Insurance had always been part of Nest’s strategy against all sorts of destructions caused by natural calamities or accidental catastrophes. Besides the personnel were not specifically insured against terrorist attacks.

Nest-P believed that proactive approach to handle an issue or an emerging phenomenon was better than a reactive action. The manager claimed that their approach was proactive as they anticipated the future troubles and made arrangements to handle them effectively. He elaborated that even effective fire-fighting system and proper evacuation system were also proactive measures. Nest-P employees were briefed and trained of these preparations and measures which again was a proactive approach.

It is imperative for the managements of MNCs to devote adequate time to take decisions over terrorism related issues in its meetings. The manager asserted that the Head Office trusted the local team and honoured its decisions. However, the manager had no record of how often the management met to talk about the issues related to terrorism. It would have been useful if frequency and time of meetings pertaining to terrorism related issues were recorded.

In addition to time devoted to a specific issue or problem in a meeting it is important how decision-making is done. Nest-P claimed that it had proper arrangements in place to take decisions for action. The decision making approach can be top down or bottom up depending on the issue at hand. However, for taking corporate level decisions, Nest-P mostly looked toward the Head Office and waited for its nod.

The manager informed that Nest-P employed a 360 degrees’ radar approach, relying on media, especially electronic media, as well as on its own security teams in zonal offices. The company also inculcated a culture of security in the employees so that everybody could report about threats. More reliance seems to be on open source information.

Nest believed that the sources of information should be credible therefore its security team relied on its intelligence sources and kept its eyes and ears open. The security team
had developed SOPs to send alerts and in case a situation arose it instructed the employees and the management how to handle it. “We have a bonding and keep the managers and colleagues posted about happenings. If there is a terrorist related incident it doesn't affect one person everyone is affected”.

The manager informed that to further reinforce awareness about the impacts of terrorism in Top Management Team (TMT), it arranged workshops and briefings. Edward de Bono a renowned consultant known for lateral thinking concept, (solving problems through an indirect and creative approach), was also hired for this purpose. Informal training and awareness through media kept them abreast of the threats pertaining to security, terrorist attacks and bomb blasts. “Various sources come together to keep our managers informed”.

Clear understanding of the nature of threat is a must. As per company’s safety policy, it was committed to perform systematic identification of hazards and to manage them with appropriate risk assessments and subsequent actions to minimize danger. Security booklet developed by Nest was an example of dos and don’ts; whatever the protocols and best practices were. The employees were constantly communicated about threats and dangers through SMS and emails. The structure of the message was that there was a security threat and its details and the point of context. In the end, there was always a message that how taking care of security is everybody's responsibility. Employees were constantly told to be vigilant.

The manager informed that disruption could cause loss of revenues to the company therefore there were elaborate measures and security teams at the HQ and zonal levels to address the issues promptly to overcome such hazards. The factory and the office are separately located. Nest-P is headquartered in Lahore, with four production facilities across the country. Factories in Sheikhupura and Kabirwala are multi-product units, whereas the water factories are in Islamabad and Karachi. It had always been like this, even before the new phenomenon of global terrorism set in.

Disruption of supply in case of any terrorist threat or attack can be detrimental to the operations of the company. The interviewee informed that distributors operated independently and they were mostly well connected at local level so whenever there was a fluid situation they relied on their connections. Distributors had their transport for distribution but the company delivered the goods to them and they distributed the same
to sale points. However, the company distributed mineral water itself.

The manager claimed that there was proper planning and best practices to face all situations and it had developed the capacity to rebuild if disruption took place due to terrorist incidents. But added that it also depended on the scale of the attack that took place.

In the EMs afflicted with widespread terrorism, MNCs have to adopt strict hiring policy so that undesirable elements do not enter as fifth columnists or saboteurs. The manager told that human resource procedures of the company were very stringent and comprehensive. It was ensured that employees were vetted properly before hiring and during employment.

MNCs should take appropriate measures to assuage anxiety and fear of employees. According to the interviewee Nest put lot of emphasis on employees’ wellbeing. If there was a terrorist related incident it didn't affect one person; everyone was affected. Nest invested in emotional wellbeing of its employees. There had been workshops on stress management, which was a very important component of Nest’s management system. It was done at every level whether it was factory level or corporate level. Safety, Health and Environment (SHE) was a program under which the manager, who was usually at the factory level, constantly evaluated or tried to minimize the loss when it came from remote perspective whether it was physical or emotional. “We Pakistanis have faced terrorism; we are very resilient. Whenever an incident happens, we come together, we do more. We are resilient. Culturally you know we come together in case of emergencies and problem. But it couldn’t be taken for granted.

Interaction with Host Government

The manager commented that Nest-P was fully aware that its strategies should meet legal requirements. Inherently Nest has been very compliant with the rules and felt that it was very important for the company. Nest always tried to strike a balance between international rules and local laws. It always strongly believed that compliance to local laws and local courts was very important. “We make sure that no matter how stringent the rules are; whatever the consequences are, we have to comply with the laws. And at no cost we can think of non-compliance. Regionally, Nest always had good experience and whenever reached out to the officials, the response was favourable.

In order to operate on foreign soil, especially in the EMs, MNC must be ready to seek
support of government departments. The interviewee stated that when there was a lock
down or a shutdown, they had to rely on the local agencies for help to avoid losses. It is
essential to have close interaction with police and local government. The interaction
with the security agencies seemed quite structured as the Security Manager and
Corporate Affairs Department were tasked to interact with them and the Public Affairs
Manager also worked closely with them.

The interviewee admitted that interaction with host government was a two-way traffic.
MNC comply whole-heartedly when favourable government policies create conducive
environment for the MNCs. She added that Nest had very good relationship with
government departments at all levels because the State was doing its job very well. Its
vital organs like Army and Law Enforcement Agencies did an excellent job in
addressing this threat. Similarly, the judicial system was quite efficient. Efficient
judicial system generates confidence. Trust and harmony between MNCs and host
governments create conducive business environment. Quick police response in case of
emergency raises level of trust. MNC’s security team consults the LEAs to form
security plans, which are accepted by the management.

Constraints/Limitations

The manager did not agree that usually sanction of extra funds for security
arrangements did not come easily. She emphasized that Nest being a health wellness
company took the matter of the safety and security of its employees very seriously
therefore whatever amount was needed in this regard, the company sanctioned
promptly.

Countries and companies have to think hard before deciding to increase the spending. In
the US the wartime defense budget had more than doubled, and the new Department of
Homeland Security grown dramatically. But of course, it went through a lot of
discussions and deliberations before reaching the decision to increase the expenditures.
The manager Nest-P admitted that increase in its budget on security faced tough
questions from the sanctioning authorities but added that Nest had been very proactive
and its systems were very thorough therefore required increase in the spending was
almost always sanctioned.

Usually MNCs have to face social and cultural differences and barriers in the host
countries. Nest-P claimed that it had been operating in this country and in this part of
the world since long therefore social and cultural adaptability was not an issue for them. The manager claimed that decision-making was swift in this regard because systems were thorough.

**Future Plans**

MNCs must respond to the institutional changes. Nest-P took pride that it was locally embedded therefore it had developed the capacity to respond proactively to the localized issues. Nest-P considered Chemical, Biological, Nuclear and Radiological (CBNR) attacks threat as farfetched and had not taken any visible action in this regard. The manager told that despite soaring terrorist threats during the last decade there was a little change in the employment/hiring patterns and there was no change in the offing in the foreseeable future.

The interviewee commented that terrorism was an important factor however, over the past years the country had addressed this issue to a greater extent. We lauded these efforts and remained committed to being present in the country for the long term. Nest has made huge investment in the market. “Whatever the strategic direction was it remained unchanged because big chunk of investment has been made in terms of employees, in terms of everything.” Pakistan had been great for Nest like last year it crossed PKR100 billion marks.

### 5.3 Case Study 3. Beverages - Turkey

**Overview**

This interview was conducted with the Group Corporate Affairs Manager- Government Relations & Security, Beverages Turkey (Beverages-T), a retired police officer, responsible for security of the company in ten countries. Corporate Security Managers of the company in seven countries and five Admin managers in Central Asian Republics reported to him.

Company Brief: Beverages-T operated in ten countries; ran 27 plants, 56 sales centers, 10-12000 personnel and 12 offices.

**Terrorism in EMs and Institutional Factors**

The Manager Beverages-T claimed that post 9/11 terrorism did not come as a shock for them and it was not the top risk but it nonetheless emerged as a grave risk for
businesses in Turkey. Beverages-T was already facing terrorist threat from local terrorists like PKK, like other businesses; therefore, security measures were in place. Post- 9/11, it had to modify itself according to the emerging situation because the changed security environment posed new challenges. Changed security milieu caused the necessity to create elaborate modifications and introduce new processes to provide internal consistency. The internal and external environment of the company could not remain unaffected due to social, cultural and legal norms in all countries of the world.

The manager explained that the advent of international terrorism risk affected not only businesses but also all segments and sectors of societies all over the world. Especially the situation became more challenging for MNCs in the Emerging markets stricken with terrorism. Governments changed their policies and laws; therefore, MNCs had to alter their approaches, strategies and systems too.

Realization of post 9/11 Terrorism Impacts

The manager claimed that Turkey had a very special place in emerging markets. It had been facing terrorist threats even before 9/11. It was a different phase. Historically Leftist militant groups were already a threat to US MNCs in Turkey much before the Islamist terrorism erupted. Before 9/11 there could be demonstrations against the US companies and the entities but there was no terrorist threat from Islamist extremists. But threats from other groups were already there. He added that being an iconic American company it was already facing threats therefore after 9/11 massive changes in security strategies were not required. *Terrorism is a reality in Turkey. We have lived a long time with this heat.* However, the existing systems were fine-tuned and upgraded a bit. For example, more CCTV cameras were installed. The system of Beverages-T relied heavily on distributors. The company worked closely with them and kept them abreast of the security situation. However, the distributors made their own security arrangements.

The manager admitted that Beverages-T was a potential target of terrorists. *We were also targeted in 2009. The culprits who were arrested had the list of American companies and this one seemed less fortified.* However, in intensified terrorism situation any company could be a potential target or victim of terrorist attacks. It was important to be prepared and to look prepared to face such an attack.

The Manager identified violence aimed at the company’s home country, political
violence aimed at the company itself and terrorist group Islamic State (Daesh) as emerging risk scenarios. He also expressed concern over Turkey’s involvement in an international war in Syria, which could bring back violence inside Turkey. These risk scenarios were the main threats to the company and the country as well. He added, “Islamist terrorism is not as high as separatist and leftist groups’ threat is. In any case we do not differentiate between the terrorists.”

The manager considered indirect impact as more important than direct impact of terrorism because it was difficult to manage the impacts beyond company’s control. He narrated that in 2015 about 100 trucks of private distributors were burnt. There was no logo of company on these trucks. The area was declared volatile at that point in time. The company had asked them not to use the specific road but they did not pay heed. The terrorists could have attacked any company’s trucks in their area. Therefore, indirect impacts could be as damaging as the direct impacts, if not more.

**Adjustment in Strategies**

Beverages-T added several security measures in the existing system to further strengthen the shield against impacts of terrorism. It focused on instilling awareness in the employees to make them understand the complexity of the situation and learn how to handle it. *In lectures for crisis management employees are told that company’s intangible assets and reputation are also very important. Indirect impacts seem more important. For direct impacts we have mitigation plans.*

In addition to regular briefings, the employees were given training to handle the threats every year under the system called Institution Management and Crisis Resolution Program (IMCR). It was run by the HQ to train the employees of all entities of Beverages Company in all the countries. *It was a very effective training program and the company benefitted from it.* Security specialists and visiting police officers conducted the training. It was mandatory for all tiers of employees to attend this program.

Beverages-T developed elaborate SOPs and rules to implement security strategy in an effective manner. The IMCR Program emphasized on making the trainees aware of these SOPs and guidelines. In addition to common set of rules for all Beverages Company entities across the world, locally tailored SOPs and security measures were developed for Beverages-T. Security manager played pivotal role in devising the local
guidelines and security measures. Beverages-T had a full time Group Corporate Affairs Manager (Head of Security), a retired police officer, who was interviewed for this study. He looked after the security affairs of the company in ten countries. The security managers of Beverages Company in these countries reported to him. They had a good coordination as they interacted on daily basis and discussed the security situation quite regularly.

The Security Manager and his team had huge responsibility on them to ensure security of the employees and the infrastructure. They devised new strategies to look after five categories/aspects; assets, personnel (employees), plants, reputation and information. **To meet the risks, you must know what to protect and know how to protect them.** We designed the protection plans accordingly. We have clear picture of whom to protect and how. They made the employees fully aware of this strategy and the measures to be followed by them to safeguard business operations and handle the impacts of terrorism.

Contingency plan was developed to help mitigate the potential physical damage to the company in case of terrorist attacks. It included mitigation strategies included a variety of methods for limiting the effects of impacts of terrorism on business, including strengthening access control system, vetting of employees, improvements to facilities to reduce the chances of injury to employees, scattered units etc. **Technology wise we are using more technology. We are not less than any other company in Turkey and other countries in our jurisdiction.**

Continuity of business and operations was the top goal of the TMT and the security team. **We have developed Crisis Management Strategy to face any disruption to ensure continuity of business.** Guidelines in this regard were provided by the Corporate Strategic Security Department of the company in USA. Every year the representatives of Beverages-T met the experts at the HQ to discuss the issues.

The Manager added that Incident Management Teams (IMT) were already in place to meet all sort of emergency or eventuality including terrorism. They could meet and reacted as per SOPs over the issues ranging from terrorism to natural disaster. They were tuned to get together on receipt of any information and could take quick decisions for necessary actions.

Beverages-T did play a leading role for the smaller companies. The Security Manager claimed that Beverages-T was the biggest company and a market leader, which faced
serious problems. It had to introduce innovative methods and ways to meet the emerging challenges. *We let others emulate us. And many companies do follow our procedures.* But it was a two-way process as in pursuit of implementing foolproof security, Beverages-T constantly watched others and learned from them too.

Insurance of personnel and infrastructure was integral part of the company policy. “*All buildings, offices, properties and personnel belonging to the company are insured. The distributors are advised to insure their transportation and warehouses.* Insurance played pivotal role in mitigating the uncertainty caused by threats and impacts of terrorism.

The Manager stated that offence was the best defence therefore the company believed in proactive approach. The SOPs, security measures, security teams, preparedness, contingency plans etc. showed proactive approach to tackle the impacts of terrorism. However, over-proactiveness could attract trouble too. At times it was better to wait for the situation and respond accordingly. The Incident Management Teams (IMT) deliberated over the situation and acted proactively or at times reacted to the emerging scenarios

Beverages-T believed that proactive approach to handle an issue or an emerging phenomenon was better than a reactive action. The manager claimed that their approach was “*definitely proactive. We think ahead of happenings*” as fortification of IT security was ensured at the head office and at all other places with the same strictness.

The TMT, Security Manager and IMT met quite often to discuss the security matters. The Security Manager used to give comprehensive briefing to the CEO after every four months. *It is mentioned in the IMCR to hold such meetings. We do hold crisis meetings.* The board deliberated over the points raised by the Security Manager in the briefing. The time devoted to deliberation over the security issues was adequate.

More important was the confidence reposed in the local security team and the recommendations given by the Security Manager. It showed that bottom-up approach prevailed as the TMT acted mostly on the recommendations given by the country security managers. The company identified local-level tactics to compose a holistic policy. Basically it focused on parts of the problem to solve it.

The company had devised a reliable system to gather information about the risks and to timely disseminate it to all ranks as per requirement. *We employ multiple open sources*
like Stratfor, Control Risk and our social media groups of security managers. It gives us a good view of the threat. In case of emergency all security personnel and employees were alerted to keep the guards up and be vigilant. Reports were sent to the HQ to keep it abreast of the security situation.

The Company had scattered units, which aimed at defeating disruption in case of terrorist attack on any one. Beverages-T had nine production facilities in Turkey and a number of sales centers across the country. It was not possible for the terrorists to attack all nine production facilities at the same time. The strategy of ‘decentralizing to defeat disruption’ ensured continued production and uninterrupted operations.

The distributors had their own network which was responsible to deliver goods to the sale points. They were responsible for their own security but the Beverages-T Security Manager regularly briefed and informed about the threats and risks. The security manager issued them threat alerts and warned of the vulnerable areas. A close communication was maintained to avoid any disruption in the distribution system.

HR policy strictly ensured hiring with care and caution. We take all measures to choose the right persons and companies. We do not carry out vetting as it is not lawful but we take all cares, like personal guarantees, undertakings etc., to be sure about the credentials of employees. But the company was mindful of the fact that Turkey’s economy was strong, with little unemployment, Beverages-T had to compete with other companies for a limited number of competent employees.

Beverages-T took several steps to alleviate anxiety and fear of employees caused by impacts of terrorism. It arranged regular workshops and briefings to apprise them of the factual situation and the ways to handle them. Training is integral part of our system. It was believed that to augment the overall response to terrorism events, potential consequences ought to be addressed preventively. It was observed that collective training developed a sense of security and camaraderie among the employees which was a good antidote to fear and anxiety.

Interaction with Host Government

Beverages-T made continuous efforts to maintain close liaison with the host government and its concerned departments. The first and foremost rule to develop a good relationship was to follow the rules, laws and policies of the land. Beverages-T did its best to comply with the laws of the land and respect the policies. It was a challenge
as the compliance of all laws meant influence on the internal mechanics and systems.

Beverages-T followed the laws also because government generated security standards were standardized and were applicable to all companies. We have to adopt the laws in any case but we do consult with other companies and seek views of our professional consultants too. MNC’s security team consulted the police and LEAs to form security plans, which created confidence and congruence between them.

The Security Manager rated the police response as very prompt and efficient. Whenever the company faced any problem or threat the local police responded and reacted urgently. The Security Manager being a retired police officer had very good liaison with the local police. Senior police officers were mindful of the need to protect businesses as the government was striving hard to improve the economic conditions of the country.

The Security Manager reposed full confidence in the courts and judicial system. They had efficient system to deal with the cases related to terrorism and violence. Justice was dispensed with speedily. Turkish government enacted and reviewed anti-terrorism laws including the adoption of new legal codes and other legislation and administrative measures, such as training courses for law enforcement/judicial authorities.

In order to operate on foreign turf, especially in the EMs, MNC must be ready to seek support of government departments. The interviewee stated that when there was a lockdown or a shutdown they had to rely on the local agencies for help to avoid losses. It is essential to have close interaction with police and local government.

Nest worked closely with governments (federal and provincial) on all issues. The interaction with the security agencies seemed quite structured as the Security Manager and Corporate Affairs department were tasked to interact with them and the Public Affairs Manager worked closely with them.

*Constraints/Limitations*

The Security Manager was confident about the smooth and unhindered functioning of his team and did not face any worthwhile constraint. He did not face any hurdle in sanctioning of more funds for beefing up security. Rather he said that there was hardly any increase in the budget under this head. There has been no increase; rather there was a decrease due to optimal use of funds for efficient security. Beverages-T did not face social and cultural challenges and it was comfortable in understanding local
traditions and norms due to prolonged stay in the host country. Besides, the Security Manager elaborated, “Terrorism is not a new phenomenon in Turkey. There is a will and resilience to fight against it. All are on one page to fight against it. Adversity became a unifying factor to overcome social and cultural barriers and inhibitions.

The local management could take most of the decisions related to security plans and measures. *We have the IMCR to follow in a regimented manner. IMCR are in fact the guidelines provided by the HQ therefore we don't have to fall back to them for every action.* This arrangement helped make quick decisions without deviating from the policy of the company.

The Security Manager however admitted that they had to face myriad internal challenges too like they were understaffed and overworked. But they showed resilience and dedication to prove their mettle in the testing times. Most of the employees were locals who understood the challenges and system therefore they worked diligently.

**Future Plans**

The company foresaw continued deterioration in security situation therefore it had planned to keep its guards up in order to respond befittingly to the changing environment around it. The Security Manager was of the view that a big challenge was to keep itself abreast of the ever-changing rules and policies of the host government and to make internal changes accordingly. It was important because the other MNCs were adopting the changes rapidly and continuously.

The Company had adjusted its HR and hiring policies a few years ago. Focus was on hiring more local manpower and to vet them as much as was permitted by the laws of the land. Therefore, there was no plan to change the hiring pattern and policies any time soon.

There was no plan of disinvestment or to lessen the investment in Turkey. *We have invested more in the recent years. In fact, the investment has increased to a tune of US $1 billion and new plants are being erected in Turkey. Therefore, despite threats we are not curtailing in our business.* It was company policy to invest more in high-risk areas like Pakistan, Iraq and Syria because the profits were higher in these countries.

**5.4 Case Study 4. Beverages - Pakistan**
Overview

This MNC is named Beverages-P for this study. The interview was conducted with the General Manager, Beverages-P, responsible for Pakistan and Afghanistan. It has its head office in Lahore, Pakistan.

Terrorism in EMs and Institutional Factors

The General Manager Beverages-P believed that terrorism was a major risk for MNCs in Pakistan. After 9/11 incident, Pakistan had started facing suicide bombings and terrorist attacks across the country which resulted in rapid changes in the norms and regulations in the country. Consequently, the internal and external environment of the company could not remain unaffected by the situation.

Beverages-P, like other businesses, had to adapt itself to the emerging situation. Its management closely observed the institutional factors as the deteriorating security environment posed new challenges for the government and businesses. The GM elucidated that the beginning of international terrorism had impacts not only on businesses but also on all segments and sectors of societies all over the world. It was not necessary that an MNC facing direct terrorist threat be under threat. Even when there were no direct terrorist attacks on businesses, MNCs could not remain unmoved and unaltered because global terrorism had stirred the social, cultural and legal norms in all countries of the world. Particularly the situation became more perplexing for MNCs in the Emerging markets tormented with terrorism. All governments and regulators had to change their policies and laws; therefore, MNCs had to modify and adjust their attitudes, strategies and systems too.

Realization of Post-9/11 Terrorism Threat

The GM realized that terrorism was a major risk not only for business, but for other quarters as well. He added, “The unpredictable nature of terrorism makes it even more difficult to manage and one has to undertake several preemptive measures for security of people and assets.” He elaborated that as most of the terrorist attacks took place in public places such as markets – it impacted its retailers and distributors.

The GM commented that no terrorist group specifically targeted it but there have been some threats, which never materialized. He admitted that any MNC could be target of terrorists, therefore it was important for MNC management to think about the emerging
risk scenarios. It helps adopt proper preemptive measures accordingly. He opined that American companies were usually under a greater threat from terrorists than the MNCs of other countries therefore Beverages-P being an American company could be at a greater risk of being targeted by the terrorists. This realization kept the management more agile and alert to formulate and implement cogent and correct strategies to ward off impacts of terrorism.

Adequate knowledge of current and previous threats helps devise good strategies. The GM clearly identified al-Qaeda and its local affiliates like Tehreek-e-Taliban Pakistan (TTP) as threats to the security of the country and to the businesses. He also considered religious extremism as a palpable threat to the serenity of the society. The identification of major forms of terrorist threats helped the company develop suitable plans.

The GM was of the view that indirect impact of terrorism could be more damaging and challenging than direct impact because its scope was much wider. He argued that it was possible to fortify the physical security of its offices and factories to ensure protection of the infrastructure and personnel against direct impacts but indirect impacts were beyond their control. He added that direct impact was not less lethal as it could disrupt operations and cause losses. All of the impacts, like direct impacts or “tangible” damage or disruption of power, communication, transport and other infrastructure due to physical damage and indirect consequences like loss of revenue, reduced negotiation and strategic opportunities, declining confidence of stakeholders, supply chain modifications, etc., are relevant to Beverages-P. Both needed to be managed with full zeal.

Adjustment of Business Strategies

The GM believed that post 9/11 era impacted the operations in Pakistan from an ideological and practical perspective. Anti-American sentiments were at all-time high and there have been calls for protests against American companies. “For us, it meant that the system had to remain vigilant about public sentiments and also ensured that our local contributions are highlighted through appropriate forums.” The rising anti-Americanism somewhat affected the operations of Beverages-P.

This situation required immediate need to change and adjust their business strategies to handle impacts of terrorism. “There was a multi-pronged strategy to address the concern in which we positioned Beverages-P as a global company that acts locally.” To
achieve this posture, the company decided to highlight its CSR efforts, more investment, employment opportunities and how the company was bringing positive change to the nation’s economy. In addition to posturing, the company took several key measures to ensure safety of personnel, assets and infrastructure like increase in security at Head Offices and bottling plant, removal of signboards from these locations, installation of CCTV cameras and 24/7 monitoring, deployment of guards at residences of executives, installation of home security systems, increase in headcount for security department, strict implementation of Company’s internal protocol – Incident Management and Crisis Resolution (IMCR)\(^2\), SMS services for associates to keep them informed of security updates.

The IMCR team consisted of three high level employees – Director Public Affairs & Communications, Director Human Resource and Director Quality. A Security Manager was also appointed to be part of the formulation of security strategies and to ensure implementation of the security measures. The Security Manager and IMCR trained and briefed company employees on regular basis. Not only the employees but also the associates were trained every month by mock drills and by briefing through security personnel. Furthermore, regular IMCR trainings were organized at locations to share security protocols with the associates.

The GM informed that contingency plan was in place. ‘Its main component was the evacuation plan, which was revised every month based on the situation.’ The Business Unit office with the help of IMCR committee and security manager carried out regular extensive audit every year. On its basis, the contingency plan and the evacuation plan were revised and updated to meet the emerging challenges. According to the GM the major security threats were terrorist attacks, violence and vandalism by religious extremists. The company was serious in systematic identification of security risks and to handle them with proper risk assessments and subsequent actions to protect the assets and personnel.

Beverages-P did not show any interest in playing a leading role as innovators of security measures for the smaller companies. But realized that smaller companies would have

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\(^2\) IMCR is the crisis management system devised by Beverages Co to prevent and manage incidents or situations effectively in a manner that protects its consumers, assets and image and trademark of the company.
learnt some lessons from its strategies and approaches. Even Beverages-P had learnt many approaches and measures from other organisations. For example, the basic approach of adopting a local look was not a new tactic. Successful MNCs adopt the look that go along well with the social, cultural and religious sentiments and sensibilities of the local population.

The GM while commenting on the approach of decision-making stated that each situation being different had to be dealt in accordance to its nature. But ideally we approach our situations with a mix of proactive and reactive. Mostly its approaches were anticipatory and proactive. For example, its associates were briefed to keep details of hospitals, emergency services and helplines handy so that they could respond urgently in case of any emergency.

Security was one of the company’s top priorities and featured regularly in its meetings. Every incident is discussed in detail by the IMCR (comprising of Company and Bottler representatives). Though the time dedicated to security issues could not be quantified, however the subject was highlighted and discussed regularly. The existing measures were reviewed regularly by the TMT and amended as per new requirements.

Beverages-P imparted training to its employees and TMT to create awareness about the threats and impacts of terrorism. At Beverages-P we are firm believers of “if you don’t evolve you are not relevant” – this thought permeates in our business ethics to innovation and modus operandi. The management held regular trainings and briefings for security personnel and employees and shared best practices to make associates aware of latest trends. The GM believed that terrorism was a major risk not only for their business, but for others as well therefore it needed a coordinated approach to handle it. Terrorism’s unpredictable nature makes it even more difficult to manage and one has to undertake several preemptive measures for security of people and assets. As most of the terrorist attacks took place in public places like markets, the retailers and distributors were apprised of the threat and urged to adopt necessary security measures.

The GM stated that it was a good strategy to scatter the units at different locations to avoid disruption of entire operations in case of terrorist attack. Beverages-P had decentralized manufacturing units – six bottling factories and the administrative offices were separate from the factories. The factories were located in Lahore, Karachi, Gujranwala, Rahim Yar Khan, Multan and Faisalabad. In case security situation
affected operations of one factory, other factories could help continue the business uninterrupted.

Beverages-P was mindful of the need of contingency plan to overcome sudden damage or disruption of power, communication, transport and other infrastructure due to riots, terrorist attacks or strikes. The GM told that as chronic power shortages were already a serious issue, which could not only disrupt the routine production, but also added to the cost of doing business, a backup arrangement was made available. Moreover, SOPs and arrangements were made to handle injury, trauma and death of employees and destruction of infrastructure.

The company took measures to allay fears and anxiety of the employees. It developed a global helpline that dealt with fear, anxiety and uncertainty although it was not specifically made for terrorism related issues. The services of this helpline were free and open to all associates. Regular briefings were also given to keep them abreast of factual situation so that fear of unknown threat could be overcome.

Interaction with Government

Beverages-P maintained a regular liaison with local governments, boards of investment, security and law enforcing agencies. It frequently elicited the support of local government for security, especially when high-level delegates from abroad visited the country. A liaison was maintained with federal and provincial governments too. In addition to liaison with the local government Beverage-P maintained close relationship with the US Embassy Islamabad and Consulate offices in Lahore and other cities in order to stay abreast of the security situation, preventive measures and the US government provided security advisories and alerts on regular basis.

The company ensured to adhere to the local laws and policies. It extended help to the government in its social uplift programs under the CSR scheme. It created trust and harmony between the two. This closeness gave confidence to the company to operate safely in the foreign country, and in an emerging market afflicted with terrorism.

TMT closely watched the political situation and tried to understand the problems and limitations of the government in order to respond in supportive manner. The company knew that the government was trying to tackle terrorism, but it was a complex matter, which required years to overcome. Nevertheless, the government was trying its best to provide security to ensure a safe environment for MNCs and businesses. The GM
emphasized that liaison with the government was essential not only due to terrorism related situation but also to handle macro-economic challenges which were equally problematic in running business affairs.

Constraints and Limitations

The GM was of the view that since security was beefed up at all locations of the company in the country, expenditure had definitely increased over years. Getting more funds, in a changed security milieu, was not a problem because, “the Beverages Headquarter was aware of the security situation therefore it always sanctioned required funds for reasonable reasons.”

He however added that GM had to be articulate and emphatic enough to convince the HQ because the company in the western markets did not experience the kind of terrorism faced in the host country. *It had to be told time and again, “Terrorism is a complex matter and religious extremism are deep rooted within certain segments of the society.”* Meaning thereby it might take years to subdue these problems in the host country therefore guards must be kept up for security of the personnel and infrastructure.

Beverage-P made relentless efforts to make it look closer to the cultural and social sensibilities and used them to its advantage. It participated in celebration of national days like Independence Day and religious events. through sustained advertisement campaigns. *We have all systems in place for years but with changing environment of the country, adjustments are made accordingly.* Moreover, the management was mostly local therefore it fully understood local social and cultural differences and handled them well.

Future Plans

The GM Beverage-P claimed that its HR policy was quite robust and localized. It had already made the vetting of new recruits quite stringent during the last few years. Therefore, it had no plans to change its hiring policy any further in foreseeable future.

Beverage-P was mindful of the no-holds-barred approach of the terrorists like al-Qaeda and its affiliates but did not seriously think about prevention against CBNR. The GM thought it was for the government to think about the threats of this level and magnitude. Beverage-P had not plan of disinvestment due to terrorism in the country. *Rather our
focus is on matters relating to investment, taxation and business expansion. The company was earning profits therefore it couldn’t think of disinvestment.

5.5 Case Study 5. Oil Co. - Turkey

Overview

The case study is related to an MNC named Oil Co-Turkey for this study. The Security Manager of (Oil Co-T) was interviewed for this study. (Oil Co-T) deals with Oil and Gas. It has about 1000 retail sites/petrol pumps across Turkey. It has 7 depots. Most are owned and run by the Oil Co-T but some are Joint ventures/franchises too.

Terrorism in EMs and Institutional Factors

The Security Manager Oil Co-T believed that terrorism was the severest threat to businesses, especially MNCs, in Turkey. Though terrorism already existed in Turkey, after 9/11 incident Islamist and international terrorism added to the lethality of terrorism, as it had engulfed many countries of the world. *Though Turkey was already facing terrorism from leftist and separatist parties, after 9/11 security became one of the main concerns. It was in fact initiation point for MNCs to be ready.* Threats and impacts of terrorism caused changes in policies, laws, regulations and norms at all levels. Governments moved quickly to enact new laws and adopt stringent policies to ensure protection against widespread terrorism. The terrorism scenario in Turkey also resulted in rapid changes in the internal security regulations, government procedures and norms. Consequently, Oil Co-T thoroughly deliberated upon the institutional factors and took suitable actions to adjust itself according to the emerging environment. It moved to change its strategies, systems and approaches to meet the institutional changes and to equip to meet the risks in the host country. These changes posed new challenges for Oil Co-T as there were hardly any existing practices by other businesses, which could be mimicked. This fact triggered the need to make changes and introduce new processes to provide internal consistency to adjust itself to emerging informal constraints (sanctions, taboos, customs, traditions, and codes of conduct), and formal rules (constitutions, laws, regulations).

Realization of Post-9/11 Terrorism Threat

Oil Co-T realized quite early that Turkey was also impacted by post 9/11 global
terrorism phenomenon and its business could be adversely affected by it. The Security Manager and the management fully understood that after the beginning of post-9/11 global terrorism businesses had to respond to the changing systems and norms, especially in the emerging markets afflicted with terrorism. We responded and started getting ready. The company took the threats and risks seriously and entered into preparedness for prevention mode.

The Security Manager considered violence aimed at host country and militants with political agenda as the main terrorist threats. He believed that political violence in the country was as damaging as terrorism as it adversely affected the operations of the company. However, he was mindful of the growing threat of Islamist terrorists like Islamic State (Daesh).

The Security Manager confirmed that Oil Co-T had not been target of any terrorist group. Actual attack neither took place nor was any threat, specifically directed to our company, ever received. But he did not consider it a reason to be negligent and it adopted security measures as if it was a potential target of terrorists. The management knew that overall situation was badly affected with terrorism therefore it had to take all possible measures to ensure security of its employees, offices and units.

From the two sets of impacts, the Security Manager surprisingly chose direct impact as more important than indirect impact of terrorism. He argued that indirect impact was beyond their control and was more of the responsibility of the host government therefore it was logical for the company to focus on its own security. He argued that damage or disruption of power, communication, transport and other infrastructure due to physical damage, injury, trauma and death on human level and kidnapping could have devastating effects on the company’s operations therefore the company needed to focus on prevention of these incidents.

Adjustment of Business Strategies

The Security Manager assumed that situation was so risky that it required immediate changes and adjustment in their security strategies. There were changes in approach for example risk assessment became important. More emphasis was given to assessments. We tried to integrate business with security. Resultantly, the company formulated elaborate SOPs and introduced multiple measures to handle different situations. The Corporate Risk Manager (the interviewee) ensured that the painstakingly
prepared SOPs were implemented in letter and spirit. These SOPs included who should comply with the security requirements, role and responsibilities of security supervisor, general requirement of security during work, security alerts and their observance, self-protection equipment and their use.

The company enhanced security at Head Offices and retail points, installed more CCTV cameras and tightened access control measures. The Security Manager briefed company employees on regular basis. The distributors and retailers were also briefed periodically. Brief training workshops were regular features to create awareness among the employees.

The Security Manager confirmed that an elaborate contingency plan was prepared. *Contingency planning is essential for business continuity.* This plan included alerts, evacuation and rescue procedures. Mock drills were conducted to make the employees aware of the procedures. The Security Manager carried out security audit of the plans and measures biannually and noted the responses on basis of which the plans were further revised and updated. He also sought feedback of the employees.

The Security Manager had identified political violence and militants with political agenda as the main risks, which could adversely impact the business. *Islamic State terrorist group is also a growing threat to the country and to the businesses.* He was also mindful that it was a critical dealing with oil and gas stuff which was highly combustible. The management encouraged the security team and the employees to identify the emerging risks and extended all possible help to cope them with proper risk assessments and subsequent actions to protect the assets and personnel.

The Security Manager of Oil Co-T claimed that it had high standards therefore the others follow their security models. *Oil and gas is a critical business.* *Impact of an untoward incident can entail gruesome repercussions. Therefore, we have to adopt highest standards of security and safety. So in a way we lead in introducing standards which are emulated by others.* He further added that learning was a two-way process as correspondingly Oil Co-T learnt many approaches and measures from other organisations.

Insurance of personnel and infrastructure was part of the strategy. *Offices, assets and personnel are insured.* The distributors, transporters and retail centers were urged to insure their commodities, vehicles and personnel. It was considered an essential step to
extenuating the uncertainty of risks and impacts of terrorism.

The Company believed in proactive approach. Crisis management demands proactive approach. We devise plans and carry out drills. We stay prepared for any kind of eventuality. The SOPs for IT security, preparedness and contingency plans showed proactive approach to handle the impacts of terrorism. The security team regularly deliberated over the situation so that it could act proactively to upgrade preparedness to prevent occurrence of an issue or an ugly scenario.

Oil Co-T devoted adequate time to take decisions over terrorism related issues in its meetings. The Security Manager and TMT met regularly to discuss the security matters. We interact a lot. Security managers have Google groups and sub-groups who exchange information and ideas. The points and suggestions given by the Security Manager were discussed threadbare and decisions were taken accordingly.

The Security Manager claimed that a combination of bottom-up and top-down approaches was employed so that all personnel could give input and all angles could be entertained to gather holistic view on the basis of looking minutely at the small problems and issues. The Manager however believed that bottom-up was more elaborate and painstaking way of approaching the problems and finding solutions.

The company gathered information about risks from various open sources including media and think tanks. The company also instilled security consciousness in the employees so that everybody could report about threats. Once information about a threat or impending danger is confirmed all the employees are alerted to take precautionary measures. In case of emergency all security personnel and employees were alerted to keep the guards up and be vigilant. TMT was informed about threats regularly.

The Security Manager informed that it was essential to keep the TMT abreast of the threats of increase in terrorist attacks, violence and bomb blasts. Moreover, TMT is encouraged to be aware of the new realities of the Global Business Environment (GBE) and to adapt their businesses to the changing features of business environment. For this purpose, workshops and seminars were conducted to bolster awareness and inculcate security consciousness. Mostly online courses were arranged. Threat alerts and brief messages were texted to reinforce the ideas discussed in workshops and also to convey the information quickly.
The Company had decentralized sale points and depots. The nature of business required such scattered units, which were natural defence against disruption in case of terrorist attack on any one. *Except for the head office, which is at one place, we have decentralized system. We have divisional and regional offices. The depots and sale points are scattered. All set ups are heavily regulated.* The nearest sale points or depots are directed to extend support to avoid disruption in supply or sale. The local agencies like police and fire brigade etc. are supposed to respond. However, Oil Co-T had not faced such a situation till this study was conducted.

The Company tightened up procedures in areas such as employees vetting and the choice of sub-contractors. It carried out criminal check on the employees and checked the background of the sub-contractors within the limits of law. It was considered to protect the company from the threat from inside and to plug the penetration of terrorists and their supporters in the company.

The Company realized that fear of terrorism could undermine morale of the employees therefore it took steps to assuage fears and anxiety of the employees. *We hold awareness sessions and help them understand different situations and how to avoid the impacts. It is our top priority.* Workshops and briefings helped created confidence in the employees and kept them abreast of factual situation so that fear of unknown threat could be overawed.

*Interaction with Host Government*

Oil Co-T developed and maintained good working relationship with the host government and its concerned departments. It religiously followed the rules, laws and policies of the land. *Especially if there is any change in Private Security Law we follow it and make changes accordingly.* Compliance of the laws of the land was a challenge as it necessitated changes in internal mechanics and systems.

The Company had to meet this challenge to create close liaison with the government to enlist its support in times of need. It therefore gladly adopted new laws and followed certifications systems. *We consult the other firms too if there is any ambiguity. We take advice from consultants too.* The Company’s security team consulted the police and LEAs to form security plans, which created harmony and understanding between them.

The Security Manager rated the police response as very prompt and efficient. Whenever the company faced any problem or threat the local police responded and reacted
urgently. The Security Manager being a retired police officer had very good liaison with the local police. *We approach our contacts and the police officers who are usually known to us.* The senior police officers were mindful of the need to protect businesses as the government was striving hard to improve the economic conditions of the country.

The Security Manager reposed full confidence in the courts and judicial system. They had efficient system to deal with the cases related to terrorism and violence. Justice was dispensed with speedily. Turkish government enacted and reviewed anti-terrorism laws including the adoption of new legal codes and other legislation and administrative measures, such as training courses for law enforcement/judicial authorities.

**Constraints/Limitations**

The Security Manager pronounced that the increase in budget for security arrangements was not an issue. The management and HQ were aware of the security situation therefore all genuine demands for increase in funds for security arrangements were sanctioned without any unnecessary delay. *At times we have to ask for extra funds for filling the chinks in the security armour. We have to plead the case in a logical manner. Forceful case is responded properly.* The company took the security of its employees and infrastructure very seriously therefore adequate funds were sanctioned after required deliberations.

Oil Co-T did not consider social and cultural differences as barriers and constraints in the host country. It had been operating in this country since long and most of its employees, including TMT, were locals therefore social and cultural adaptability was not an issue for them. It had acclimatized itself as per the local environment, norms and traditions.

Quick decisions are required to tackle swift impacts of terrorism. The manager relied on top management before taking significant decisions. *“I consult and ask the region and country management before making significant decisions. I don't take decisions on my own.”* Prolonged consultations and over-reliance for decisions on higher quarters can cause undue delays.

**Future Plans**

The Security Manager expressed determination to continue to face the impacts of terrorism in a proactive and sustained manner. It had planned to continue to be vigilant
and prepared to respond befittingly to the changing environment around it. The Security Manager was of the view that a big challenge was to keep itself abreast of the ever-changing rules and policies of the host government and to make internal changes accordingly.

The Security Manager claimed that its HR policy was strong and effective. It had already made the vetting of new recruits and sub-contractors quite strict during the last few years. Therefore, it had no plans to change its hiring policy any further in seeable future.

Oil Co-T did not seriously think about prevention against CBNR. The TMT believed that it was for the government to think about the threats of this level and magnitude.

Oil Co-T had no plan of disinvestment due to terrorism in the country. *So far there hasn't been any huge impact on our business therefore no such decision was taken.* There had been no decrease in investment. The company was earning profits therefore disinvestment was not an option.

**5.6 Case Study 6. Oil Co. - Pakistan**

*Overview:*

The Public Affairs Manager Oil Co- Pakistan (Oil Co-P) was interviewed for this case study. Before answering my questions, he consulted his other senior managers to have full knowledge of all the aspects pertaining to the policies and operations of the company. A few questions were left unanswered which were answered after further confirmation and consultation.

*Terrorism in EMs and Institutional Factors*

The Manager was not sure whether terrorism was the gravest risk to the business or not but considered it one of the serious threats. *It is difficult for me to predict. I don't have any sort of indication which one would be the bigger one.* After 9/11 incident the form and nature of terrorism had changed which impacted Pakistan quite seriously. There had been streak of bomb blasts and terrorist attacks in major cities. Insurgency in tribal areas had the fallout on all parts of the country. The host government had to change and modify its policies, laws, systems and regulations. In fact, it was the inception of international terrorism therefore laws and systems were changing the world over.
The TMT of Oil Co-P minutely observed that beginning of global terrorism had affected not only businesses but all segments and sectors of societies all over the world. Threats, risks, fears and anxiety compelled the governments and all segments of the societies to alter their behaviours. Resultantly, it caused changes in the social, cultural and legal norms in all countries of the world.

Especially the situation became more challenging for MNCs in the Emerging Markets stricken with terrorism. Correspondingly the businesses and MNCs had to change their strategies and systems. The internal and external environment of Oil Co-P could not remain unaffected by this changing scenario.

**Realization of Post-9/11 Terrorism Threats**

The Manager was aware of the severity of the post 9/11 terrorism and realized that it automatically changed the dynamics for everybody. *So, 9/11 threat is as big a threat for us as for anybody else.* This realization had created consciousness to respond to the changing scenario, systems, norms and even sensibilities of the public. It was imperative for the company to be vigilant and vibrant to modify its approaches for the sustainability of the business and security of its employees and infrastructure. Oil Co-P observed that similar changes and modifications in their systems and approaches were taking place in other companies too.

The Manager claimed that Oil Co-P had never received any direct threat from any terrorist group and it had not been targeted directly. *The company does not have any direct information that we are a direct threat of any terrorist group.* However, he strongly felt that terrorism was wide-spread, unpredictable and indiscriminately violent therefore any entity or individual could fall prey to it. *We have had instances when there was threat in general to MNCs by certain elements and that’s when the security assessment goes up and there is much more checking of controls etc.*

Oil Co-P a Dutch company, based in United States could be misconstrued as an American company by the terrorists. As American companies are at greater risk from terrorists than other companies were, quixotically for the management to consider Oil Co-P comparatively safe because it was not American or be worried on its image of a US based company. They found the answer in their findings that all companies were under threat therefore maximum security measures should be adopted.

The Manager believed that the terrorist risks that targeted the country were threat to the
company as well. *I think what you have to see if threat is for us as the company or to a particular station. And both of them have to be assessed.* He considered al-Qaeda and its affiliates like Tehreek-e-Taliban (TTP) as serious threats to the society, country and the businesses. They had already carried out many suicide attacks randomly in the markets in many cities of the country.

The Manager considered indirect impacts of terrorism as more perplexing and cumbersome as they could be distant but more damaging. A terrorist attack on any important target or personality unrelated to the company could have impacts on the sales and revenues of the company. Even increase in terrorist activity could result in drastic change in regulations and procedures which could affect the business. But the severity of indirect impacts in no way lessened the lethality of direct impacts which could disrupt the operations of the company. Both aspects needed to be taken care of.

*Adjustments in Strategies*

Oil Co-P rapidly started bringing changes in the security system and strategies to cope with the impacts of terrorism on its operations and business. It devised a number of security measures to upgrade the existing system. It focused on devising security strategies according to regional threats. For example, at some sites rioting or mob attacks could be more frequent threats. So, at those locations the management was given specific training to address that sort of threat. There was a time when Karachi was facing more violent mob attacks so the employees and security staff posted there were much better trained as compared to people in Islamabad or other places where rioting was not a problem.

The company security strategists carried out risk and security assessment at different levels; broader level, for overall company level, and at a lower level for sale points and sites. It gave briefing to the employees accordingly to make them understand the nature and form of threat and learn how to handle it. *In lectures for crisis management employees are told that company’s intangible assets and reputation are also very important. Indirect impacts seem more important. For direct impacts we have mitigation plans.*

Oil Co-P had appointed a permanent Corporate Security Manager, a retired army officer, who looked after the security of the company under direct supervision of the top management. He reported directly to the country head and the country leadership.
Four security supervisors worked under him in different regions. The distributors and outlets (petrol pumps) arranged their own security as per directions, standards and guidelines of the company.

The Manager was of the view that a good contingency plan was essential to reduce vulnerabilities. *We have business utility plans, which are linked with crisis management.* It aimed at ensuring continuity of business without putting the company in more danger. The contingency plan offered solutions and options to continue business as usual. For example, different sites were designated to support and facilitate the areas and sites incapacitated by violence or terrorism.

Oil Co-P was a large company operating in the country since long therefore it shared its experiences with others. *We are already part of Organisation of International Corporate Companies in Pakistan. Our previous Corporate Security Manager was Chairman of the Subcommittee of OICCI. We give all of our ideas over there and these ideas have not only emanated in Pakistan but also from abroad.* Being a multinational company it was in an advantageous position to get information from other sensitive countries like Turkey through ICCI for improving security of MNCs. Other smaller companies with meager resources could benefit from this information and knowledge.

Oil Co-P believed that insurance was an internationally recognized tool to mitigate uncertainty and insecurity of business and personnel. Its petrol pumps were franchise’s retail outlets owned by other people who were responsible for insurance. They were advised and guided to insure their infrastructure and material. Nevertheless, the company insured the businesses like aviation, which were directly handled and conducted by Oil Co-P.

The Manager claimed that proactive approach was the only way to handle impacts of terrorism. Crisis Management and Contingency plans were evident that the company believed in proactive approach. it developed scenarios for example there was terrorist attack on Karachi airport and some people were stranded there, SOPs were in place to ensure their safety and security. If there is a bomb blast in any city there was a system to check the safety and security of our staff and the staff of our franchisees and distributors at 800 sites.

The Manager confirmed that the board thoroughly discussed the matters pertaining to security and impacts of terrorism. *Our board like any other board has risk matrix. All*
the risks to the company as well as to the industry it represents are discussed on regular basis. Deep deliberations were done before taking decisions over security matters. The suggestions and recommendations of Corporate Security Manager were taken into consideration in such meetings and decision-making processes.

Oil Co-P being a public listed company, its Board of directors was also regularly given a comprehensive update on entire picture of risks and counter plans. The company relied on both top-down and bottom-up approach. Top-down approach of management emphasizes planning and a complete understanding of the system and is also driven by upper level of executives. Bottom-up enables to get partial information and lower level scenario to put them together for a holistic view. The Company relied on a number of reliable sources for getting information about risks. It included monitoring of media, consulting government agencies, at local and national level and own corporate security set up, international as well as local. We get information from abroad and here locally and put it all together. This information was used to make decisions and take prompt actions to prevent or mitigate the impacts of terrorism.

The company arranged briefings and training sessions for the awareness and training of the management to help them develop the know-how to address general and specific threats and risks. The franchisers and their employees were also briefed. Written alerts and guidelines were also dispatched to them as reminders. These measures helped create a culture of security among all stakeholders of the company.

The sale points (petrol pumps), about 800 in the country, and many depots were scattered and placed at different places which gave the set up a natural edge to be decentralized to defeat disruption in case of a terrorist attack against any one of the few points. Though it required more extensive monitoring of security arrangements of hundreds of units this form of business was not vulnerable to total disruption and destruction. Though the company did not face the threat of total destruction it had the capacity to rebuild and run the operations after terrorist attack. It depends on the extent of the damage caused to the unit. The Manager could not give exact assessment about the actual capacity of the company to rebuild unless he knew about the level of damage caused to the units.

Oil Co-P exercised caution and care in hiring of employees and selection of sites. Vetting was carried out to ensure that the employee did not have a criminal record or
affiliation with undesirable elements. We have a list of questions, which we have to reply like: does the employee have a police record etc.? As far the selection of sites was concerned the company had to give preference to the suitability from the business point of view rather than being fastidious about the security aspect.

The Manager claimed that safety and security of their staff was paramount. Oil Co-P takes it very seriously. Travel advisory was issued and the employees were not allowed to go to dangerous areas. All employees had to follow the JMP (Journey Mapping Plan) where all the routes and hazards on the routes were identified. The manager was kept posted and he would advise them whenever required. As far anxiety is concerned the company arranged Employees’ Assistance Programs (EAP) which extended advice on such issues.

*Interaction with Host Government*

Oil Co-P maintained a good relationship with the government, concerned departments and security agencies of the country. *I think collaboration between the government security agencies and MNCs has improved and I think the exchange of information is much more concrete.* The company relied on the government for information and necessary support.

The interaction with the government departments was quite systematic. The manager met the officers and attended briefings at his level. Corporate Security Manager used to meet the security agencies and police. However, the manager declined to comment on the performance or response of the government departments. He added that there was a marked improvement in the security situation but the liaison with the police and rangers continued to be quite close.

The Manager told that the company complied with the laws and policies of the company. It had to do it to maintain good relations and to create a trust with the government. The management minutely studied new laws and regulations and also sought views of the consultants. Other companies operating in the country were also consulted. Security agencies, especially police, were consulted to know about the trends of terrorism and the level of threat in order to make sound responses accordingly.

*Constraints/Limitations*

Oil Co-P was mindful of the fact that many constraints and limitations of different
nature could come its way in forming new strategies. Following new regulations and changing internal mechanisms are important to adapt to the changing circumstances.

Sanction of more budget for security measures could be one area where resistance could be faced. TMT had to be convinced of the need of certain measures like increase in the number of guards or CCTV cameras etc. But ultimately good justification helped overcome any opposition and most of the times required funds were issued. It also depended on the believability of security manager, suitability of the suggestions, veracity of facts and reasonability of the raise in security budget that could convince the management.

Oil Co-P did not face any tangible social and cultural constraint because it had been operating in this country for decades. It was well aware of the sensibilities and sticking points. It made conscious efforts to respect cultural, social and religious sensibilities. Besides most of the employees and higher echelon were locals therefore they had no problem to handle these aspects.

*Future Plans*

Oil Co-P was determined to keep reviewing its policies and strategies as per the requirement of the environment. It was a big challenge to make intermittent adjustments in internal systems as per rules and policies of the host government.

The manager was wary of the threats but did not consider CBNR as a real threat in foreseeable future therefore the company had not deeply thought about it.

The company had no plans to change its hiring policies as over years it had made these policies quite stringent. New employees were thoroughly vetted and got security cleared. The plan was to continue to be strict about it. It could not afford to lower the guards and let unwanted people become part of the company. Similarly, emphasis was on being careful about the distributors and franchisees. The company was making good profit therefore there was no plan of disinvestment or to decrease investment. *We have planned to maintain our extensive network in this country.*

### 5.7 Case Study 7. Fast Food - Turkey

*Overview*
The case study is related to an MNC named Fast Food-Turkey for this study. Its Corporate Security Manager was interviewed for this study.

**The MNC**

Fast Food-T started business in Turkey in 1986. Presently it was running 255 restaurants in the country; 80 were franchised. The Corporate Security Manager, a retired police officer, is responsible for the security of the company and the restaurants. *We have security guards at some of our restaurants. Managers of these restaurants are responsible for the security. They are trained by Corporate Security Manager.*

**Terrorism in EMs and Institutional Factors**

The Security Manager Fast Food-T considered post-9/11 terrorism as the top risk to businesses/MNCs in Turkey. He opined that the global terrorism era that started after 9/11 added to uncertainty and fear among the businesses and general public too. He quoted Deborah Small, a psychologist at the University of Pennsylvania, “Fear causes higher perception of risk everywhere, greater precautionary behaviour, and greater favourability of action policy that prioritizes safety over personal liberty.” This fear of impacts of terrorism was a catalyst to changes in policies, laws, regulations and norms at all levels. Wary of the rising clarion of terrorist threats, governments started changing their policies, laws and systems to ensure protection against prevalent terrorism. Though Turkey had been facing home-grown separatists and terrorist since long, it had to bring about rapid changes in the internal security regulations, government procedures and norms. Fast Food-T minutely observed the changes in the institutional factors in the country and made changes in its strategies, systems and approaches. It started taking measures to handle the impacts of terrorism and to meet the institutional changes in the host country. The changes in the laws and policies of the host country and the processes to adjust internal systems of the company accordingly posed new challenges. It strived for internal consistency to adjust itself to emerging bans, prohibitions, customs, traditions, codes of conduct, laws, procedures and regulations.

**Realization of Post-9/11 Terrorism Threat**

The Manager realized that terrorism could have grave impacts not only on the businesses but on all other quarters as well. The environment caused by post-9/11 terrorism gave birth to more uncertainty and threats, which required robust responses, arrangements and approaches. He elaborated that as most of the terrorist attacks took
place in public places such as markets – it directly impacted its outlets.

Fast Food-T had been direct target of terrorists after 2001. Initially, there were demonstrations and protests but later on from 2002-2005 bomb attacks took place on 5 different Fast Food-T restaurants in Istanbul. However, there was no casualty. In all such cases the bomber had telephonically informed about the bomb beforehand. Their aim was not to harm people but to tarnish the image of the company. The Manager claimed that Fast Food-T faced this threat because it was an American company. Usually American MNCs were under a greater threat from terrorists than the MNCs of other countries.

He further added that though iconic American MNCs were more vulnerable to terrorist attacks terrorists could attack or harm any organisation or company to achieve their objective of creating fear. By this standard all MNCs and businesses were vulnerable. If any company considered itself safe against the impact of terrorism, direct or indirect, it was calling for trouble.

The Manager had identified Islamist militants including Daesh/Hezbollah and leftist separatist groups, in particular, as the greatest terrorist threats to the country and to the businesses. *In 2013 there were violent demonstrations. They attacked other American companies but not our company. This development gave an idea of threat to the businesses.*

The Manager pronounced that indirect impact of terrorism could be more damaging and challenging than direct impact. *Direct is easy to fix. Indirect is hard to manage because it is not in our control therefore it is more important. It is out of company’s control. And there are so many stakeholders to deal with afterwards.* He considered it a greater challenge to adopt measures to secure itself from indirect impact of terrorism in the country.

*Adjustments in Strategies*

Due to clear realization of the level and form of threat the Manager was clear in his mind and approaches that sweeping changes had to be made in the strategies and systems of the company to handle the impacts of terrorism. *We increased the use of CCTV cameras, systems like access control, intrusion detection, weapon detection, asset monitoring and other tools that made security operations more efficient.*
In addition, the company held awareness training programs for the employees. More security guards were deputed to observe unusual movement on the roads and inform other units. Moreover, it adopted the tactic to highlight ‘Turkishness’ or ‘localness’ in a conspicuous manner by hosting Turkish flags etc. during national holidays.

The Security Manager developed dynamic written SOPs and strategy. *Mostly the crisis we face are product related issues; like vendor or third-party issues. We have the guidelines and rules for the managers to follow.* For example, when military coup took place on 15 July 2016 the company closed all the restaurants. Though there was no information that this sort of crisis could arise, but the Corporate Manager had to take the decision.

The company had followed the general practice of appointing a corporate security manager, who was a retired police officer, responsible for monitoring and managing risks associated with terrorism. *Prior to 9-11 security was not a very high priority. There was no need for security managers. Now it has become a pressing need therefore security is given priority. There are a lot of changes in systems overall.*

Due to his experience in police and interaction with his security colleagues he had good knowledge of the emerging threats and the ways and means to address them. Being a former police officer himself, the serving police officers and security bureaucracy confided in him.

Fast Food-T took measures to reduce vulnerabilities and maximize flexibility through contingency planning, inventory management, and supply chain adjustments. *We have business continuity plan. We have back up company; if one vendor is affected we have another vendor available.* It had devised procedures that restaurants ensured supply to affected restaurants in case of disruption or emergency at any one of them. Guards were deployed but quite discreetly so that customers were not scared.

Being a large MNC Fast Food-T kept sharing its experiences and best practices with other MNCs. It was a good strategy to create a common culture of security by sharing and contributing. In return it also learnt from other companies as well. Insurance was part of the company’s strategy. It had insurance for its property, assets, employees and the customers as well.

The Manager believed in proactive approach; to think about what might happen and how to prevent it. *I have my intelligence channels like contacts with the police officers*
and the hotline that inform us beforehand. We keep ourselves prepared. The procedures for IT security, preparedness and contingency plan showed proactive approach to handle the impacts of terrorism. The security team regularly deliberated over the situation so that it could act proactively to upgrade preparedness to prevent occurrence of an incident or to respond to it befittingly.

Security issues featured prominently and regularly in the board meetings. Fast Food-T spent sufficient time to take decisions over terrorism related issues in its meetings. The Security Manager and TMT interacted regularly to discuss the security matters. The board reviewed the existing measures regularly and amended them as per new requirements. The decisions were mostly taken in light of the suggestions and recommendations of the Security Manager.

The company had devised a credible system to collect authentic information about threats and likely impacts so that reasonable decisions could be made. We use multiple sources. Media reports can be exaggerated. Information is discussed with security colleagues and confirmed from other reliable open sources. The Manager considered the strategy of scattered units as a good defence against disruption. Fast Food-T business was naturally scattered due to its restaurants at different places. We have depots or warehouses at two different places not only for security reasons but also for convenient and timely supply to our restaurants. All restaurants were earmarked to cater to the needs of customers in case of closure or destruction of nearby restaurants. We have five depots at different places in Turkey. Two are in Istanbul. We have the ability to continue the business even if it is struck by terrorism or civil unrest of natural calamities. Procedures and plans to handle such situation are in place.

The company took utmost care and caution in hiring properly screened employees, subcontractors and location of operations. It had over 5000 employees in the host country. Though as per law it could not carry out background checks on the recruits due to privacy laws, it obtained personal guarantees from them. If Manager has a suspicion about an employee, he informs the HR Manager and a secret ground check is carried out about the employee. Similarly, the sub-contractors were chosen with care so that they are clean from security point of view. Care was applied to open restaurants at safe places for example the company did not want to open restaurants in eastern part of the country for security reasons.
The Manager was aware of the negative impacts of fear caused by terrorism. The managers and staff members suffered from anxiety. *Especially the guards suffer from the anxiety. If they have symptoms of anxiety then we give them rest or fewer working hours.* Mostly female staff was taken care of and they were allowed to avoid late working. The security managers and security staff briefed them too.

*Interaction with Host Government*

Fast Food-T developed good relations with the host government and its departments. It responded to certain security standards for the entire business imposed by the Federal Government, which required adoption by all competing firms. *We changed closing times; changed employment rules; focused on the structure of buildings etc.* It strongly felt that it was essential to bring about changes in its formal rules and structures in response to the institutional pressures and changes created by the impacts of terrorism.

The management worked closely with federal and provincial governments on all issues. *We seek their help at multiple levels, e.g. information, ask for teams for protection etc.*

The company developed trust and respect by adhering to new laws and systems introduced by the government. It was industry’s collective decision to follow new rules and procedures. Resultantly the government departments cooperated and assisted diligently.

The Manager admitted that the government of Turkey had developed policies, which provided greater security against the impacts of terrorism. *Our Government has policies to ensure our protection. In 2012, police force warned about a likely attack on any unit.*

Level of confidence in the police was high as it responded quickly in case of emergency. The legal frameworks and courts had been considerably successful in protecting the businesses against terrorist impact. The judicial system and courts were supportive. The perpetrators of terrorist acts in 2012 and 2014 were penalized. It generated confidence in the MNCs and businesses.

*Constraints/Limitations*

The Manager insinuated that budgetary constraints could restrict attempts to modify and amend security strategies or implementation of security measures. *Budget can be an issue if the managers are stubborn and have less experience or low understanding of security issues or there is a lack of trust in security managers.* At times it was difficult
to convince them to spend more on security. The company did not face any tangible social and cultural barriers, which could limit its freedom of formulating strategies to forestall impacts of terrorism. The managers and employees were local therefore they were part of the culture and knew quite well about the religious and social sensibilities. *Strategies are planned locally. We do not wait for the HQ.* In most of cases it didn’t have to wait/ask for instructions from the HQ. There were hardly any instructions from the HQ in this regard.

**Future Plans**

The Manager was aware that the terrorist risk to the company would increase because the situation was becoming more complicated. *The environment is fluid and fragile. Internal and external issues are going to cause problems.* The company had to show resilience and continue to operate. It had to continue to focus on preparedness to meet the challenges.

The pattern of hiring and recruiting new employees would remain the same. The company had already adjusted its hiring policies which included ground checks, good behaviour certificates, guarantees etc. There was no plan to reduce or add more local or foreign employees. *All are local employees.* The pattern would continue in coming years.

The company was making good profits, therefore there was no plan of disinvestment or reducing the investment. *We are determined to continue our business.* The existing set up was so huge and profitable that more investment and prolonged presence in the country was the right decision to do.

### 5.8 Case Study 8. Fast Food - Pakistan

**Overview**

The case study is related to an MNC named Fast Food-P for this study. It is a leading international fast food chain that started operating in Pakistan in 1998. Now it has more than sixty (60) restaurants in the major cities of Pakistan. This interview was conducted with the Security Manager Fast Food-P, responsible for the security of restaurants, supply chain, information security, transport security and crisis management of the company in the country.
The Security Manager clearly termed post-9/11 terrorism as the highest risk for MNCs in Pakistan. He elaborated that the beginning of international terrorism risk affected not only businesses but also all sectors of societies all over the world. Pakistan had been facing low level of local sectarian terrorism but after 9/11 it started facing horrendous acts of terrorism ranging from bomb blasts to suicide attacks in the major cities. The norms and systems of the society and the state changed. Rapid changes in the internal security laws, regulations and rules took place. Fast Food-P, like other businesses, had to modify its approaches and systems to face the emerging situation.

Even when there were no direct terrorist attacks on businesses, MNCs could not remain unaffected and unaltered because global terrorism had stirred the social, cultural and legal norms in all countries of the world. Especially the situation became more challenging for MNCs in the Emerging Markets like Pakistan afflicted with terrorism. Businesses had to alter their approaches, strategies and systems because governments had changed their policies and laws. They introduced changes and new processes to provide internal consistency to adjust itself to emerging informal constraints like sanctions, taboos, customs, traditions, and codes of conduct, and formal rules like constitutions, laws, regulations.

Realization of Post 9/11 Terrorism Threat

The Manager admitted that the company had a good realization of post 9/11 global terrorism threats to its business, which ushered in a new era impacting the dynamics of systems, regulations, laws and security concerns across the world. “Global terrorism emerged as a serious threat for all, including us”. The management of Fast Food-P had a realization that it must respond to the changing systems, cultures and norms in the host country.

Fast Food-P considered itself a specific target of terrorists because it was an American company. It faced a number of threats and two terrorist attacks on its restaurants. The Manager was clear in his mind that terrorists wanted to attack and harm multiple targets including general public and businesses. Their aim was to create fear therefore nobody was safe from their attacks. He reiterated that the company had received direct and specific threat and it had to take special measures to protect its restaurants, depots and customers.

The Manager was mindful that the security team ought to deliberate over the emerging
risk situations so that strong security strategies could be adopted accordingly. The first step in this regard was to identify main terrorist threats and gauge their severity without which it was not possible to devise appropriate counter strategies. He identified al-Qaeda, Tehreek-e-Taliban Pakistan (TTP) and religious extremists as the main threats. He added that Pakistan was involved in the war on terror, which could attract more extremist groups like Islamic State to carry out terrorist activities in the country.

Fast Food-P considered indirect impact as more worrisome than direct impact of terrorism. The Manager explained that indirect impacts were hard to foresee and manage. Even the laws and regulations enacted by the government to counter terrorism were indirect impacts of terrorism. The businesses had to modify their systems to follow the new policies and laws. On the other hand, direct impacts could be handled by adopting certain security measures. However, he claimed that both scenarios were challenging because all the situations, whether direct and indirect impacts, could have critical impacts on operations of MNCs, if not managed in time.

Adjustment in Strategies

The Manager claimed that there was a need to change and adjust their business strategies to handle the impacts of terrorism. The company quickly resorted to introducing necessary adjustments and modifications in business strategies.

The Manager spelled out a number of measures taken in this regard. To begin with it formulated written Standard Operating Procedures (SOPs) and rules to ensure organized response to threats of terrorism. A security manual containing rules and procedures covered all the keys areas of security.

Fast Food- P management hired a competent Security manager to ensure formulation and implementation of impregnable security measures for a company. He looked after all security affairs and headed a dedicated security team. There were security supervisors in regions that reported to the Security Manager and operated in close coordination as per the security manual and local SOPs. The Manager was committed to perform systematic identification of hazards and to manage them with appropriate risk assessments and subsequent actions to minimize danger.

The Security Manager and his team briefed and trained the staff so that they could contribute in countering impacts of terrorism. It was the Security Manager’s main responsibility to build an environment where employees had a sense of personal
commitment to their work and give their best to ensure the company’s security. Awareness campaigns were conducted to instill security consciousness in all employees. Mock exercises and drills were also conducted. They were kept abreast of the emerging threats and trends.

Fast Food-P believed that contingency plan was essential for continuity of business. The Manager explained that contingency planning existed as the company’s response to any kind of external event was formulated locally but was approved by the HQ. Local management was more aware of indigenous problems, issues and threats therefore the HQ approved suggestions and recommendations without much resistance.

Fast Food-P believed that it was its responsibility as a large MNC to play a leading role for other smaller companies. But it was up to the smaller companies to emulate and follow the best practices. The Manager however added that most companies were not usually very open in discussing and sharing security issues and terrorist threats. He believed that learning was a two-way process and it was important to share experiences and introduce innovations and to adopt new methods to meet emerging challenges and threats.

Insurance against impact of terrorism was part of the security strategy. The Manager claimed, “Insurance creates resilience against the impacts of terrorism.” Insurance had always been a part of the company’s strategy against all sorts of destructions caused by natural calamities or accidental catastrophes because it also helped quantify the risk: the possibility of an incident and the amount of damage it would cause.

Fast Food-P believed that it had an obligation to provide protection against acts of terrorism, and this required that they put particular emphasis to be proactive in adopting preventive measures against the impacts of terrorism. These measures ranged from proper guarding of restaurants to inculcation of awareness among the employees. The Manager claimed that their approach was proactive, “preparing for, and protecting against, terrorist attacks, in order to decrease the vulnerability of potential targets, in particular critical infrastructure; as fortification of restaurants in insecure areas.

Fast Food-P used to spend enough time to discuss terrorism related issues in its meetings and took decisions. The Security Manager figured prominently in such meetings as the information given by him and his recommendations were the basis of such discussions and decisions. The HQ showed faith in the abilities of the local
management and endorsed its decisions. The security related issues used to be part of the agenda quite frequently. The minutes of meeting were recorded and actions were taken accordingly.

Fast Food -P claimed that a combination of bottom-up and top-down approaches was employed so that all personnel could give input and all angles could be entertained to have holistic view on the basis of looking minutely at the small problems and issues. The Manager however had the inclination for bottom-up approach, which was more painstaking but more credible way of approaching the problems because it developed a mosaic into a full picture.

The company had developed a reliable system of obtaining information so that decisions and actions were based on authentic knowledge. The Manager informed that Fast Food-P relied on media as well as on its own security teams for collecting information. Its security team relied on its intelligence sources and kept its eyes and ears opened. The employees were encouraged to give regular input through direct contact or text messages. At times a timely piece of information on impending threat could be vital to take preemptive measures.

The company also inculcated a culture of security in the employees so that everybody could be sensitive about the threats. We wanted to bring all on one wavelength and understanding about terrorism and its impacts. Text messages and alerts were sent to employees in case of emergency, which contained cautions and instructions to handle it.

The Top Management Team (TMT) was especially apprised of the trends, threats and impacts of terrorism so it could be most informed. Periodical workshops and briefings were arranged for them. The Security Manager arranged training and awareness sessions to keep them abreast of the dynamics of the situation and the measures adopted to handle the impacts. They were encouraged to ask questions and hold discussions on security related issues in these sessions, which could later enable them to set clear, realistic, measurable goals and objectives.

Fast Food-P had more than eighty restaurants and a number of depots across the country. Due to the nature of its business it had scattered units, which was a natural defence against disruption in case of terrorist attack on any one or more points. It was not possible for the terrorists to attack all eighty restaurants at the same time.

Hiring policy ensured that all new entrants and recruits were vetted and security cleared.
Guarantees and character certificates were obtained from all applicants. *The environment is replete with extremists. We cannot afford to let any undesirable element enter the company.* Periodical screening and ground checks were conducted on the company employees also.

Fast Food-P believed that happiness of employees was essential for them and the productivity of the company as well. Fear of unpredictable threat that could strike indiscriminately marred their efficiency and morale. The company gave special emphasis on reducing employees’ distress stemming from living in a heightened state of alertness and harboring a fear of the unknown. It held workshops and briefings to allay their fear of terrorist acts like bomb blasts and suicide attacks that took place in many cities of the country.

**Interaction with Host Government**

Fast Food-P developed good working relations with the federal, provincial and local governments in the host country. The Manager believed that in an emerging market it was imperative for a foreign MNC to maintain good interaction with the government departments. Especially in an environment afflicted with terrorism it was all the more important to closely interact with the police, law enforcement agencies to ensure smooth and protected operations.

Fast Food-P considered compliance of laws and policies as a prerequisite to initiate, develop and maintain good relations with the host government. Though it was a challenge to comply with the local laws and regulations, which were quite different from the culture of the home country, as these were bound to influence its internal dynamics, it met it with a positive mind. *In any case MNCs have to comply with the laws of the host government pertaining to terrorism or other issues therefore they should know how to do it.* However, it sought opinions of consultants who had an internal evaluation and responded positively to maintain organisational legitimacy and strategic decision making.

The Security Manager kept close liaison with the local police and law enforcement agencies to meet such emergencies. *We faced threats and risks, big and small, quite often.* He had to communicate with the police and seek its help for protection of restaurants, employees and the customers. International and national incidents could create a local threat leading to agitation and violence. These scenarios needed quick
In troubled times quick response by police gave sense of security to the management. The Manager expressed satisfaction over police response and its ability to resolve the matters. Even the Home Department or Ministry of Interior also responds quickly and directs the police to extend quick help. The Manager thought that regular rapport played vital role in receiving quick and positive response.

The Manager conveyed satisfaction over the adequacy and efficacy of the policies of the host government that helped create secure environment for the MNCs. Similarly, he reposed confidence in the judicial system and claimed that courts were serious and efficient in dealing with the cases related to violence and terrorism.

**Constraints/ Limitations**

Fast Food-P faced multiple hiccups and hitches during the process of modifications and amendments in its strategies to cope with the impacts of terrorism, but managed to overcome them with its resilience, embeddedness in the society and good relations with the government.

The beefing up of the security arrangements for protection of the company’s personnel, property, plant, and equipment incurred more expenditure. But the Security Manager claimed that getting more funds was not a problem because, because the HQ was convinced of the demands and needs of the company. It was also aware of the security situation in the host country. The Security Manager could convince the board and higher echelon of the justifiable increase in the budget. It also depended on top management's understanding of the threats.

The company made relentless efforts to address the social, cultural and religious sentiments of the public so that its foreignness might not stir them in a negative manner. Though the employees were mostly locals and they understood the indigenous culture, the management did not take it for granted. It used extensive media campaigns to give a local look that matched well with the local customs and culture. It hoisted national flags in the restaurants on national days and the staff wore traditional dress. The Security Manager and local management made most of the decisions and simply informed the HQ. In most cases these decisions were approved without delay. The HQ had faith and trust in the local management due to which the latter managed to take timely decision and subsequent actions.
Future Plans

With the advent of post-911 era, the company had fine-tuned the HR policy according to the changing scenario. Vetting and ground check of new recruits and employees formed an essential part of the strategy. Periodical screening of employees was also conducted. For the time being these measures were considered enough to meet the requirements therefore any tangible changes in recruitment policy were not on the anvil.

Fast Food-P had very clear and correct assessment of the terrorist threats and impacts but it considered terrorist threat of CBNR use a bit too improbable. It did not figure in the future security plans because of all the technical and logistical difficulties associated with such devices. The Manager explained that the company policies designed to deal with terrorism were focused more on reducing fear and anxiety as inexpensively as possible rather than on objectively reducing the farfetched dangers of terrorism.

Despite the challenges caused by terrorism, Fast Food- P was flourishing as over the years the number of its restaurants had increased. It had no plan of disinvestment due to terrorism in the country. Disinvestment is a negative term and approach which can be harmful to the company and the country as well. There was no intention or plan of reducing investment. On the contrary the goal was expansion of the network by opening more restaurants in the country.
6. ANALYSIS AND FINDINGS

The analysis of case studies of MNCs, four from Turkey and four from Pakistan, has been done below. Later a comparative analysis of two MNCs of similar origin from each country is done and finally a consolidated analysis is carried out.

6.1 MNCs in Turkey

This block includes the analysis of the case studies of Nest-T, Beverages-T, Oil Co-T and Fast Food-T based in Turkey.

6.1.1 Nest-T

Occasional evasiveness of the interviewee (Corporate Security Manager) of Nest-T, at times due to deliberately calculated replies or due to lack of deep understanding of impacts of terrorism, confirmed the observation of Suder and Czinkota (2005), that “Terrorism” within the IB domain has proven to be a particularly demanding challenge for researchers and practitioners for two reasons: its unpredictability and its quasi-intangible yet real indirect impact on business internationalization and performance.

However, the counter questions and replies adequately elaborated how Nest-T handled the impacts of terrorism in Turkey, focusing on revealing the behaviour adopted by it to run its operations in a special setting of terrorism that emerged after 9/11. It goes to prove that in the institutionally weak international business environment, MNCs are likely to pursue more idiosyncratic ways of organizing (Kostova et al., 2008). Conversely, it also confirms that peer pressure of other companies creates isomorphism to gain legitimacy.

Post-9/11 Terrorism and Institutional Factors: Initial delay in clearly understanding the emergence of a new form of phenomenon of terrorism after 9/11, could be attributed to management’s lack of knowledge of overall security environment and focus on security and terrorist threats. Efficient and knowledgeable management should have realized quite early that non-state actors such as terrorist groups had become significant risk actors (Bremmer and Keat 2009; Jarvis and Griffiths 2007) and terrorism that had become more global after 9/11 attacks (Suder and Czinkota, 2005) could make the MNC/business more vulnerable.

The management should have known that multinational corporations with long-term
projects in such developing regions are especially susceptible to political risk, including terrorism (Howell and Chaddik, 1994) and the success of an investment often depends on proper risk management and risk mitigation (Lambrechts and Blomquist, 2017). Additionally, it should have been realized that there is a marked difference in institutional arrangements of developed countries and the EMs afflicted with terrorism.

Realization and Response: Ultimately, the realization by the management, that terrorism was threat number one to the business in Turkey, became a pertinent precursor to take the threat seriously and respond to it in a befitting manner. After 9/11 terrorist incident, terrorism, which was ranked as second only to inflation as a barrier to doing business worldwide in 1980 (Mazzarella, 2005), only maintained the dubious distinction rather jumped to top as the threat to the businesses in Turkey, as per the manager, therefore it had to operate in the institutional environment of an EM that had peculiar social system accentuated by existence of terrorism.

The interviewee, the Corporate Security Manager of Nest-T was a retired police officer, an arrangement in line with the suggestion of the experts that MNCs must hire competent corporate security managers who could have contacts with the local governments to ascertain the nature of threat and to know the kind of terrorism that is likely to target their businesses (Lloyd’s, 2007). In a host country afflicted with terrorism it becomes all the more important for the security manager not only to have good knowledge of the security environment but also to have good working relations with the stakeholders. Having excellent understanding of institutional profiles of the country, an important constructor of the regulative, normative and cognitive pillars conceptualised by Institutional Theory, makes one most effective in handling the impacts and threats of terrorism. It also goes to prove the points highlighted by the institutional theory regarding the relationship of institutions and social actors. The institutions are outlines, norms and human devised regulations that allow and constrain the behaviour of the social actors and make social life predictable and significant (Scott, 2001; North, 1990, DiMaggio and Powell, 1991).

Though Nest Turkey did not consider itself specific target of any terrorist group but was cognizant of the fact that terrorism was on the rise, with an almost fivefold increase in fatalities in the world since 9/11 (MacAskill, 2014), therefore its employees could fall prey to terrorism at public places and streets. This feeling of vulnerability and fear of
the likelihood of its employee becoming target of a car bomb attack or bomb blast highlighted the significance of indirect impact of terrorism. Nest-T had to recognize this impact and responded to it efficiently because all other businesses operating in that environment must have been taking the terrorist threat seriously. It proves that “organisational institutionalism examines the adaptations and conformations of the organisations to the pressures of the institutional environment to get legitimacy” (DiMaggio and Powell, 1983, 1991; Scott, 2001).

The Corporate Security Manager clearly figured out that political violence, the terrorist group Islamic State and Syrian war were three palpable threats to peace in the country. This clarity in identifying the threats helped the management understand the nature of threat and severity of impacts of terrorism. Nest-T sensibly discerned that the terrorist group IS or Daesh was the emerging threat caused by the national policy of military intervention in Syria. Second, violence or social unrest, though not a terrorist threat could be equally damaging at times. IS threat meant threat from religious terrorists and internal violence and social unrest could be equated with terrorism. As the MNC did not have any say in the government decisions and policies to go to war or not, it was hostage of circumstances and had to brace itself to face and handle the indirect impacts. Furthermore, greater the institutional uncertainty, the bigger is the challenge for MNC to operate in the host country.

While making comparison between direct and indirect impacts of terrorism the interviewee clearly indicated indirect as more important. This observation was in line with the definition of terrorism given by Carlile (2007, p.34), ‘the direct targets of violence are not the main targets’. Hoffman (2002) pointed out that terrorism aims at intimidating the subjects beyond the immediate victims or object of terrorist attack. As terrorists have intention and aim to terrorize all walks of life in a society where they operate in, most often businesses are not the direct targets but still they suffer.

Adjustment in Strategies: In fact, this realization of the new form of global terrorism and its direct and indirect impacts on its business enabled Nest-T to start making necessary adjustments in security strategies of the company like change in travel policy, travel restrictions, restricted sales activity, etc. Though it depicts realization in the company to take measures to protect the employees from terrorist threats, these measures seemed minor adjustments instead of well-thought out elaborate strategies.
formulated to provide cogent cover against the emerging terrorist threats. Probably this feebleness was due to assessment that Nest-T was not specific target of terrorists.

However, soon it moved to take some solid and strategic measures like formulation of Security Committees, Standard Operating Procedures (SOPs) for security and also introduction of a Security Booklet, which was employed by the company in all countries of the world. It was a good combination of internationally established security measures and local procedures appropriately commissioned by the company in the local settings as per requirements of the regulator agencies, professional societies, consumers, suppliers, and organisations (Rao, Morril, and Zald, 2000: 251). It bridged institutional distance by transferring and adapting solutions from other institutional contexts (DiMaggio, 1988).

Suitable changes were made for improvement in business continuity and to ensure uninterrupted supply chain activities. Emphasis was on enhanced use of technology. There was a gradual change in approach to move from man guarding to electronic security; claimed to have better level of use of technology than other companies. Contingency plans were in place for all scenarios including terrorism, kidnapping for ransom, loss of a site, loss of a business process because of terrorism. It shared information and best practices with other companies too.

The interviewee claimed that the lessons learnt and innovations made by Nest Turkey were shared with smaller companies too. Learning from the experience is an interactive step, strengthening capabilities to deal with future problems (Henderson, 2003). More effective and systematic sharing mechanism should have been developed and implemented for this purpose. These constraints and compulsions give birth to isomorphism in the MNCs (Yeniyurt et al., 2009). The MNCs tend to mimic each other to adopt successful and prevalent tactics which grant them social acceptance.

The interviewee believed in proactive approach and relied on security plans based on scenarios. Nest-T, being influential part of the society, needed to be more proactive in joining hands with the government to confront the challenges of terrorism in the society it operated in. A better understanding of firms’ responses to terrorism and violent conflict can help all those affected by violent conflict – firms themselves, governments, and others – develop strategies aimed at reducing terrorism-related violence and its devastating negative consequences (Oetzel and Getz, 2012).
Nest-T moved from human security to enhanced use of technology for security purposes. Undoubtedly, a combination of human security and tech security is the best solution. However, the company’s claim of better level of use of technology than other companies needed verification. Furthermore, it needed to be assessed how the use of technology had tangibly contributed in warding off the impact of terrorism or thwarted any such attempt by terrorists.

It was the heightened level of terrorism in Turkey that compelled the Board of the company to spend more time on security aspects and to take the advice of the Security Manager quite seriously. This action confirms that institutional arrangements define the social context of organisations and shape organisational actions. It further elaborates that organisations are under pressure to adapt to and be consistent with their institutional environment (Björkman et al., 2007).

All tiers of the company were involved in information leading to decision-making process therefore a combination of top-down and bottom-up approaches was employed. Security committees got together to take necessary decisions to formulate strategies and to take actions. They understood that when designing a strategy, informed decisions were to be made and numerous scenarios had to be considered. The management has to meet frequently to create consensus on ticklish decision like diverting scarce resources and management talent away from primary business operations to focus on mitigating the risk of terrorist attack (Mazarella, 2005).

The manager gathered information about threats and terrorism from media, WhatsApp (social media) group of security managers and other reliable sources like Stratfor, an American intelligence company, Jamestown Foundation etc. According to a study “Business needs better information to understand where the real risks lie, 10% firms do not collect information on political violence risks and 22% do not address these risks systematically, even within broad risk management strategies.” (Lloyd’s, 2007). Information collection by Nest-T, therefore, seemed to be having less than required systematic information collection mechanism on terrorist risks.

The manager disseminated information to the Top Management by regularly briefing them. He also delivered lectures to keep them apprised of various contours and aspects of terrorism and its impacts. This approach endorses that among the most common responses of organisations to external pressures is to "internalize" the threat,
incorporating new types of actors dealing with these issues (Scott, 2008). More sustained ways ought to have been adopted to arm the Top Management with cogent information that could inculcate new thinking in them so that they could deal with terrorist risks with a clear understanding of the form and nature of these issues.

If the security situation goes from bad to worse due to Syrian conflict, terrorism could be the tool of the groups engaged in social unrest, civil war and international war in Turkey. Besides, Nest Turkey management’s perplexity was justified that the state policies and decisions that could lead to violence and to become involved in war, could cause threat to the business.

Business facility is kept at one place and well-fortified but the depots are scattered at different places. Employees and suppliers are carefully selected.

Spending on security has gone higher but not exorbitantly high. It goes to confirm the assertions of many studies that, from a managerial economics perspective, multinational corporations incur a wide range of significant business costs, both fixed and variable, due to the threat of global terrorism. One fixed cost involves upgrading the physical security of the firm’s personnel, property, plant, and equipment located in areas where “…the incidence/likelihood of terrorism against a multinational firm–its employees and property–is well above the average risk” (Ryans and Shanklin, 1980, p. 67).

With the advent of global terrorism, Nest Turkey felt the need to hire security-cleared employees and to select the distributors with care. But it was constrained to remain within confines of law of land which did not allow private vetting of a citizen. Due to this institutional pressure, it had to adopt new ways of hiring security cleared employees. Individuals and organisations can respond to institutional pressures in relatively non-deterministic ways when contending logics co-exist (Thornton and Ocasio, 2008)

The manager did not expect such a serious attack to the company, which would require total rebuilding to run it again however he claimed that the company had the capacity to rebuild itself. This claim ought to have been based on deep understanding of terrorism. Unlike 1980s and 1990s, after 9/11, to effectively fight terrorism, a better understanding of terrorists and terrorism must be gained than has been the case in the past (Hoffman, 2002).

Commenting on stress management of the employees, the manager acknowledged that
increased terrorism caused stress and fear in the employees. Many studies confirm that terror events are stressful for individuals that affect their private and professional life (Leavitt et al., 2011; Puck et al., 2008; Tungli and Peiperl, 2009). According to Carlile (2007, p.34), “Terrorism is an anxiety-inspiring method of repeated violent action”. Anxiety and fear adversely affect the norms and practices prevalent in the society and in the behaviour of employees and stake-holders of organisations. Neo-institutional theory focuses on such phenomenon as it includes an explicit interest in institutional change and the role of actors in shaping institutional processes (Phillips and Tracy 2007). The company took the right measure to arrange workshops to allay their fear. More could have been done, like arrange workshops for the families of the employees, etc.

The company claimed to have followed the laws of the land in letter and spirit. But all new laws were carefully studied internally and by consultants to know the likely impacts on the business. Congruently changes were made in the rules and policies to meet the requirements of local laws. Though, scholars have begun to recognize government intervention and policies as the most common forms of political risk (Butler and Joaquin, 1998; Jakobsen, 2012; Wells, 1998), Nest-T took it in the right spirit as terrorism was a greater risk that needed legal and policy changes at the government level.

The manager stated that the policies of the government of Turkey were favourable for the businesses and the confidence in the courts was high. The level of confidence on the police gives a sense of protection to the firm that is good for running business with confidence. The liaison with the police was good and its response was satisfactory. The scholars like Neumann (2009), Suder and Czinkota (2005), Hoffman (2006) and Enders and Sandler (2012) saw eye to eye on this aspect that both governments and societies, needed to better confront the challenges created by these “new” forms of terrorism in the areas where it had evolved. If we see through the lens of Institutional Theory it is confirmed that the systems surrounding organisations shape social and organisational behaviour (Scott, 1995; Hoskisson et al., 2000).

Introduction and adoption of new security measures and approaches cause increase in the expenditure. Spending on such arrangements is believed to have increased on security after 9/11. “There has been more spending but not very high. New technologies and devices like satellite phones, walk through gates, hand-held scanners etc. have been
The manager’s confidence in the TMT enabled him to respond upfront that there were no budgetary constraints or any social or cultural barriers that created hurdle in formulation of new strategies and their implementation. Turkey being in the ‘Eagle’ group of emerging markets, (Emerging and growth-leading economies), which expected incremental GDP in the next 10 years to be larger than the average of the G7 economies, excluding the US, had adequate resources to make good arrangements to tackle terrorism and bear its impacts. It was a good omen for the MNCs operating there.

The manager added that TMT of Nest Turkey made decisions in light of overall guidance of the Nest HQ; approved manuals were available to make decisions in their light. Nest-T had a feeling that it made decisions independently whereas the Nest HQ ensured that Nest Turkey took decisions and formed strategies in light of its directions and as per approved manuals. The change in informal institutions (such as values, practices and norms), which is also a concern of neo-institutional theory, profoundly affects entrepreneurial behaviour.

**Interaction with Host Government:** Furthermore, it has been repeated that the terrorist threat can be the result of state policies and decisions. In a way MNCs are hostage to the host government’s policies as they have no say in formulation of such policies but they have to face the environment caused by its fall-outs. MNCs must be ready to make a number of adjustments to maintain the necessary degree of coordination and flexibility (Doz and Parahald, 1980). MNCs’ strategic choices are driven not only by their resources, capacities and industrial dynamics, but also by the particular institutional constraints that decision-makers face in the business environment (Peng, 2003). They have to express conformity to the social patterns of the host country as deviation from highly institutionalized particular social pattern can prove costly (Phillips, Lawrence and Hardy, 2000). “Institutions contain mechanisms that associate non-conformity with increased costs in several different ways: "economically (it increases risk), cognitively (it requires more thought), and socially (it reduces legitimacy and the access to resources that accompany legitimacy)” (Phillips et al., 2000, p. 28).

It underlines the need to actively watch the policies of the state and to try to interact closely with the host governments to at least let them know about their apprehensions. Institutional Theory provides the framework that can help MNCs to manage their activities in such markets. For example, in EMs afflicted with terrorism, MNCs might
have to consider terrorists as the stakeholders and tackle them directly.

**Constraints/Limitations:** Considering terrorists as stakeholders proves that MNCs have to respond to changing environment around it. ‘The patterns of political risk have changed and non-state actors such as terrorist groups have become significant risk actors’ (Bremmer and Keat 2009; Jarvis and Griffiths 2007). Nest-T admitted to have brought changes in its rules as per requirement and emerging situation. It amounts to responding to the political and social pressures, which are coercive in a way. If other companies follow the new rules and respond to changed environment, all have to follow one other in a mimetic manner in order to attain legitimacy.

**Future Plans:** Preparedness against Chemical, Biological, Nuclear and Radiological (CBNR) attacks in Turkey was considered premature and farfetched. Conversely, rest of the world, especially Europe, was not unmindful of the threat of CBNR attacks. Their approaches are different because regulative, normative and coercive institutions of two countries differ from one another which influence their policies.

The manager stated that there was little impact on hiring policy, as most of the employees were locals. The company considered it appropriate to rely on local employees whereas studies inform that many multinational executives employ outside security consultants for advice on confronting the threat of terrorism. Security consultants provide detailed economic and political analysis of high-risk areas of interest to international firms. Adopting appropriate Human Resource Management (HRM) approaches is critical to successfully implement different strategic orientations of MNCs (Tarique, Schuler and Gong, 2006).

MNC located in a foreign country is influenced both by potentially contradictory pulls from institutional factors in the local environment and by international isomorphic processes (Rosenzweig and Singh, 1991; Westney, 1993).

Despite terrorist threats disinvestment was not on the cards which showed company’s resilience and resolve to continue its operations because it was gaining high profits. The manager observed that it was not an easy decision for well-settled MNCs to take decisions for disinvestment. In 1980s, a survey of international executives had predicted that increased terrorist attacks over time would “ultimately lead to more and more multinational companies retreating from positions of heavy involvement” (Ryans and Shanklin, 1980, p. 67). This assessment however did not prove true as despite manifold
increase in terrorism as compared to 1980, when this prediction was made, the MNCs are investing more in EMs where threat of terrorism is higher than developed countries. It also contradicts the claim that firms hesitate to enter or operate in the countries with institutional distance and institutional uncertainty (Xu and Shenkan, 2002:614)

**Outcome:** The outcome of the realization of risky environment in the host country and subsequent formulation and implementation of the strategies to face the impacts of terrorism guaranteed a greater degree of safety and security of the employees, infrastructure and operations of the company. It was done in a sensible way, compliant with local policies and laws. Resultantly, the host government also remained responsive and helpful. The employees were well prepared to face the challenges and adopted the changes cheerfully and willingly due to adequate awareness inculcated in them. The severity of the situation and subsequent awareness sessions brought the TMT and employees on one page and generated a shared culture which ensured security of the personnel and stability of the company. The awareness and the subsequent strategies by the company are summarised in Table 6.1.

**Table 6.1: Analysis of the Company Strategies (Nest-T)**

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<tr>
<th>THEMES</th>
<th>UNDERSTANDING</th>
<th>WILL/ RESPONSE</th>
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<td>Interaction with host Government</td>
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<td>Outcome</td>
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A graphical presentation of Table 6.1 is given in Figure 6.1:

**Figure 6.1: Analysis of the Company Strategies (Nest-T)**

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<table>
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<th>Robust</th>
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<tr>
<td>Post-9/11 Terrorism and Institutional Factors Impact</td>
<td>Realization and Response</td>
<td>Adjustment in Strategies</td>
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**6.1.2 Beverages - T**

**Post-9/11 Terrorism and Institutional Factors:** The manager Beverages-T believed that post-9/11 terrorism was a grave risk that impacted businesses across the world but denied that there was any difference between the previously existing terrorist threats from the separatists and the post 9/11 terrorism. He did not comprehend the gravity to the fullest that the after the inception of the era of global terrorism situation had accentuated in the EMs afflicted with terrorism because the threats were higher than the developed countries and the regulative, normative and cultural-cognitive systems were peculiar, heterogeneous and idiosyncratic. Furthermore, it should have been clear to him that global integration and local responsiveness have become more critical than ever before for the survival and growth of MNEs (Luo, 2000).

This realization enabled Beverages-T to improve its preparedness as per new risks and local environment because ‘all economic action should be understood as embedded in institutions, culture and social structure’ (Zukin and DiMaggio, 1990). Institutional arrangements in EMs demand more adaptableness from MNCs. Especially in EMs afflicted with terrorism greater adaptability is required in the local environment which stands on the three pillars of the institutional order: regulative, normative, and cognitive.
The manager was well aware of the mechanics of local institutional factors and was mindful of the growing terrorist risks.

**Realization and Response:** Beverages-T was cognizant of specific terrorist threat to American entities. It realized the severity and directness of threat, which could jeopardize its operations. It took a good view of the environment, studied the pressures, examined the approaches of other organisation operating in the country and devised its strategies accordingly. It provided it security and legitimacy. Organisational institutionalism examines the adaptations and conformations of the organisations to the pressures of the institutional environment to get legitimacy (DiMaggio and Powell, 1983, 1991; Scott, 2001).

The Security Manager considered its company as the direct target of terrorists and also identified the three main threats i.e. violence aimed at the company’s home country, political violence aimed at the company itself and terrorist group Islamic State (Daesh), as emerging risk scenarios. These threats, which caused insecurity and uncertainty in the society, were a challenge for the company. This clarity of assessment helped it customize the approaches to fit host country’s institutional context. Greater the institutional uncertainty, the bigger is the challenge for MNC to operate in the host country.

Beverages-T clearly considered indirect impact of terrorism as more important than direct impact because it was beyond its control and could affect its image. The Security Manager had a valid argument that buildings could be fortified against direct attack but it took lot of resources to escape from the impact of varying trends of terrorism. Hoffman (2002) pointed out that terrorism aims at intimidating the subjects beyond the immediate victims or object of terrorist attack. As terrorists have intention and aim to terrorize all walks of life in a society where they operate, most often businesses are not the direct targets but still they suffer. These pressures coerced the company to analyse the approaches and strategies of other companies and devise its strategies accordingly.

**Adjustments in Strategies:** As per tradition in the businesses in Turkey, Beverages-T hired a retired police officer as its Group Corporate Affairs Manager, who was responsible for security in the entire regions. He had contacts with the local governments and police to ascertain the nature of threat and knew the kind of terrorism that was likely to target their businesses (Lloyd’s, 2007). In a host country afflicted with
terrorism it becomes all the more important for the security manager not only to have good knowledge of the security environment but also to have good working relations with the stakeholders. Having excellent understanding of institutional profiles of the country, an important constructor of the regulative, normative and cognitive pillars conceptualized by Institutional Theory, makes one most effective in handling the impacts and threats of terrorism. It also goes to prove the points highlighted by the Institutional Theory regarding the relationship of institutions and social actors. The institutions are outlines, norms and human devised regulations that allow and constrain the behaviour of the social actors and make social life predictable and significant (Scott, 2001; North, 1990, DiMaggio and Powell, 1991).

Beverages-T not only considered itself specific target of terrorists group but was also cognizant of the fact that due to fivefold increase in fatalities in the world since 9/11 (MacAskill, 2014) its employees could fall prey to terrorism at public places and streets. Therefore, it took many measures to ensure security of its offices, units and employees. It could not overlook the likelihood of its employees becoming target of a car bomb attack or bomb blast highlighted the significance of indirect impact of terrorism. Beverages-T had to recognize this impact and responded to it efficiently like all other businesses operating in that environment that took threat of terrorism seriously. It proves that “organisational institutionalism examines the adaptations and conformations of the organisations to the pressures of the institutional environment to get legitimacy” (DiMaggio and Powell, 1983, 1991; Scott, 2001).

Beverages-T candidly admitted that it was a big company, facing massive threat therefore it had devised innovative ways to defend itself. The smaller companies liked to emulate it. The mimicking process was a two-way process adopted by the companies for legitimizing their acts. The Manager believed that terrorism was a major risk not only for their business, but for others as well therefore it needed a coordinated approach to handle it. The answer to this apprehension and desire was that more effective and systematic sharing mechanism should be developed and implemented. Scott (1987) describes that continuously prolonged organisational structures and processes attained legitimacy and acceptability.

This approach confirms the Special Theory on the genuineness of the multinationals, which argued that the multinationals emphasize the condition of complexity, in
legitimating the external environment, the intra-organisational environment and the legitimating processes (Kostova and Zhaheer, 1999).

The strategies of Beverages-T to scatter the units at different locations to avoid disruption of entire operations in case of terrorist attack, formulate contingency plan to overcome sudden damage or disruption and make SOPs and arrangements to handle injury, trauma and death of employees and destruction of infrastructure, might not be unique but were essential as many other MNCs adopted these strategies. Actually, constraints and compulsions give birth to isomorphism in the MNCs (Yeniyurt et al., 2009). A fundamental principle of the institutional perspective is that organisations sharing the same environment employ similar practices and thus become "isomorphic" with each other.

Beverages-T arranged regular briefings and workshops to counter the impact of fear-factor, which could adversely affect the morale of the employees and weaken their efficacy. It developed comradeship and normative isomorphism among the employees to respond positively to the impacts of terrorism. A better understanding of firms' responses to terrorism and violent conflict can help all those affected by violent conflict – firms themselves, governments, and others – develop strategies aimed at reducing terrorism-related violence and its devastating negative consequences (Oetzel and Getz, 2012).

The TMT was also equipped with necessary information about the regulative, normative and coercive requirements and expectations of the environment they operated in. It enriched them with the understanding required to make correct decisions as per the requirements of regulatory agencies, customers, political pressures and the force of the state. This explains the behaviour and strategies of MNCs to cooperate or act jointly in a society and how they adapt to changing regulatory, cognitive and normative conditions (Scott, 1998).

Beverages-T fully realized that prior to training and briefing the employees it was essential to hire clean and scrutinized lot so that threats from inside could be minimized to the hilt. It was done within the parameters of local laws, which discouraged personal vetting as an intrusion in the privacy of citizens. The company relied on other methods of ensuring security-cleared employees by getting guarantees and recommendations etc. This balancing act between need and norms confirms that institution is influenced by
the broader environment or in simpler terms institutional peer pressure. In this environment, the main goal of organisations is to survive and gain legitimacy. In order to do so, they need to do more than succeed economically; they need to establish legitimacy within the world of institutions.

**Interaction with Host Government:** Beverages-T made practical and continued efforts to keep close interaction with the host Government and its various departments at all levels, especially with the police and law enforcement agencies, as it fully knew that in the terrorism-stricken environment it would need help of these departments quite frequently. Correspondingly it earned trust, respect and positive response of the government department by adhering to the changing policies and laws of the government and by extending help to the government in its social uplift programs under the CSR scheme. This relationship was vital also to handle macro-economic challenges, it confirms that terrorism adds to the idiosyncrasies and heterogeneity of EMs, which demand greater need to maintain sustained liaison with the host government.

Besides government departments, it relied on other business entities, think-tanks, consultants etc. for information and support too. These approaches confirm that institutional arrangements define the social context of organisations and shape organisational actions. It further elaborates that organisations are under pressure to adapt to and be consistent with their institutional environment (Björkman et al, 2007).

**Constraints and Limitations:** Beverages-T handled constraints and limitations like institutional ambiguity, contradictions, uncertainties, higher risks, need for more budget etc. in a positive manner. The Security Manager did not feel pressing need for increase in budget for security measures. The management was well aware of the requirements of the company, regulatory agencies, customers, and other key constituents due to bottom-up approach therefore all ranks understood the problems and worked for the solutions without any serious impediments and hiccups.

Beverage-T had been operating the host country for a prolonged time and majority of employees and management were locals, therefore it was not a problem to go along well with the cultural, social and religious feelings. It adapted itself to the surrounding environments for survival, security and profitability. It endorses that the systems surrounding organisations shape social and organisational behaviour (Scott, 1995; Hoskisson et al., 2000).
Future Plans: Beverages-T had faced terrorism of separatists in Turkey therefore most of strategies and systems to handle the situation were in place. More arrangements were introduced after 9/11 incident therefore there were no plans to make further drastic changes in near future. Principally, learning from its history of transformation of faces of terrorism in Turkey, it should have been open to review and revise the plans on regular basis.

The company had aligned itself well with the institutional environment and expanding, therefore there was no plan of disinvestment on the cards. As far the company was making profits it was logical to keep doing business at the same pace. It further confirms that organisational survival is determined by the extent of alignment with the institutional environment; hence, organisations have to comply with external institutional pressures (Kostova et al., 2008).

Outcomes: The outcome of the realization of the post 9/11 environment, the emerging risks and institutional factors led to devising and execution of the strategies to handle the impacts of terrorism which ensured a larger degree of security of the personnel, organisation and operations of the company. It was done in a calculated, careful and cogent manner, conforming to social and cultural milieu, local policies and laws. The company reposed confidence in the police and judiciary in the cases pertaining to terrorism and violence. Collective and coherent response of the TMT and employees to the institutional factors generated a shared culture which ensured security of the personnel and stability of the company. The outcome of the study of Beverages-T strategies is summarized in the Table 6.2.

Table 6.2: Analysis of the Company Strategies (Beverages-T)

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A graphical presentation of Table 6.2 is given in Figure 6.2:
6.1.3 **Oil Co - T**

**Post-9/11 Terrorism and Institutional Factors:** Oil Co-T had been experiencing violence and terrorism of homegrown separatists but 9/11 incident ushered in a new phenomenon of global terrorism which created more serious threats to the businesses in Turkey. It arose as a greater challenge for the MNC, which had learnt to grapple with the idiosyncrasies of different environment of the emerging market. The impacts of terrorism accentuated the peculiar, heterogeneous and idiosyncratic settings, systems and laws. Thus, the EM afflicted with terrorism posed greater challenges to the business and the threats were higher than the developed countries therefore local responsiveness became more critical than ever before for its survival and growth (Luo, 2000).

Oil Co-T seemed to have understood that the rapidly changing institutional arrangements necessitated greater malleability with the corresponding pace. For the stability and security of the company institutional order standing on three pillars of regulations, norms, and cognition had to be followed wholeheartedly. It responded well and quickly started adopting new regulations and norms as done by other MNCs in the host country. It completely comprehended the gambles and gains of operating in the EM afflicted with terrorism. This understanding of the secret of survival empowered Oil Co-T to be fully ready to respond aptly to prospective problems and local settings because ‘firms are embedded in country-specific institutional arrangements’ (Busenitz et al.,
Realization and Response: The Security Manager of Oil Co-T, who was interviewed for this case study, was a retired police officer, having good contacts with the local police officers and local governments. This prowess helped him ascertain information about the impending threats and to know the kind of terrorism likely to target the business (Lloyd’s, 2007). A security manager having good understanding of institutions and good relationship with social actors can be very effective.

Though Oil Co-T was neither specific target of any terrorist group nor did its management considers itself as one but it had the realization that terrorism was rampant and widespread. All businesses were under threat. Even its employees could be victim of terrorist attacks at public places and markets. Oil Co-T recognized this impact and responded to it efficiently because all other businesses operating in that environment took the terrorist threat seriously. It proves that “organisational institutionalism examines the adaptations and conformations of the organisations to the pressures of the institutional environment to get legitimacy” (DiMaggio and Powell, 1983, 1991; Scott, 2001).

The security manager identified political violence and the terrorist group Islamic State as glaring threats to the security and peace of the country. This clarity in recognizing the risks helped the management understand the nature of threat and severity of terrorism likely to impact its business. Oil Co-T was correct in assessing that political violence or social unrest, though not a terrorist threat could be equally damaging for the business. Greater the institutional uncertainty, the bigger is the challenge for MNC to operate in the host country.

The security manager considered direct impact of terrorism as more important than indirect because according to him the latter was beyond his jurisdiction and it was host government’s responsibility. Being a police officer by profession and experience he considered physical harm to the company and its employees as the threat he was supposed to address. His thinking was correct to an extent only if he did not deny the importance of indirect impacts, which he didn’t. He clearly understood the overall impact of terrorism and his preparedness was done accordingly. He admitted that terrorists could target his employees randomly at public places. This thinking was in line with the viewpoint of Hoffman (2002) that terrorism suited the nature and designs
of terrorists who aimed at intimidating the subjects beyond the immediate victims or object of a terrorist attack. Businesses and markets are easy targets of terrorists. The situation becomes more accentuated in EMs because of less capabilities, limited resources and weak regulatory regimes to handle terrorists. “Emerging markets also present huge challenge to the MNCs due to under developed institutional environment, weak public governance, widespread bribery and corruption, lack of regulatory legislations and rules, public transparency, and respect for human rights” (Tan, 2009).

Adjustments in Strategies: Oil Co-T was operating in the country since long therefore it understood the social and cultural environment very well. It adopted all covers and measures to avoid instigating any religious social and cultural sensibilities. Rather it posed to be a patriotic company which cared about the country and its people. “As the EMs are plagued with institutional weaknesses and uncertainties, entrepreneurs can exploit institutional uncertainty and create value by solving institutional problems. In doing so, their activities can function as important structuring events that lead emerging markets to become more institutionalized” (Tracey and Phillips, 2011).

The company banked on a two-pronged strategy of awareness and fortification of physical security to handle the impacts of terrorism. It focused on safety of personnel, assets and infrastructure. Training, briefings and mock drills of employees and retailers inculcated awareness in them about threats and the counter measures. This strategy of physical security and briefings provided two rings of security around the company to protect it from the impacts of terrorism. It was a pragmatic approach to ‘craft strategies based on how emerging markets actually are rather than how we would like emerging markets to be’ (Alvi, 2012).

The company’s contingency plan to designate specific sale units and depots to continue uninterrupted provision of oil and petrol to other units in case of disruption and formulation of SOPs and arrangements for security of employees and destruction of infrastructure, were required by the regulations as were adopted by other MNCs too. Actually, constraints and compulsions give birth to isomorphism in the MNCs (Yeniyurt et al., 2009). A fundamental principle of the institutional perspective is that organisations sharing the same environment employ similar practices and thus become "isomorphic" with each other.

Oil Co-T arranged regular briefings and workshops for awareness in the employees
which developed comradeship and normative isomorphism among them to respond positively to the impacts of terrorism. A better understanding of firms’ responses to terrorism and violent conflict can help all those affected by violent conflict – firms themselves, governments, and others – develop strategies aimed at reducing terrorism-related violence and its devastating negative consequences (Oetzel and Getz, 2012).

The Company did good job to regularly brief TMT about the requirements and expectations of the environment they operated in. It enriched them with the understanding required to make correct decisions as per the requirements of regulatory agencies, customers, political pressures and the force of the state. This explains the behaviour and strategies of MNCs to cooperate or act jointly in a society and how they adapt to changing regulatory, cognitive and normative conditions (Scott, 1998).

Oil Co-T made efforts to hire security vetted employees without violating the local laws, which discouraged personal vetting as an intrusion in the privacy of citizens. The company relied on other methods of ensuring security-cleared employees by getting guarantees and recommendations etc. This balancing act between need and norms confirms that institution is influenced by the broader environment or in simpler terms institutional peer pressure. In this environment, the main goal of organisations is to survive and gain legitimacy. In order to do so, they need to do more than succeed economically; they need to establish legitimacy within the world of institutions.

Interaction with Host Government: The company made sustained efforts to maintain close interaction with the host government and its various departments at all levels, especially with the police and law enforcement agencies, as it fully knew that in the terrorism stricken environment it would need help of these departments quite frequently. Correspondingly it earned trust, respect and positive response of the government department by adhering to the changing policies and laws of the government. This relationship was vital also to handle macro-economic challenges. It ratifies that terrorism adds to the peculiarities and heterogeneity of EMs, which demand greater need to maintain sustained liaison with the host government.

Besides government departments, it maintained relations with other MNCs for information and support too. These approaches confirm that institutional arrangements define the social context of organisations and shape organisational actions. It further elaborates that organisations are under pressure to adapt to and be consistent with their
institutional environment (Björkman et al., 2007).

**Constraints and Limitations:** Oil Co-T handled constraints and limitations like institutional ambiguity, contradictions, uncertainties, higher risks, need for more budget etc. in a constructive manner. The management was well aware of the requirements of the company, regulatory agencies, customers, and other key constituents due to bottom-up approach therefore all ranks understood the problems and worked for the solutions without any serious impediments and hiccups.

Oil Co-T had been operating in the host country for a prolonged period and majority of employees and management were locals therefore it was well aware of the cultural, social and religious sensibilities of the local populace. It adapted itself to the surrounding environments for survival, security and profitability. It endorses that the systems and the surrounding organisations shape social and organisational behaviour (Scott, 1995; Hoskisson et al., 2000).

**Future Plans:** Oil Co-T had faced terrorism of separatists in Turkey therefore most of the strategies and systems to handle the situation were in place. As it had introduced further arrangements after 9/11 incident and kept making them more effective, it believed that more plans for future were not needed at present. In ever changing scenario of terrorism complacency could be counter-productive. Similarly, it had not developed measures to counter the impacts of CNBR because it believed it to be too far-fetched. It depicted lack of real understanding of the future threats of terrorism.

The company had aligned itself well with the institutional environment. It was earning good profits therefore there was no plan of disinvestment. It confirms that organisational survival is determined by the extent of alignment with the institutional environment; hence, organisations have to comply with external institutional pressures (Kostova et al., 2008).

**Outcomes:** The outcome of the realization of the post 9/11 environment, the emerging risks and institutional factors led to adjustment and execution of the strategies to handle the impacts of terrorism which ensured a larger degree of security of the personnel, organisation and operations of the company. Robust interaction with the host government and its departments ensured better protection and smooth running of the business affairs. It made efforts to respect the social and cultural milieu, and abide by local policies and laws. The company reposed confidence in the police and judiciary in
the cases pertaining to terrorism and violence. Collective and coherent response of the TMT and employees to the institutional factors generated a shared culture, which ensured security of the personnel and stability of the company. The analysis of the Oil Co-T strategies is summarized in the Table 6.3.

**Table 6.3: Analysis of the Company Strategies (Oil Co-T)**

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A graphical presentation of Table 6.3 is given in Figure 6.3:

**Figure 6.3: Analysis of the Company Strategies (Oil Co. - T)**

6.1.4 **Fast Food -T**

Post-9/11 Terrorism and Institutional Factors: Clear realization and candid admittance by the management, that terrorism was threat number one to the business in Turkey in
general and to Fast Food-T, being an iconic American entity, in particular, became the rationale and reason to take the threat seriously and respond to it strongly. It was a driving force behind the thinking that it had to operate in the institutional environment of an EM that had peculiar social system accentuated by the existence of terrorism. This assessment was congruent with general perception and calculations that terrorism was ranked as second only to inflation as one of the top barriers to doing business worldwide (Mazzarella, 2005).

**Realization and Response:** Fast Food-T realization of changes in institutional factors due to deteriorating security environment, impacting all segments and sectors of societies all over the world, made it align its strategies as per new policies, laws and approaches. This realization kept the management more agile and alert to formulate and implement cogent and correct strategies to stave off the impacts of terrorism. It prepared itself to respond to the country-specific institutional arrangements made for peculiar social system accentuated by existence of terrorism.

In the country specific environment police officer was considered a good security manager therefore Fast Food-T hired a retired police officer as the corporate security manager who could effectively interact with security set-up and police officers. Besides he had to have excellent understanding of institutional profiles of the country. It proves the points highlighted by the institutional theory regarding the relationship of institutions and social actors. The institutions are outlines, norms and human devised regulations that allow and constrain the behaviour of the social actors and make social life predictable and significant (Scott, 2001; North, 1990; DiMaggio and Powell, 1991).

Fast Food-T faced direct and indirect impacts of terrorism as it was a target of terrorists and it experienced a number of attacks on its restaurants. The first step was to recognize the institutional changes in the country and then to modify internal strategies to respond to it efficiently and effectively to survive and thrive in a hostile and adverse environment. It was constrained to adopt the measures and steps practiced by all other businesses operating in that environment. This shows the influences of the systems surrounding organisations that shape social and organisational behaviour (Scott, 1995; Hoskisson et al., 2000).

The Manager clearly pointed out Islamist militants including Daesh (Islamic State)/Hezbollah, leftist separatist groups, militants with political agenda, civil
war/rebellion and violence aimed at the company’s home country as the gravest threats
to the country and to the business. On basis of this understanding of the nature of threat
and severity of impacts of terrorism the management devised effective strategies to
handle the same. It establishes that greater the institutional uncertainty, the bigger is the
challenge for MNC to modify its systems and processes to operate safely and securely.

The Manager identified indirect impacts of terrorism, as more challenging because it
was hard to manage whereas direct was easy to fix. This observation is in line with the
last portion of the definition of terrorism given by Carlile, (2007, p.34), ‘the direct
targets of violence are not the main targets’. Hoffman (2002) pointed out that terrorism
aims at intimidating the subjects beyond the immediate victims or object of terrorist
attack. As terrorists have intention and aim to terrorize all walks of life in a society
where they operate, businesses face the brunt of terrorism, whether they are directly
targeted or not.

Adjustments in Strategies: Terrorism was considered a major risk not only to Fast Food-
T, but to other companies as well therefore it resorted to a coordinated approach to
handle it. It made conscious effort to mimic and emulate each other to learn best
practices and to attain legitimacy because legitimacy in the eyes of important societal
stakeholders accentuates the significance of the institutional environment (Grewal and
Dharwadkar 2002).

The strategies of Fast Food-T like contingency plan to overcome sudden damage or
disruption, awareness workshops, profiling, SOPs and arrangements to handle injury,
trauma and death of employees and destruction of infrastructure, might not be unique
but were essential as many other MNCs adopted these strategies. A fundamental
principle of the institutional perspective is that organisations sharing the same
environment employ similar practices and thus become "isomorphic" with each other.

Fast Food-T arranged regular briefings and workshops to assuage anxiety and fear and
to develop camaraderie and normative isomorphism among the employees to respond
positively to the impacts of terrorism.

The TMT was also equipped with necessary information about the regulative, normative
and coercive requirements and expectations of the environment they operated in. It
enriched them with the understanding required to make correct decisions as per the
requirements of regulatory agencies, customers, political pressures and the force of the
state. This explains the behaviour and strategies of MNCs to cooperate or act jointly in a society and how they adapt to changing regulatory, cognitive and normative conditions (Scott, 1998).

Fast Food-T knew well that fully cleared employees and franchisers should be hired to ensure safety and security of the company and its operations. However, it was mindful of the legal constraints that limited the authority to carry out vetting. It therefore relied on discreet ground check and good behaviour certificates and obtained guarantees and recommendations etc. It elaborates explanation of Institutional Theory by Hoffman (1999), that organisations are affected by external and internal forces which locate beyond its own control.

Interaction with Host Government: Fast Food-T made sustained endeavors to maintain close interaction with the host Government and its various departments at all levels, especially with the police and law enforcement agencies, as it fully knew that in the terrorism stricken environment it would need help of these departments quite frequently. Government departments, critical exchange partners, trade establishments are examples of the organisations fields who will exert coercive, normative and mimetic pressures and influence the organisation (Scott, 1995). Its adherence to the changing policies and laws of the government earned it trust, respect and positive response of the government departments. This relationship was vital also to handle macro-economic challenges. It confirms when terrorism adds to the idiosyncrasies and heterogeneity of EMs, a greater need takes birth to maintain sustained liaison with the host government and to align with institutional pillars.

Constraints and Limitations: The manager faced slight resistance from the high-ups in allocation of more funds for security arrangements which he thought was due to lack of understanding of the severity of the situation. However, he managed to overcome it by creating awareness in the top management. Positive and persistent approach enabled Fast Food-T to handle constraints and limitations like institutional ambiguity, contradictions, uncertainties, higher risks, need for more budgets etc. Similarly, the objectivity of approach and more importantly prolonged stay in the country with majority of local employees and management, Fast Food-T handled cultural, social and religious inhibitions and sensibilities quite deftly. It adapted itself to the surrounding environments for survival, security, legitimacy and profitability.
Future Plans: The manager believed that Fast Food-T had made elaborate and strong measures to strengthened the security of the company before and after 9/11 incident therefore no plans for changes in the strategies in near future were on the anvil. Despite having good realization of emerging terrorist threats, the static approach depicted lack of thoughtfulness on part of the management. Plans and strategies should keep evolving specially to counter indirect impacts of terrorism. The company claimed to be well-settled, earning good profits which was evident from the expanding outlets across the country therefore there was no plan of disinvestment. It confirms that the MNC had aligned itself well with the institutional environment therefore it was surviving (Kostova et al., 2008) and had no plan to reduce or wrap up its operations due to terrorism.

Outcomes: The Company and its employees were safer and its infrastructure was well protected as the management had developed robust realization of the post 9/11 environment and resultantly it had tailored effective strategies to handle the impacts of terrorism. It maintained good relations with the host government which helped it run its affairs with confidence. It gave due respect to social and cultural situation, local policies and laws which enabled it to create a conducive environment for itself. The company reposed confidence in the police and judiciary in the cases pertaining to terrorism and violence. Collective and coherent response of the TMT and employees to the institutional factors generated a shared culture, which ensured security of the personnel and stability of the company. The summarized presentation of Fast Food-T strategies is given in Table 6.4:

Table 6.4: Analysis of the Company Strategies (Fast Food-T)

<table>
<thead>
<tr>
<th>THEMES</th>
<th>UNDERSTANDING</th>
<th>WILL/RESPONSE</th>
<th>STRATEGY</th>
<th>IMPLEMENTATION</th>
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<tr>
<td>Post-9/11 terrorism and Institutional factors Impact</td>
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<td>Realization and response</td>
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A graphical presentation of Table 6.4 is given in Figure 6.4:
The consolidated analysis of the analyses of the above four MNCs that operated in Turkey is shown in Table 6.5. Mostly in all the cases the impact of the factors was either weak or fair. Exception was observed in case of interaction of all the firms with the government departments, which was found to be very effective. Though Fast Food-T had a strong impact of post terrorism factors and its response and realization was also found to be effective, compared to other firms. But it did not have clear future plans for the handing of terrorism related issues.

Table 6.5: Consolidated Analysis of MNCs in Turkey

<table>
<thead>
<tr>
<th>Case Studies</th>
<th>Nest -T</th>
<th>Beverages -T</th>
<th>Oil-Co -T</th>
<th>Fast Food -T</th>
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### Realization and Response

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### Adjustment in Strategies

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### Interaction with host Government

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### Constraints/Limitations

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A graphical presentation of Table 6.5 is given in Figure 6.5:

**Figure 6.5: Consolidated Analysis of MNCs in Turkey**

![Graphical presentation of Table 6.5](image-url)
6.2 MNCs in Pakistan

This block includes the analysis of the case studies of Nest-P, Beverages-P, Oil Co-P and Fast Food-P based in Pakistan.

6.2.1 NEST-P

Post-9/11 Terrorism and Institutional Factors: Nest-P had the clarity of perception and openness of mind to admit that post-9/11 terrorism emerged as the highest risk that impacted businesses across the world. This assessment saw eye to eye with the 36% global CEOs who mentioned terrorism as one of the biggest threats facing them (Pricewaterhouse Coopers Survey, 2004). Similar conclusions were drawn by a Rand Europe and Janusian Security Risk Management Study (2004) of leading British firms, in which almost two-thirds of those responding considered terrorism a significant threat to their operations (Jain and Gross, 2009). The global integration and local responsiveness have become more critical than ever before for the survival and growth of MNEs (Luo, 2000). This realization enabled Nest-P to gear up to respond befittingly to likely impacts and local settings because ‘firms are embedded in country-specific institutional arrangements’ (Busenitz et al., 2000). Institutional arrangements in EMs demand greater adaptability from MNCs. In host countries MNCs have to follow the regulations and norms as done by other MNCs. Nest-P had good realization of this aspect and tried to follow it in letter and spirit. It fully understood the risks and rewards of operating in the EM afflicted with terrorism.

Realization and Response: Nest-P was cognizant of emerging risk scenarios but it took solace in a fact that it had not been targeted or threatened specifically by any terrorist group. When it admitted that terrorists could attack all and sundry indiscriminately it ought to have considered itself at threat. Its assessment was not untrue that all sectors of the society were facing terrorist threat but this approach could inculcate slackness in adopting stringent security measures, required to ensure total security against terrorism impacts. When researchers say that institutional arrangements define the social context of organisations and shape organisational actions, it cannot be denied that human beings can fall prey to cognitive biases while making risk assessments and decisions (Montibeller and Winterfeldt, 2015).

It was probably the cognitive bias in risk analysis which led the Nest management to
believe that whatever was a threat to the country was a threat to the company. It identified terrorism and religious extremism as the growing threat to the country as well as to the company. Ideally, in addition to having a good view of the larger picture of terrorism in the host country, Nest should have zeroed in to identify specific threats to company to devise matching security measures. In addition to cognitive limitation it can be intentional approach of all MNCs to deny that they are targets of any terrorist group. This approach fits into the idea that individuals and organisations can respond to institutional pressures in relatively non-deterministic ways when contending logics co-exist (Thornton and Ocasio, 2008).

After initial confusion, the interviewee of Nest-P considered indirect as more important because it claimed that the company was more concerned about its reputation than the revenues. It depicted company’s clear mindedness and professional approach to meet the challenging task of formulating a strategy that could address the awe of direct impact and kept in view the helplessness in case of indirect impacts. These compulsions compelled the company to study the approaches and strategies of other companies and mimic them instead of totally reinventing the wheel. It confirms that constraints and compulsions give birth to isomorphism in the MNCs (Yeniyurt et al., 2009).

Adjustment in Strategies: These challenges compelled Nest-P to bring about tangible changes in security systems in a systematic, serious and proactive manner. Formulation of written strategies and SOPs, appointment of security managers at the head office and in the zones and close interaction with the government showed that the MNC responded well to the regulative pillar of institutional process. It establishes that transitional institutional environments require certain types of strategies and lead to particular firm behaviours (Roth and Kostova, 2003).

Introduction of innovations and following the best practices were indicative of proactive behaviour of Nest-P that was required for adaptability with the emerging institutional environment. The noticeable innovation was inculcating awareness in all its employees, which was part of its strategy to develop a strong response to impacts of terrorism. It enabled the company to rely on the informed feedback of the employees that helped identify threats and find solutions too.

Besides, to ensure continuity of business and to protect the employees, the company introduced insurance of employees and infrastructure. The management realized that
from the day MNC enters an EM afflicted with terrorism, it exposes itself to direct and indirect risks of terrorism, making it important to have the right insurance in place. One catastrophic event could be enough to derail the business before it even gets settled. Insurance is a common practice of businesses, especially of the MNCs, therefore adoption of insurance by Nest-P granted it a sort of social legitimacy and acceptability. Legitimacy is achieved through adopting practices and structures that are institutionalized in a particular environment (Kostova and Zaheer, 1999).

Though Nest-P did not eagerly offer its security paradigm and innovations to smaller MNCs, the latter followed it because institutional pressures for isomorphism shape organisations’ practices and structures. Large MNCs must not shy away from sharing its experiences and expertise to help smaller companies emulate them. It creates a shared culture of security, which minimizes the threats to all companies. Operating in silos can leave businesses vulnerable to terrorist attacks and impacts. Isomorphism not only grants social legitimacy, it strengthens companies’ defence against impacts of terrorism. Nest-P also took pride in its innovative way of inculcating awareness in its employees so that all could be on one page to understand the level of threat and to address it in unison. It provided them a cognitive basis and legitimization for their occupational strength which could enable them to give effective response to impacts of terrorism. As opposed to isomorphism, innovative tactic or strategy, like the one above adopted by Nest-P, is idiosyncratic. But this idiosyncrasy is mimicked by others which ultimately results in isomorphic behaviour.

Similarly, workshops on stress management were held to ally apprehensions and fears of all employees and to inculcate confidence in them, which resulted in unhindered operations and intended productivity. It was a good example of normative isomorphism which was adopted by the employees. SHE manager was a good arrangement to look after the welfare and training of the employees. In a larger perspective, this strategy for welfare and protection of employees helped the firm overcome liability of foreignness and saved it to a great extent from the consequences of the burden of foreignness.

The MNC armed its TMT with requisite knowledge and understanding of the environment they were operating in; the organisations they were dependent on the cultural expectations of the host country. It helped them take prompt and balanced decisions and actions as per the requirements of regulatory agencies, customers,
political pressures and the force of the state. This coercive isomorphism was not only the result of pressure exerted on the organisation by other organisations but also the effectiveness of the system of the company that was formulated proactively.

Its proactive approach was further confirmed from the fact that besides training of the employees and TMT it took utmost care in selection and hiring of the employees to minimize the threat from inside. Verifications and vetting to hire clean and clear employees, aimed at minimizing the threat, was norm in the host country afflicted with terrorism. Nest-P responded to the legal and social pressures that demanded of the businesses to play their role in prevention of terrorism and to deflect the impacts of terrorism.

Religiously following the norms and regulations created diligence in the management to create a multi-pronged strategy which not only included proper hiring and constant awareness of TMT and employees, but formulated contingency plans to deal with lingering and lurking risks. Keeping the worst scenarios in mind, proper planning and preparation were put in place to overcome disruption and to rebuild the company if hit by terrorist attacks. Its units were already scattered before 9/11, which suited the strategy of decentralization of units to avoid total disruption in the aftermath of impacts of terrorism.

While a mix of top down and bottom up approach of decision-making was a good approach that helped take prompt and effective actions, the management erred in keeping a record of time and frequency devoted to discussion on issues pertaining to terrorism and security in the board meetings. This mix of proactive and taken-for-granted approach can be attributed to the attitudes of the managers of MNC, necessitating the need to ascertain the reasons and rationale impacting these approaches.

**Interaction with Host Government:** Nest-P considered its strong interaction with the host government as its forte. Decades long presence of Nest in the country enabled it to develop good relations with the government departments, resulting in close interaction with the host government. This proximity with the concerned government departments created an atmosphere of confidence and they responded quite efficiently whenever the company needed them. Prolonged stay in country, embeddedness in the society, localising and proximity with the government departments greatly help MNCs overcome institutional distance upheaval and imperfection.
Nest-P developed good interaction with the host government by demonstrating a balance between contradictory pulls from institutional factors in the local environment and by international isomorphic processes. The key to this balance was Nest’s diligent compliance to the laws and rules of the host country. It fully confided in the policies of the host government and religiously complied with the local laws and regulations. Trust in courts enhanced its confidence to operate with a sense of security.

This cooperation and proximity with the host government endeared Nest-P to the government departments as they always responded positively whenever it sought support from them. Its trust in the police and other agencies for quick response in case of emergency raised its confidence and helped avoid losses. The influence of the surrounding system on the behaviour of the organization is established but this phenomenon reveals that correspondingly the behaviour of organisations also influences surrounding system. Host government’s departments adjust their approaches to make MNCs feel secure and safe too. Cooperation between the MNCs and government departments is a two-way process.

**Constraints/Limitations:** Nest-P remained positive towards constraints and limitations mostly caused due to institutional ambiguity and contradictions that could slow down or jeopardize its operations and activities. Usually managers complain about the difficulty in increase in the security budget. Nest-P admitted that spending over security had increased during the last few years but it did not face difficulty in sanctioning of increased budget. The combination of top-down and bottom-up approach and awareness among the TMT brought all on one page to understand the problems and to work for solutions in unison.

In addition to budgetary constraints, cultural and social barriers in host country are also seen as challenges for MNCs in foreign markets. Over years Nest-P gained confidence and showed the will, capacity and strategy to overcome the constraints and limitations that could impede its progress. Due to prolonged stay in the host country and having local employees from clerk till manager level, it had become well versed with the culture and traditions surrounding it that shaped its social and organisational behaviour.

The problem of delayed decisions due to approval from distant head office could be an irritant for the company. Looking towards the head office for directions could cause delays in changes and actions. However, Nest managed to overcome it with the help of
its thorough systems in an idiosyncratic manner. It had developed mechanism to make quick decisions to introduce solutions for emerging issues and challenges with the help of local agencies and government departments.

**Future Plans:** Its future plans included the intention to respond to changes in the regulations and norms of the country in a planned and sustained manner. It considered its embeddedness and good understanding of the institutional environment of Pakistan as its forte to respond befittingly to institutional factors of the host country. It had already started adapting itself to the institutional uncertainty in the emerging market after terrorism took new turn after 9/11.

The manager did not see change in the pattern of hiring and employment in near future because the company had already taken care of the changing environment and well thought out systems were in place in this regard. A company should not be complacent over its strategies because terrorism is a dynamic phenomenon which fluctuates and keeps changing its forms.

Nest-P had no plan of disinvestment. It thought that the security situation was improving in the country and the company was making good profits, therefore there was no question of disinvestment. It means MNCs earning good profits in a country are resilient and continue their businesses despite terrorist threats. It disproves the notion that MNCs avoid to operate in the countries afflicted with terrorism.

**Outcomes:** The outcome of these changes in the strategies was positive as it brought a change in the culture of the company. It was developed in a way that aligned with the requirements and needs to tackle the security situation impacting the company in the host country. A sense of urgency was established and then the changes followed it. The TMT and employees took the new strategies seriously and accepted the changes because of three reasons. First, the level of terrorist threat had become so high and lethal, with rampant incidents of suicide bombings and terrorist attacks, that any slackness was not affordable. Second, the local population is by nature quite resilient, therefore with little help from the organisation and the government they geared themselves up to pick up the gauntlet to face the odds. Third, TMT and the employees knew that they must secure themselves and their infrastructure to stay relevant and competitive in the market. Nest-P strategies are summarized in Table 6.6:
Table 6.6: Analysis of the Company Strategies (NEST- P)

<table>
<thead>
<tr>
<th>THEMES</th>
<th>UNDERSTANDING</th>
<th>WILL/RESPONSE</th>
<th>STRATEGY</th>
<th>IMPLEMENTATION</th>
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<tr>
<td>Post-9/11 terrorism and</td>
<td>Robust</td>
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<td>Institutional factors Impact</td>
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<tr>
<td>Realization and response</td>
<td>Fair</td>
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<td>Adjustment in Strategies</td>
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<td>Interaction with host</td>
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<tr>
<td>Constraints/Limitations</td>
<td>Fair</td>
<td>Fair</td>
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<tr>
<td>Future Plans</td>
<td>Weak</td>
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<tr>
<td>Outcome</td>
<td>Fair</td>
<td>Fair</td>
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<td>Fair</td>
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</table>

A graphical presentation of Table 6.6 is given in Figure 6.6:

**Figure 6.6: Analysis of the Company Strategies (NEST- P)**

6.2.2 Beverages - P

Post-9/11 Terrorism and Institutional Factors: Beverages-P clearly considered terrorism as a major risk to business and based its strategies on this understanding. This valuation was commensurate with the views of significant number of CEOs who considered
terrorism a significant threat to their operations (Jain and Gross, 2009). There was a vivid understanding that in the EM, where it was operating, the risks of terrorism were higher than the developed countries and greater challenges were to be addressed. Furthermore, the indigenous situations, procedures and regulations in this EM were atypical and dissimilar. On basis of this comprehension, Beverages-P prepared itself to respond to these country-specific institutional arrangements made for peculiar social system accentuated by existence of terrorism.

**Realization and Response:** Its realization of changes in institutional factors due to deteriorating security environment, impacting all segments and sectors of societies all over the world, made it align its strategies as per new policies, laws and approaches.

Although Beverages-P did not consider itself specific target of any terrorist group but was conscious that being an American company it was at a greater risk of being targeted by the terrorists. This awareness and analysis of institutional contexts helped the company adapt proper strategies in the emerging market economy. It evidences that organisations are under pressure to adapt to and be consistent with their institutional environment (Björkman, et al., 2007).

The GM clearly pointed out al-Qaeda, its local affiliates like Tehreek-e-Taliban Pakistan (TTP) and religious extremism as major threats to the security of the country and to the businesses. Adequate knowledge of current and previous threats and identification of major risks in the host country are essential prerequisites to formulate useful security strategies in the existing environment. Apart from purely security reasons “organisations attempt to acquire legitimacy and recognition by adopting structures and practices viewed as appropriate in their environment (Björkman, et al., 2007).

While making comparison between direct and indirect impacts of terrorism the GM indicated indirect impact of terrorism could be more damaging and challenging than direct impact because its scope was much wider and unwieldy. Furthermore, it suited to the disposition and designs of terrorists who aim at intimidating the subjects beyond the immediate victims or object of terrorist attack (Hoffman, 2002). They like to carry out horrendous terrorist attacks that could spread fear as far as possible. The situation becomes more accentuated in EMs because of less capabilities, limited resources and weak regulatory regimes to handle terrorists. “Emerging markets also present huge
challenge to the MNCs due to under developed institutional environment, weak public
governance, widespread bribery and corruption, lack of regulatory legislations and
rules, public transparency, and respect for human rights” (Tan, 2009).

Due to realization of greater threat to American companies in an era of heightened anti-
Americanism the company thought it was right to pose itself as a company embedded in
the social and cultural environment that cared about the country and the society. It
resorted to enthusiastic CSR activities and publicity campaigns to make opportunity out
of crisis situation. “As the EMs are plagued with institutional weaknesses and
uncertainties, entrepreneurs can exploit institutional uncertainty and create value by
solving institutional problems. In doing so, their activities can function as important
structuring events that lead emerging markets to become more institutionalized”
(Tracey and Phillips, 2011).

Posturing was a good strategy but it was good thinking to further fortify it by
developing IMCR and employing physical security measures to ensure safety of
personnel, assets and infrastructure. Training, briefings and mock drills of employees
and associates inculcated awareness in the employees about threats and the measures to
ensure security. This three-pronged plan of posturing, physical security and briefings
provided a sort of three-tier security against the impacts of terrorism. It was a smart
move to ‘craft strategies based on how emerging markets actually are rather than how
we would like emerging markets to be’ (Alvi, 2012).

The systematic identification of security risks like terrorist attacks, violence and
vandalism by religious extremists and the company’s preparedness in the form of
contingency and evacuation plans for extreme eventuality spoke volumes of TMT’s
thoughtfulness to proactively approach risky scenarios that could impede business. It
proves that TMT discussed security issues regularly and reviewed the existing measure
as per new requirements.

Beverages-P believed that it was a large MNC therefore smaller companies mimicked
its procedures and processes. Correspondingly, it also looked at other companies to
borrow best practices. This two-way approach showed that institutional pressures for
isomorphism shape organisations’ practices and structures. Mimicking created a shared
culture of security and adopted practices that went along well with the social, cultural
and religious feelings of the indigenous populace that terrorism was a major risk not
only for their business, but for others as well therefore it needed a coordinated approach to handle it. The answer to this apprehension and desire was more effective and systematic sharing mechanism should be developed and implemented for this purpose. Practices and processes that continue for years attain acceptability and without much attention to their advantages and disadvantages (Scott, 1987).

Beverages-P devised various strategies ranging from contingency plan to SOPs and arrangements to handle injury, trauma and death of employees and destruction of infrastructure, like many other MNCs in the region. The constraints and compulsions gave birth to isomorphism (Yeniyurt et al., 2009). A central tenet of the institutional perspective is that organisations sharing the same environment will employ similar practices and thus become "isomorphic" with each other.

The firm fully realized that impact of fear-factor, which could seep into the psyche of the employees and undermine their efficiency. It held briefings and workshops to allay their fears which showed firm’s good understanding of impacts of terrorism. A better understanding of firms’ responses to terrorism and violent conflict can help all those affected by violent conflict – firms themselves, governments, and others – develop strategies aimed at reducing terrorism-related violence and its devastating negative consequences (Oetzel and Getz, 2012).

**Interaction with Host Government:** Beverages-P made sensible and sustained moves to maintain close interaction with the host Government and its various departments at all levels, especially with the police and law enforcement agencies, as it fully knew that in the terrorism stricken environment it would need help of these departments quite frequently. Correspondingly, it earned trust, respect and positive response of the government department by adhering to the changing policies and laws of the government and by extending help to the government in its social uplift programs under the CSR scheme. As, the GM told that this relationship was essential also to handle macro-economic challenges, it confirms that terrorism adds to the idiosyncrasies and heterogeneity of EMs, which need greater need to maintain sustained liaison with the host government.

Although the GM appreciated the policies of the government and its judicial system that proficiently handled the cases related to terrorism and violence, it relied on the US diplomatic missions for information and support too. These approaches confirm that
institutional arrangements define the social context of organisations and shape organisational actions. It further elaborates that organisations are under pressure to adapt to and be consistent with their institutional environment (Björkman et al., 2007).

Constraints and Limitations: Beverages-P could conveniently get increase in the budget approved from the Headquarter because the articulate TMT, armed with justifiable reasons, managed to handle the hassle of arguing for increase in the budget in a logical and emphatic manner. It convinced the HQ that terrorism was not likely to evaporate anytime soon therefore sustained efforts and measures were required to protect the personnel and infrastructure, which required more budgets. The distant HQ, operating in a different environment had to be briefed and convinced. Individuals and organisations can respond to institutional pressures in relatively non-deterministic ways when contending logics co-exist (Thornton and Ocasio, 2008)

Beverage-P handled the cultural, social and religious sensibilities quite well by participating in national and religious events. It relied on its prolonged stay in the country to understand and overcome the social and cultural differences. If we see through the lens of Institutional Theory, it is confirmed that the systems surrounding organisations shape social and organisational behaviour (Scott, 1995; Hoskisson et al., 2000).

Future Plans: During the last decade Beverage-P had brought about so many changes and adjustments in its strategies and systems to address the impact of terrorism that it had little left to change in seeable future. For example, it had introduced elaborate security arrangements, devised strict HR policy, enhanced the budget etc. But it erred on this count as it did not care about the CBNR threat and left it to the government to deal with it. It however clarified that the firm was earning profits therefore there was not plan of disinvestment. It showed that when business is earning profits and investment is considered safe, decision of disinvestment is not a probability. However, MNCs must be ready to make a number of adjustments to maintain the necessary degree of coordination and flexibility (Doz and Parahald, 1980). MNC located in a foreign country is influenced both by potentially contradictory pulls from institutional factors in the local environment and by international isomorphic processes (Rosenzweig and Singh, 1991; Westney, 1993).

Outcomes: The outcome of the formulation and implementation of the strategies to face
the impacts of terrorism ensured a larger degree of security of the personnel, organisation and operations of the company. It was somewhat a smooth transition done in a reasonable way, conforming to local policies and laws. This positive and pragmatic gesture was responded well by the host government. The firm reposed confidence in the police and judiciary in the cases pertaining to terrorism and violence. Collective and cogent response of the TMT and employees to the institutional factors generated a shared culture which ensured security of the personnel and stability of the company. The analysis of Beverage-P strategies is given in Table 6.7:

<table>
<thead>
<tr>
<th>THEMES</th>
<th>UNDERSTANDING</th>
<th>WILL/RESPONSE</th>
<th>STRATEGY</th>
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<tr>
<td>Post-9/11 terrorism and Institutional factors Impact</td>
<td>Fair</td>
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<td>Realization and response</td>
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<td>Adjustment in Strategies</td>
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<tr>
<td>Interaction with host Government</td>
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<td>Robust</td>
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<td>Constraints/Limitations</td>
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<tr>
<td>Outcome</td>
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</table>
A graphical presentation of Table 6.7 is given in Figure 6.7:

Figure 6.7: Analysis of the Company Strategies (Beverages- P)

<table>
<thead>
<tr>
<th>Post-9/11 Terrorism and Institutional Factors Impact</th>
<th>Realization and Response</th>
<th>Adjustment in Strategies</th>
<th>Interaction with host Government</th>
<th>Constraints/ Limitations</th>
<th>Future Plans</th>
<th>Outcome</th>
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<tr>
<td>Understanding</td>
<td>Will/ Response</td>
<td>Strategy</td>
<td>Implementation</td>
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6.2.3 Oil Co - P

Though the Manager Media and PR, Oil Co-P, who was interviewed, came prepared for the interview, he was careful and calculated in his replies. His experience and expertise to handle media had made him cautious. Besides, the ticklish and sensitive matter like terrorism and its impacts on the company kept the interviewee quite discreet. He had to be interviewed persuasively to overcome his evasiveness.

Post-9/11 Terrorism and Institutional Factors: Nevertheless, due to repeated questions and sessions the manager sufficiently explained the approaches and strategies of Oil Co-P to handle the impacts of terrorism in the host country. It realized that non-state actors such as terrorist groups had become significant risk actors (Bremmer and Keat 2009; Jarvis and Griffiths, 2007) and terrorism had become more global after 9/11 attacks (Suder and Czinkota, 2005) that could make the MNC/ business more vulnerable. But it seemed to move a bit cautiously to make new arrangements. However, it observed the changes in the institutional environment and adjusted its systems accordingly. It followed the regulations of the government, adopted the best practices of other MNCs and introduced new methods to protect its personnel and business to operate.
successfully in the institutional environment of an EM that had peculiar social system accentuated by existence of terrorism.

**Realization and Response:** The interviewee informed that the Corporate Security Manager of the company was a retired army officer, as was practice in Pakistan. The qualification of such security manager was adequate experience of security affairs, good knowledge of the local security environment and the ability to develop good working relations with the government departments. Being an ex-army officer his understanding of civil and police departments and his relationship with them could not have been as deep and effective as an officer who had served in police. Somebody having excellent understanding of institutional profile and effective relationship with social actors can be most appropriate for handling the impacts and threats of terrorism.

Oil Co-P was not exclusive target of any terrorist group but was cognizant that all entities and their manpower were at risk. Terrorists could target anybody at any place. Terrorists were desirous of spreading fear. Any vulnerable target could be their target. There had been bomb blasts in the markets and in parks. This awareness and analysis of institutional contexts compelled the company to devise proper strategies. It evidences that organisations are under pressure to adapt to and be consistent with their institutional environment (Björkman, et al., 2007).

Oil Co-P considered insurgents in FATA, their affiliates and Islamist militants as major threats to the security of the country and to the businesses. Clear understanding of current and previous threats and identification of major risks in the host country was essential prerequisite to devise effective security strategies to handle the impacts of terrorism.

Oil Co-P was more concerned about indirect impacts of terrorism as it could be more challenging and unpredictable. It kept the company on toes to respond to likelihood of such impacts. However, it was equally mindful of direct impacts too. This approach depicted company’s clear mindedness and professional approach to meet the challenging task of formulating a strategy that could address the awe of direct impact and kept in view the helplessness in case of indirect impacts. These compulsions compelled the company to study the approaches and strategies of other companies and mimic them instead of totally reinventing the wheel. Institutional Theory argues that a firm’s adoption of a practice is influenced by the institutional environment surrounding
the firm (DiMaggio and Powell, 1983).

Adjustments in Strategies: Oil Co-P had to bring about concrete modifications in the security systems in a systematic, serious and proactive manner. Awareness programs for employees, written strategies and SOPs, close interaction with the government and will to continue the business showed that the MNC responded well to the regulative, normative and coercive pillars of institutional process. It establishes that transitional institutional environments require certain types of strategies and lead to particular firm behaviours (Roth and Kostova, 2003).

Oil Co-P adopted the tool of insurance to reduce insecurity and to enhance confidence of the employees and other stakeholders. The management recognized quite early that in the EM afflicted with terrorism, it was imperative to have the right insurance in place. One disastrous happening could derail the business and cause enormous losses. Insurance was a common practice of businesses, especially of the MNCs, therefore adoption of insurance by Oil Co-P granted it a sort of legitimacy and acceptability. Legitimacy is achieved through adopting practices and structures that are institutionalized in a particular environment (Kostova and Zaheer, 1999).

The sale units (petrol pumps) and depots of Oil Co-P were located at scattered locations which was a good defence against disruption of the entire operations in case of terrorist attack. However, like many other MNCs it had to formulate contingency plan to overcome sudden damage or destruction, make arrangements to handle anxiety, injury, trauma and death of employees and to secure infrastructure. It confirmed that constraints and compulsions give birth to isomorphism in the MNCs (Yeniyurt et al., 2009). A central tenet of the institutional perspective is that organisations sharing the same environment will employ similar practices and thus become "isomorphic" with each other.

Interaction With Host Government: Its interaction government was lukewarm. It did not show eagerness to develop cordial or close relations with host government. Mostly distributors were expected to maintain the relations with the local level police and local administration for security and related issues. It showed no mistrust in the police and courts.

Constraints and Limitations: Oil Co-P handled the religious social and cultural sensibilities quite well as most of its employees and higher echelon were locals who
knew these aspects. They had been operating in this country and region since long therefore they knew the pressure points and sensitive issues. They respected the sensitivities and catered to the nationalistic and religious sentiments of the public. “As the EMs are plagued with institutional weaknesses and uncertainties, entrepreneurs can exploit institutional uncertainty and create value by solving institutional problems. In doing so, their activities can function as important structuring events that lead emerging markets to become more institutionalized” (Tracey and Phillips, 2011).

Future Plans: The response regarding future plans to keep security measures and strategies updated was vague. There wasn’t much thinking done about future plan and existing measures were considered good enough to handle the impacts of terrorism. There was hardly any thinking about CNBR.

Outcomes: From the very outset the understanding of post-0/11 terrorism was weak and realization about its severity was feeble therefore it took time to make necessary adjustments in its strategies. It lacked sustained efforts to maintain close relations with the host government. Its understanding of future needs and threats was not up to mark therefore future plans were not prepared. The summary of Oil Co-P strategies is presented in the Table 6.8.

**Table 6.8: Analysis of the Company Strategies (OIL Co. - P)**

<table>
<thead>
<tr>
<th>THEMES</th>
<th>UNDERSTANDING</th>
<th>WILL/RESPONSE</th>
<th>STRATEGY</th>
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<tr>
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<tr>
<td>Realization and response</td>
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<tr>
<td>Adjustment in Strategies</td>
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<td>Interaction with host Government</td>
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<td>Constraints/Limitations</td>
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<td>Future Plans</td>
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<tr>
<td>Outcome</td>
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</table>
A graphical presentation of Table 6.8 is given in Figure 6.8:

Figure 6.8: Analysis of the Company Strategies (Oil Co. - P)

<table>
<thead>
<tr>
<th>Robust</th>
<th>Fair</th>
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<tbody>
<tr>
<td>Understanding</td>
<td>Will/ Response</td>
<td>Strategy</td>
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<td>Implementation</td>
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6.2.4 Fast Food - P

Post-9/11 Terrorism and Institutional Factors: Fast Food-P considered post-9/11 terrorism as the highest risk that impacted businesses across the world. The challenges to the businesses and MNCs in the EMs afflicted with terrorism were greater because the local settings, systems and laws in EMs were peculiar, heterogeneous and idiosyncratic. The MNC had to be more prepared in such an EM to respond befittingly to likely impacts and local settings because ‘any action of a firm is embedded in country-specific institutional arrangements (Novikov, 2014).

Realization and Response: It realized that the situation was more problematic for Fast Food-P as it had been targeted of terrorists and violent mobs in the host country. It turned out to be a three-layered-threat challenge for it, i.e. operating in EM, the environment afflicted with terrorism and the company direct target of terrorists and extremists for being an American entity. Despite this realization the understanding to handle the peculiarities of EM, adjust itself to the new regulations and policies of the government to counter terrorism and operate within the confines of the arrangements made to save itself from direct attacks was not up to mark.

The manager had little understanding that the environment stood on three pillars of the
institutional order: regulative, normative, and cognitive, therefore it ought to adjust itself accordingly. Without such understanding all measures and steps remain weak and superfluous.

Though Fast Food-P was direct target of terrorists and related threats, its security manager considered indirect impact of terrorism as more dangerous. He argued that the latter was difficult to handle. The impacts of terrorism in the host country and even in the region created overall insecurity and uncertainty in the society which led to changes in policies, systems, regulations and laws. These were the indirect impacts which were a challenge for the company. On basis of this assessment Fast Food-P customized the approaches to fit the host country’s institutional context. Greater the institutional uncertainty, the bigger is the challenge for MNC to operate in the host country. ‘Successful companies develop strategies to fit each market’s institutional context (locally responsive strategies)’ (Khanna, Palepu and Sinha, 2005).

Adjustments in Strategies: Fast Food-P however brought about many changes in security systems and strategies. Further beefing up security arrangements, formulation of written strategies and SOPs, regular briefings to managers and employees and close interaction with the government showed that the MNC modified its behaviour to meet the challenges (Roth and Kostova, 2003).

Fast Food-P introduced innovations and shared best practices which was the requirement for adaptability with the emerging institutional environment. The conspicuous initiative was indoctrinating awareness of the environment and the demands to handle it, in all its employees, which was part of its strategy to develop a strong response to impacts of terrorism. It created cohesiveness in the well-informed and sensitized employees who remained on toes to tackle the impacts.

The company employed insurance as the integral part of the strategy to create confidence in the employees and to protect the business from the impacts of terrorism. It showed that it was well aware of the direct and indirect risks of terrorism, but was determined to be resilient to continue its profit-making ventures. Insurance is a common practice of businesses, especially of the MNCs, therefore adoption of insurance by Fast Food-P granted it a sort of legitimacy and acceptability. Legitimacy is achieved through adopting practices and structures that are institutionalized in a particular environment (Kostova and Zaheer, 1999).
Fast Food-P was well aware that being a large company, experienced in protecting itself from the impacts of terrorism, smaller companies followed its security paradigm and innovations. Sharing of experiences and expertise by large MNCs creates a shared culture of security, which minimizes the threats to all companies. It provides strength to businesses overcome their vulnerabilities against terrorist attacks and impacts. Isomorphism strengthens companies’ defence against impact of terrorism.

In light of the institutional context, emerging challenges and new strategies, Fast Food-P prepared its TMT with requisite knowledge and understanding of the environment they were operating in, the organisations they were dependent on and the cultural expectations of the host country. It helped them take prompt and balanced decisions and actions as per the requirements of regulatory agencies, customers, political pressures and the force of the state.

Its proactive approach was further evident from the fact that it took extreme care in recruitment and hiring of the employees to avoid the threat from inside. In the environment replete with extremists and their sympathizers it was imperative to carry out ground check and vetting of the applicants. Hiring security cleared employees created confidence in the management and minimized the threat. Fast Food-P responded to the legal and social pressures that demanded of the businesses to play their role in prevention of terrorism and to obviate the impacts of terrorism.

Security cleared hiring, inculcating awareness in the employees and TMT, contingency plan to handle emergencies etc. were the steps aimed at staving off the impacts of terrorism and to diligently follow the norms and regulations in the host country. Keeping the worst scenarios in mind, proper planning and preparation were put in place to overcome disruption and to rebuild the company if hit by terrorist attacks. The restaurants were already scattered before 9/11, which suited the strategy of decentralization of units to avoid total disruption in case of impacts of terrorism. Slackness in adopting any of these measures could destroy the productivity and leave the company scrambling for survival.

The combination of top down and bottom up approaches helped developing policies, procedures, regulations and guidelines to aid decision-makers and to inductively develop consensus recommendations and policy. On foundations of these approaches the management held regular meetings and devoted adequate time to discussions on
security issues. Management showed utmost seriousness to overcome daunting threats. It establishes that transitional institutional environments require certain types of strategies and lead to particular firm behaviours (Roth and Kostova, 2003).

Interaction with Host Government: Fast Food-P did not seem keen to develop and maintain good working relations with the government departments. It mostly maintained liaison with lower echelon of the police and law enforcement agencies, so that quick help could be sought whenever needed. This approach showed inexperience and lazy approach of the management. It however followed the regulations and laws cheerfully. Unlike government departments, it maintained better relations with other MNCs, but that too at the highest level, not at the operational level. It was better to share information, discuss common issues and learn experiences of other companies at operational level. This approach could be considered idiosyncratic and peculiar. However, it resorted to other mechanisms like participating in the local events that granted it social acceptance.

Constraints and Limitations: Fast Food-P handled institutional ambiguity and contradictions quite well. It kept the HQ apprised of the threats and impacts of terrorism in the host country therefore it hardly faced resistance in sanction of increased budget for security arrangements.

In addition to budgetary constraints, it handled religious, cultural and social barriers deftly. The company had become well versed with the culture and traditions surrounding it that shaped its social and organisational behaviour. Most of its employees and TMT were locals who were not alien to the culture and society.

The problem of delayed decisions due to approval from distant head office could be an irritant for the company. Looking towards the head office for directions could cause delays in changes and actions. However, Nest managed to overcome it with the help of its thorough systems in an idiosyncratic manner. It had developed mechanism to make quick decisions to introduce solutions for emerging issues and challenges with the help of local agencies and government departments.

Future Plans: It did not think seriously about future plans because it considered its embeddedness and good understanding of the institutional environment of the host country as its strong point to operate successfully. It had already started adapting itself to the institutional uncertainty in the emerging market after terrorism took new turn
after 9/11. It was a strategic fault to be complacent, especially when the company was direct target of extremists and terrorists.

Though it was concerned about various forms and nature of terrorist impacts, it gave little attention to the threat of CBNR terrorism. It considered it improbable in near future and also too big to be handled by the host government. This approach could be termed as negligence or apathy because serious concern is rising over the threat of chemical and biological terror across the world.

The Manager also did not see change in the pattern of hiring and employment in near future because the company had already taken care of the changing environment and well thought out systems were in place in this regard. Moreover, it had no plan of disinvestment. It thought that the security situation was improving in the country and the company was making good profits therefore there was no question of disinvestment. It means MNCs earning good profits in a country are resilient and continue their businesses despite terrorist threats.

Outcomes: Despite some flaws in approaches and understanding, the outcome of these changes in the strategies was positive as it brought a change in the culture of the company. It created awareness among its employees and constantly tried to overcome its image of foreignness by fervently participating in local and national events. Though it knew that suicide bombings and terrorist attacks were rampant it could not come up with out of box security solutions. In such environment slackness was not affordable.

The outcome of analysis of Fast Food-P strategies is given in Table 6.9.

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A graphical presentation of Table 6.9 is given in Figure 6.9:
A consolidated analysis of the analyses of the above four MNCs that operated in Pakistan is shown in Table 6.10. The outcome of the analysis on most of the factors is either fair or weak. Except in the case of Nest-P and Beverages-P where their interaction with the host government department was found to be effective. Though the impact of post 9/11 factors in case of Nestle-P was strong but they were fair in response and devising future strategies. This was because of the reason that their long strategy of handling such matters was well defined.

### Table 6.10: Consolidated Analysis of MNCs in Pakistan

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<tr>
<th>Case Studies</th>
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A graphical representation of Table 6.10 is given in Figure 6.10:

**Figure 6.10: Consolidated Analysis of MNCs in Pakistan**
6.3 Comparative Analysis

The well-designed comparative case study (Verba, 1967; Yin, 1994) increases confidence and generalizability of causal explanation. Because of the theoretical issues to be explored and tested, the small-n-comparative case study is the appropriate approach to research (Lijphart, 1971, 1975).

At this stage, comparative analyses of similar MNCs operating in Turkey and Pakistan, have been juxtaposed to find the similarities and differences in their approaches to further understand their strategies employed to adjust to the impacts of terrorism in local settings and institutional environment.

The analysis has been performed by comparing same MNC operating in both countries as well as consolidated results of the MNCs operation in both countries.

6.3.1 Analysis on MNC basis

i) Nest-T and Nest-P

Post-9/11 Terrorism and Institutional Factors: The management of Nest-T took time in clearly understanding the emergence of a new form of phenomenon of terrorism after 9/11, which could make the MNC/ business more vulnerable. On the other hand, Nest-P clearly appreciated that post-9/11 terrorism had emerged as the highest risk that impacted businesses across the world in general and especially in Pakistan where the terrorist threats were higher than the developed countries. The difference of understanding can be attributed to the level of terrorism and its lethality which was much higher in Pakistan than Turkey. Besides, Nest-P understood better that institutional arrangements in Pakistan demanded greater adaptability to gear up to respond befittingly to likely impacts and local milieu.

Realization and Response: Belatedly Nest-T realized that terrorism was threat number one to the business in Turkey. Political violence, the terrorist group Islamic State and Syrian war were considered three palpable threats to peace in the country. It clearly indicated indirect impact as more important than direct impacts of terrorism.

Nest-P also considered indirect impacts as more important because it claimed that the company was more concerned about its reputation than the revenues. Nest-P fell prey to the same cognitive bias as Nest-T that it had not been targeted or threatened specifically
by any terrorist group. As opposed to Nest-T, Nest-P identified terrorism and religious extremism as the growing threat to the country as well as to the company. It did not clearly identify specific threats to company to devise matching security measures.

Both MNCs incorrectly fathomed the severity which led them to making faulty risk assessments and decisions. It could have caused slackness in adopting stringent security measures, required to ensure total security against terrorism impacts.

**Adjustment in Strategies:** Nest-T, due to slow realization of severity of threat of new form of terrorism started with baby steps like change in travel policy, travel restrictions, restricted sales activity, etc. Later it moved to take some solid and strategic measures like formulation of Security Committees, Standard Operating Procedures (SOPs) for security and also introduction of the company’s Security Booklet. It should have adopted more proactive approach at the very inception.

In comparison to Nest-T, Nest-P moved faster to bring about tangible changes in security systems. It introduced several security measures like awareness workshops for the employees, insurance of employees and infrastructure, feedback system to identify threats, plans for continuity of business, etc.

Both companies strived for social acceptance and legitimacy by showing that they had adopted strong security measures. Though both did not show great eagerness to be leaders in security strategies, they gave an impression that they were ready to mimic and cooperate with other companies for security of their employees. It was better for both the companies to create a shared culture of security within their jurisdiction, which could minimize the threats to all companies. The managements of both MNCs enhanced their focus on security aspect but they did not keep a record of time and frequency devoted to discussion on issues pertaining to terrorism and security in the board meetings.

**Interaction with Host Government:** Both, Nest-T and Nest-P were mindful of the fact that state policies and decisions have indirect impact on their businesses. Especially, Nest-P considered its strong interaction with the host government as its forte. Both Nests believed in diligent compliance to the laws and rules of the host country. Their trust in the police and other agencies for quick response in case of emergency raised its confidence and helped avoid losses.

**Constraints/Limitations:** Nest-T displayed total flexibility and brought changes in its
rules as per social and cultural requirements and emerging situation. This approach helped it respond to the political and social pressures, which were coercive in a way. Nest-P, due to prolonged stay in the host country and having local employees from clerk till manager level, had become well versed with the culture and traditions surrounding it that shaped its social and organisational behaviour.

**Future Plans:** Both, Nest-T and Nest-P seemed hesitant to look far ahead to tackle future problems and issues. Probably it involved more resources and deep understanding to prepare plans for future. It was incorrect on their part to consider the likelihood of CBNR attacks as premature and farfetched. Both were earning good profits therefore resolve for continuity of business made sense.

**Outcomes:** The outcome of the changes in the strategies of both the MNCs was positive as it brought a shift in the culture of the respective companies. It strengthened their security strategies and resulting adjustments gave a sense of better protection to employees and the infrastructure. A greater and closer rapport with the government departments especially the police and LEAs helped in the needs to tackle the security situation impacting the companies in the respective host countries. A sense of urgency was established and then the changes followed it. The TMT and employees fully understood that with the number of suicide bombings and terrorist attacks growing enormously, especially in Pakistan, there was no room for any slackness. The local employees became aware and resilient as well. With support from the government and the emergency departments, the MNCs became confident to face the odds. To top all TMT and the employees knew that they must secure themselves and their infrastructure to stay relevant and competitive in the market.

**ii) Beverages-T and Beverages-P**

**Post-9/11 Terrorism and Institutional Factors:** As opposed to the Beverage-P’s clear understanding of post-9/11 terrorism and its severe impacts on its business, Beverages-T did not discern a difference between the earlier terrorism faced by Turkey and post-9/11 terrorism. This lack of understanding on part of Beverages-T could also muddle the appreciation of institutional factors brewing up gradually. Conversely, Beverages-P, on the basis of its better comprehension of the inception of global terrorism, prepared itself early on and to better respond to the country-specific institutional arrangements accentuated by the existence of terrorism.
Realization and Response: Beverages-T took time to realize that earlier developed arrangements to bridle the home-grown separatists were inadequate to face impacts of new form of terrorism. However, both had the realization and understanding that being an American company they had already been targeted therefore threat to them was of serious nature. Though Beverages-T considering itself direct target of terrorists adjusted its systems and strategies, but its lack of understanding of the lethality and nature of global terrorism could not be condoned.

Beverages-T identified the three main threats i.e. violence aimed at the company’s home country, political violence aimed at the company itself and terrorist group Islamic State (Daesh), as emerging risk scenarios. Beverages-P pointed out al-Qaeda, its local affiliates like Tehreek-e-Taliban Pakistan (TTP) and religious extremism as major threats to the security of the country and to the businesses. Both considered indirect impacts of terrorism as more serious than the direct impacts. This clarity of assessment helped them tailor their strategies to handle the impacts of terrorism locally.

Beverages-T hired a retired police officer as its Group Corporate Affairs Manager, whereas Beverages-P hired a retired army officer for this purpose. Both companies were fearful of the general threat to their employees therefore created awareness among them through workshops for employees and TMT to counter fear-factor and created shared culture of security. They devised strategies as per local requirements and learnt lessons from other companies too.

Beverages-T faced problems in vetting the prospective employees due to certain privacy laws whereas Beverages-P had more freedom to carry out the background checks on the applicants before hiring them.

Interaction with Host Government: Both Beverages-T and -P strived to develop warm and meaningful relations with their respective host governments and their departments especially the police, LEAs and civil administration. Due to terrorism they were in a constant need of government support. Beverages-P, besides the government, relied additionally on the US diplomatic missions for information and support. The governments also responded well to their overtures. In Pakistan, the GM of Beverages-P was appointed chairman of Board of Investment of one province. Correspondingly, the GM remained considerate towards the government as it was exerting hard to grapple with the mammoth task of neutralizing the terrorists which could take years.
Constraints and Limitations: Both handled the issue of increase in funds deftly. Beverage-T and -P had been operating in the respective host countries for a prolonged time and majority of employees and management were locals, therefore it was not a problem to go along well with the cultural, social and religious feelings. They adapted themselves to the surrounding environments for survival, security and profitability. Beverage-P handled the cultural, social and religious sensibilities quite well by participating in national and religious events.

Future Plans: Both seemed myopic to not have future plans. Terrorism had not petered out and it kept adopting new forms therefore new plans must have been devised to face new challenges. Both had no plan of disinvestment because they were making good profits and were expanding their operations. Beverages-P believed that it gave confidence to its employees to work diligently without fear of being axed.

Outcomes: With slightly varying approaches both seemed determined to grapple with the security environment as they had to continue operating in the respective countries. The outcome of their determination was proper adjustments in the strategies in light of the emerging risks and institutional factors and close interaction with the respective host governments. They created shared culture of security consciousness within the companies. The host governments and their departments catered to the security needs of the companies to great extent. These approaches ensured a larger degree of security of the personnel, infrastructure and operations of the company. In the process, care and caution were exercised to respect social and cultural sensibilities, local policies and laws.

iii) Oil Co-T and Oil Co-P

Post-9/11 Terrorism and Institutional Factors: Oil Co-T considered the post-9/11 scenario as a top threat to business. It swiftly started adopting new regulations and norms in the host country. But Oil Co-P despite considering post-9/11 terrorism a grave threat to business didn’t show the same agility as Co-T to modify its strategies.

Realization and Response: Though both, Oil Co-T and -P were neither specific target of any terrorist group nor did its management consider itself as one but they had the realization that terrorism was rampant and widespread.

The security manager of Oil Co-T identified political violence and the terrorist group Islamic State as glaring threats to the security and peace of the country. The security
manager of Oil Co-P considered insurgents in FATA, their affiliates and Islamist militants as major threats to the security of the country and to the businesses.

The security managers of Oil Co-T considered direct impact of terrorism as more important than indirect. Oil Co-P considered indirect impact of terrorism as more important. It was a more common notion.

**Adjustment in Strategies:** Oil Co-T started modifications in its strategies by creating awareness in the employees and beefing up physical security to handle the impacts of terrorism. It was aware that its product was highly combustible therefore it required greater security measures to protect its personnel, assets and infrastructure. Oil Co-P also arranged training, briefings and mock drills of employees and retailers to create awareness in them about security threats. Both devised contingency plans to designate specific sale units and depots to continue uninterrupted provision of oil and petrol to other units in case of disruption and formulation.

Oil Co-T regularly briefed TMT to create understanding required to make correct decisions as per the requirements of regulatory agencies, customers, political pressures and the force of the state. Both tried to hire security cleared employees and distributors. Oil Co-T was constrained by law therefore it relied on good behaviour certificate.

**Interaction with Host Government:** Oil-Co P was comparatively laid-back in maintaining close relations with the host government. Both maintained relations with other companies and business concerns of the same ilk for information and support.

**Constraints and Limitations:** Oil Co-T handled social and cultural sensibilities by posing a patriotic company which cared about the country and its people. Beverage-P also participated in national and cultural events to respect public sentiments. Both took advantage of prolonged stay in the country to understand and overcome the social and cultural differences and adapted themselves well to the surrounding environments for survival, security and profitability.

**Future Plans:** Both MNCs were vague about future plans. They claimed that present strategies were working well therefore there was hardly any need at present to think about changes for future. The manager Oil Co-P pretended to be secretive about such plans probably to conceal its vagueness.

**Outcomes:** Both MNCs managed to understand the threats and impacts and took
adequate measures to handle them. Though the strategies and their implementation were not ideal still there was no mishap related to terrorism in either of the countries therefore it could be surmised that the strategies were working well. Both companies were confident that government departments extended efficient help to protect them against terrorism.

iv) Fast Food-T and Fast Food-P

Post-9/11 terrorism and Institutional Factors: Both, Fast Food-T and Fast Food-P considered terrorism as threat number one to the businesses in the world and in their respective countries. Fast Food Co being an iconic American entity was direct target of terrorists in both host countries. Therefore, they had to tackle three barriers, i.e. post-9/11 lethal global terrorism, operating in EMs afflicted with terrorism and to top all being at greater risk of being targeted by the terrorists due to its identity.

Realization and Response: Fast Food-T and -P had good realization of impacts of terrorism as both had faced terrorist attacks and threats to their outlets. The management of Fast Food-T had deeper realization of deteriorating security environment and will to adjust itself quickly as compared to the management of Fast Food-P. Interestingly, both had faced direct attacks on their outlets in their respective host countries but they considered indirect impact of terrorism as more dangerous.

Fast Food-T clearly pointed out Islamist militants including Daesh (Islamic State)/Hezbollah, leftist separatist groups, militants with political agenda, civil war/rebellion and violence aimed at the company’s home country as the gravest threats to the country and to the business. Whereas the manager Fast Food-P considered anti-US religious extremists, home-grown militants like TTP and al-Qaeda as the main threats to the business.

Adjustments in Strategies: Fast Food-T hired a retired police officer as the corporate security manager whereas Fast Food-P hired an ex-army officer for the same purpose. It was a recurring pattern in all MNCs in both the countries.

Both the MNCs started responding to the challenges identified by them. They developed SOPs, contingency plans, awareness programs, enhancement of CCTV cameras, insured the infrastructure; partially insured the employees too. Fast Food-T maintained closer relations with other MNCs in its jurisdiction and shared information and experiences whereas Fast Food-P did not seem interested in such cooperation and
remained comparatively aloof. It seemed its strategy was to maintain distance to avoid undue attention. It depicts varying degrees of isomorphism.

Fast Food-T and –P fervently participated in the local religious and national events to defuse the foreign image to distract the antagonists and terrorists. Their TMT were equipped with necessary information about the regulative, normative and coercive requirements and expectations of the environment they operated in. Fast Food-T seemed more proactive in this regard.

**Interaction with Host Government:** Fast Food-T made sustained endeavors to maintain close interaction with the host Government and its various departments at all levels, especially with the police and law enforcement agencies. Conversely, Fast Food-P was not so proactive and only maintained such liaison at lower level. Both however were satisfied with the response and cooperation of the government departments especially the police and LEAs.

**Constraints and Limitations:** The security manager Fast Food-T faced initial reluctance in allocation of more funds for security arrangements however overcame the hiccup by creating awareness in the top management. Fast Food-P did not complain about allocation of funds. Generally, both looked confident to handle constraints and limitations like institutional ambiguity, contradictions, uncertainties, need for more budget etc.

Both MNCs had prolonged stay in the respective host countries and majority of the employees and managers were local therefore they handled cultural, social and religious inhibitions and sensibilities quite deftly.

**Future Plans:** The managers of both MNCs didn’t seem keen and clear about future plans. This approach depicted lack of thoughtfulness on part of the managers and also lack of ability to look past the events of today and into the possibilities of tomorrow to visualize compulsory new ideas about future strategies in emerging new security scenarios.

Like many others, the managers of Fast Food-T and –P also did not show seriousness about plans to counter CBNR threats and they considered it far-fetched and improbable. Both had no plans of disinvestment or reducing their presence due to terrorism.

**Outcome:** The realization of the post 9/11 environment, the emerging risks and
institutional factors in EMs, status of US entity spurred both the companies to take multiple measures and make adjustments in the existing strategies to handle the impacts of terrorism. Both had faced direct attacks but the renewed measures provided better security to the personnel, organisation and operations of the company. Good relations with the respective host governments and their concerned departments paid dividends in the form of quick and warm responses. They took pains to be mindful of social and cultural sentiments and followed local policies and laws which earned them recognition and acceptance. The company reposed confidence in the police and judiciary in the cases pertaining to terrorism and violence. Collective and coherent response of the TMT and employees to the institutional factors generated a shared culture, which ensured security of the personnel and stability of the company.

6.3.2 Consolidated Analysis

Unlike earlier discussions and analyses of individual case studies and comparative analysis, the objective of this part of the study is to analyse all the cases together to explore the patterns of similarity or difference of the processes adopted by the companies to handle such situation and to draw conclusion on the research questions. Table 6.11 summarizes the outcomes of all the cases in a comparative form. Comparing overall outcome of analysis of firms operating in Pakistan and Turkey, no major difference on most of the factors was observed. Surprisingly, in both countries all the firms had very effective interaction with the host governments, which means, for the handling of terrorism related issues they rely more on the government than having their own sound and effective strategy. This is also substantiated by the fact that all were least bothered to have future long plans for the handling of the terrorism related issues. It may be because of the reason that: either they believe that it is the hosts countries responsibility to take care of such matters; or they believe terrorism is a temporary phase, and not a long-term issues; or even if terrorism is going to continue, it does not significantly harm their business model.
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A graphical presentation of Table 6.11, in average, is given in Figure 6.11:
Figure 6.11: Consolidated Analysis (Average)

For analysis sake the average has been determined of all case studies for different segments involved. Average has been worked out by assigning 3 marks to robust, 2 to fair and 1 to weak. The cases attaining marks in decimal fraction have been rounded-off by giving additional mark for 0.5 and above and none to those below 0.5.

All eight MNCs, in Turkey and Pakistan, being the off springs of the same mother companies largely follow standardized approaches and systems, like all MNCs, with a few local twists (Khanna et al., 2005). However, the case studies show that their strategies and systems are influenced by the particular environment, laws, culture, systems and institutions of their respective host countries.

Post-9/11 Terrorism and Institutional Factors: All MNCs agreed that businesses had been target of terrorism since long but post-9/11 era gave birth to global terrorism which became grave threat for MNCs. Out of eight MNCs, four termed it the highest risk, one considered it the top risk, one dubbed it a major risk and one labeled it a grave risk. Their understanding was an equally poised mix as three were ‘weak’, three were ‘fair’ and one fell in ‘robust’ category. It means three companies understood it clearly, other three had poor understanding and two understood it quite clearly. Their will to respond attained matching categories. On basis of the understanding and will to respond five companies considered it necessary to devise strategies to cope with the impacts of
terrorism whereas three fell in ‘weak’ category. Their intention was satisfactorily clear in this regard. Six out of eight attached required seriousness to implementation of their strategy-to-be and rest followed closely to them. Overall seven ‘Robust’ and nineteen ‘Fair’ points in all four categories paint a favourable picture of the understanding of post-9/11 terrorism and the institutional factors.

Realization and Response: Just to recap ‘Realization and Response’ Theme, it comprised of Nodes of MNC’s realization that it must respond to the changing systems, cultures and norms in the host country, whether it considered itself a specific target of terrorists, mindfulness of the emerging risk situations and to top all whether it considered indirect impact as more important than direct impact of terrorism. In all four aspects i.e. understanding, will/response, strategy and implementation, twenty-one fell in ‘Fair’ category and two in ‘Robust’. Though none fell in ‘Weak’ category, most of the MNCs seemed to have good realization of the form and nature of impacts and correspondingly fair readiness to respond to them. Though two MNCs out of the eight considered direct as more important than the indirect impacts, they did not downplay the latter.

Adjustment in Strategies: This Theme included practical measures for adjustment of systems and formulation of strategies to handle the impacts of terrorism. The Nodes were threat assessment, security manager’s role, formulation of security strategies, bottom-up & top down approach, contingency plan, meetings and decisions on security issues, awareness programs for employees and TMT, hiring policy etc. Though all MNCs adopted varied measures, approaches and strategies as per the environment of the respective host countries, their basic approaches resembled and were found satisfactory which fell in the ‘Fair’ category in all aspects.

Interaction with Host Government: In this Theme twenty four ‘Robust’ category were attained by the MNCs in all aspects as is evident from the MNCs’ comments on Nodes like good relationship with the host government, liaison with the police and security agencies, compliance of laws and policies, quick response from police and LEAs, effective policies and judicial system. Five fell in ‘Fair’ category and three in ‘Weak’. All MNCs except two made sustained efforts to develop and maintain good working relationship with the respective host governments and their departments and expressed total satisfaction in every aspect. Correspondingly, they followed the laws, regulations,
rules and norms in letter and spirit. Almost always they all received expected support from the police and LEAs.

**Constraints/Limitations:** It revolved around the constraints and limitations of varying nature which could interfere with the formulation of strategies and adoption of new measures by the MNC. The Nodes included constraints in increase in security budget, social and cultural barriers, delays in decision making etc. All MNCs included in this study behaved with satisfactory enthusiasm and diligence to overcome these constraints. All got ‘Fair’ except one in all four aspects which shows uniformity in their level of zeal and zest if not the approaches.

**Future Plans:** All MNCs displayed reluctance to see in future for impending scenarios and impacts therefore got ‘Weak’ category in all aspects. The Nodes included future changes in HR/hiring policy, preparations to face CBNR threats, disinvestment etc. The litmus test was common apathy towards readiness against CBNR threats. All thought hiring policy had already been fine-tuned therefore no more changes were required in near future. Disinvestment was considered out of question because they were achieving their targets. The approaches were myopic therefore got ‘Weak’ in all aspects.

**Outcomes:** In all Themes, in all aspects, all MNCs got ‘Fair’ category. Axiomatically the outcome had to be ‘Fair’ as the outcome of the changes in the strategies strengthened security against the impacts of terrorism and brought a change in the culture of the companies. It made the TMTs and employees realize the seriousness of the situation, they were trained and briefed to face it and all moved together to follow the strategies to stay safe, and relevant and competitive in the market.
7. DISCUSSION

7.1 Overview of the Study and Findings

Studies over a period of time have highlighted significance of impacts of terrorism on international business, and in few cases, how they influence the MNCs in EMs. Discussion on the ways to handle impacts of terrorism, highlighting the research so far carried out and how this study would contribute, is carried out in the following manner:

Terrorism in EMs and Institutional Factors

The agreement of all eight MNCs on the point that post 9/11 terrorism was the top or grave risk for MNCs in their respective host countries, which happened to be emerging markets afflicted with terrorism, set the tone to realize the gravity of the situation and take adequate measures to handle the impacts. Even two decades earlier terrorism was considered a grave threat to businesses as in 1980, a survey of eighty-two high level international executives ranked terrorism second only to then double-digit inflation as “a barrier” to their international businesses (Ryans and Shanklin, 1980). None of the eight MNCs erred in realizing that the threat had become widespread across the globe and much more palpable therefore it was high time to react accordingly.

Incidentally terrorism was already prevalent in both the countries before 9/11 incident but in different forms. Pakistan faced sectarian terrorism and Turkey experienced terrorist threat from local terrorists like PKK. The managers revealed that due to these terrorist threats security measures were already in place but of course after 9/11 international terrorism posed new and more widespread challenges. All the MNCs realized the need to create elaborate modifications and introduced new processes to face these challenges. Their management understood that internal and external environment of the company could not remain unaffected due to social, cultural and legal norms in all countries of the world, especially in the emerging markets afflicted with terrorism. All were cognizant of the fact that the advent of international terrorism risk affected not only businesses but also all segments and sectors of societies. Consequently, the host governments changed their policies and laws; therefore, the
MNCs had to alter their approaches, strategies and systems too. They adopted new regulations, norms and practices which became fully institutionalized, and assumed a “taken-for-granted” status.

Mahajan and Banga (2005), Zhang (2008), Griffith et al. (2008), Tan (2009) and some others had rightly pointed out that EMs face challenges but there are also opportunities for companies with the right solutions. If MNCs are ready to pick up the gauntlet to venture in the EMs then there are opportunities galore. Secondly, a serious consideration ought to be given to add the characteristic ‘environment marred by terrorism’ in the long list of characteristics of EMs enumerated by various scholars like Arnold and Quelch (1998), Miller (1998), Hoskisson et al. (2000), Cavusgil et al. (2002, 2013), Enderick (2007, 2009), Mahajan and Banga (2005) and Alvi (2012).

Though, Zhang (2008) added ‘security’ as the difficulty or drawback in EMs but he did not mention terrorism. Similarly, Tan (2009) added ‘lack of respect for human rights’ but did not mention ‘atrocities of terrorists.’ However, Franco et al. (2011) gave place to terrorism in risks in EMs. They conducted survey regarding political risk of 173 MNE subsidiaries in 6 emerging economies and found out that higher levels of risks in emerging markets are caused by the comparatively under-developed institutional frameworks and more rapid changes in the investment climate characterizing emerging economies. Established sources of political risk include expropriation and nationalization, war, civil disturbance and ethnic or religious tension and terrorism.

**Realization of Post-9/11 Terrorism**

Though all the MNCs employed for case studies realized the severity of the situation related to post-9/11 terrorism, some took longer than others to fathom the real lethality targeting the MNCs. For example, Nest Turkey took time to consider Turkey as the target of the new form of terrorism whereas Nest Pakistan immediately acknowledged it. Acknowledgment of a fact or a phenomenon is the basis of changes in strategies and modus operandi to remain competitive. Braithwaite and Drahos (2000) describe that change is a characteristic precipitated by the occurrence of the significance or dysfunction of an event that causes the appreciation or threatens the new opportunity. Overall the managers of MNCs in Turkey took time to discern the
difference between the impacts of pre and post-9/11 terrorism on businesses in general and their company in particular.

However, despite realization of heightened environment of terrorism in their respective host countries, all the MNCs except Fast Food-T & P, did not consider themselves specific targets of any terrorist group. Their assessment was skewed and superfluous based on absence of direct attack on them. They did not take into consideration that their subsidiaries did experience some terrorist threat in other parts of the world. For example, an anarchist group named Green Nemesis had threatened to contaminate the products of Nest and Beverages with poison in December 2016. “The operational aim is to sabotage the above companies, forcing them to fully withdraw their products for two weeks,” Green Nemesis said in a statement posted on an anti-establishment website.28

Moreover, the MNCs in Turkey and Pakistan that did not receive any direct threat in the past had no guarantee that Daesh or so-called Islamic State in Turkey and Tehreek-e-Taliban Pakistan (TTP) in Pakistan would not target their employees and offices in an environment of heightened terrorist activities. While adopting future course of action and to formulate strategy to protect the company from the threats it is essential to have fair knowledge of past events and ongoing trends of terrorism in the host country. Planners must consider the unthinkable as possible—not simply plan for what has happened in the past.29

Two MNCs had admitted that being American entity they were target of terrorists and extremists therefore they could not be complacent about the threats and impacts of terrorism. Although the other MNCs did not consider themselves specific target, they had the realization that in an environment of acute terrorism spread all over country anybody could be victim of terrorism. Their employees, transport or outlets could be targeted randomly. They were aware that terrorism had become more global after


9/11 attacks (Suder and Czinkota, 2005). It was on the rise, with an almost fivefold increase in fatalities since 9/11 (MacAskill, 2014). Most terrorist incidents occurred in the Middle East and South Asia (Enders and Sandler, 2006). It meant that in the markets afflicted with terrorism, MNCs must be as agile as any other target of terrorists and should adopt effective preventive measures to protect their employees, buildings and operations from direct and indirect impacts of terrorism.

All MNCs except Oil Co-T considered indirect impacts of terrorism as more damaging and dangerous than direct impacts. They gave identical reasons for their assessment that it was beyond immediate control of the company therefore it could have more sudden and devastating effect on the continuity and viability of the business. For example, following the London Bridge terror attack in June 2017, Borough Market was closed for ten days. MNCs should be more cautious of such impacts and devise ways to tackle the situation. It is easier to handle and fix direct impacts of terrorism, its lethality should not be overlooked because 62% of terrorist attacks between 1999 and 2003 were targeted at businesses.

MNCs that operated in Turkey considered Islamic State (Daesh), separatists, political violence and war in Syria as the main threats which could have impact on their businesses. In Pakistan all MNCs considered al-Qaeda, Tehreek-e-Taliban Pakistan (TTP) and religious extremists as the main threats. All MNCs in Turkey pointed out the failed coup in Turkey and entanglement in the Syrian conflict as the catalyst for social unrest, civil war and international war in the coming years. Conversely, the MNCs in Pakistan considered terrorist attacks and religious extremism as future threats. Both sets of MNCs had clear understanding of the nature of terrorist threats and were mindful of the future scenarios but had different reasons of worries. The MNCs in Turkey were worried about the government decisions of involvement in Syria, which had the capacity to worsen the security situation whereas the MNCs in Pakistan saw the common future risk scenarios, i.e. terrorist attacks and religious extremism, as threats to the host country as well as to the company. In fact, all managers in both countries were of the view that the terrorist threats to the respective countries were the threats to them as well. This assessment made sense to align its threats with the host country because such terrorist threats were spawned in the aftermath of state policies and decisions and were mainly directed towards the state.
In a way MNCs are hostage of the host government’s policies as they have no say in formulation of such policies but they have to face the environment caused by its fallouts. It underlines the need to actively watch the policies of the state and to try to interact closely with the host governments to make them aware of about their apprehensions and expectations.

It confirms Hernández’s viewpoint that social order is seen as contingent in a balance of the coerced pressure of rules and more consensual forces of norms, cognitive reference frameworks, and ideas that are thought to be had; a view closer to Neo-institutionalism that agglutinates historical, sociological and rational election focuses, that determine the processes of institutional reformation starting off from the frameworks of incentives and restrictions imposed on the behaviours of the different agents and economy, social and political actors for the formulation and installation of public policies and that have an impact on the results measured in terms of growth and development.30

Whether any MNC considered itself specific target of terrorists or not and it thought indirect was more important than direct impact of terrorism, there was a clear realization that the threat of terrorism was all-pervading and its impacts were not limited to the direct victim only. Terrorism strives to strike at the systems that could be economic, political or social. This phenomenon was explained by Suder and Czinkota (2005) that the aim of terrorism was not simply to overthrow a government or an occupying power, "but to destroy a form of society and eliminate a way of life". Furthermore, terrorism is ‘designed to have far reaching psychological effect beyond the immediate victims as object of terrorist attack’ (Hoffman, 2003). All MNCs understood this aspect and followed each other not only to ensure security but also to attain legitimacy which ‘is achieved through becoming isomorphic as a result of adopting practices and structures that are institutionalized in a particular environment’ (Kostova and Zaheer, 1999).

30 INSTITUTIONAL AND NEO-INSTITUTIONALISM THEORY IN THE INTERNATIONAL MANAGEMENT OF ORGANIZATIONS
Adjustments in Strategies

The managers of all MNCs felt the need to change and adjust their business strategies to handle impacts of terrorism. All the MNCs quickly devised a number of security measures to achieve these goals. As the first step all MNCs started formulating written Standard Operating Procedures (SOPs) and rules to ensure organized response to threats of terrorism. Nest has devised a security booklet which was for all its companies across the globe. Beverages also had security manuals containing rules and procedures covering all keys areas of security for all its subsidiaries. However, the companies also devised additional Standard Operating Procedures (SoPs) as per local requirements to handle the terrorist impacts and to ensure security of their infrastructure and employees. Well thought-out, doable and written SOPs are very important to have reliable and regimented response to avoid terrorist attacks and their impacts.

They focused on devising security strategies according to the forms and nature of threats in respective host countries. For example, the manager of Oil Co-P thought that at some sites rioting or mob attacks could be more frequent. So, at those locations the management was given specific training to address that sort of threat. A major city was facing more violent mob attacks so the employees and security staff posted there were much better trained as compared to the employees in other places where rioting was not a problem. The security environment was not only different in the countries but in the regions within the countries. Security arrangements had to be tailored accordingly.

All companies considered it essential to hire competent security managers to ensure formulation and implementation of impregnable security measures. In Turkey, MNCs usually hired former police officers as the Security Managers because they had the experience of providing security, they were known to the police force and they, being the former colleagues, closely interacted with each other with confidence and trust. In Pakistan, mostly, retired army officers were hired as security managers because they retired from service at an early age whereas police officers retired at the ripe age of 60 years. Security managers should be experienced and resourceful, having contacts in security agencies and other government departments to get timely support in hour of
This pattern of hiring security managers was also indicative of the political environment and service structures of army and police in both the countries. Nest had hired security supervisors in regions that reported to the security manager and operated in close coordination as per the security manual and local SOPs. The security manager Beverages-T headed the security managers of the MNC in eight countries. The jurisdiction and operational patterns varied as per the internal and external environment of the MNCs but all the managers were duty bound to perform systematic identification of hazards and to manage them with appropriate risk assessments and subsequent actions to minimize danger.

All MNCs brought adequate modifications in their strategies to ensure continuity of business. They were aware that terrorism could disrupt business continuity, which was a major concern for them. Nest-T, in addition to other measures, enhanced the use of technology to ensure security to avoid discontinuity of business and any lull in supply chain activities. Similarly, Nest-P, besides other steps, established zonal security teams to give a prompt and structured response.

Oil Co-P prepared business utility plans, which were linked with crisis management. It aimed at ensuring continuity of business without putting the company in more danger. For example, different sites were designated to support and facilitate the areas and sites incapacitated by violence or terrorism. Fast Food-T had created a backup company; if one vendor was affected it had another available vendor. It had devised procedures that restaurants ensured supply to affected restaurants in case of disruption or emergency at any one of them. The managements of all MNCs took local environments into consideration while giving preference to one option over the other and made their contingency plans accordingly. Though all companies had contingency plans, hardly ever the same were needed or implemented. It was important to test a contingency plan to check its efficacy.

All companies claimed that they had a proactive approach to handle the impacts of terrorism. They claimed that they could actively respond to terrorist attack by rebuilding the damaged structure or targeted area. Building after disruption is a not proactive approach. For proactive approach the companies must look into future, have
good understanding of the threats, be equipped with foreknowledge and keep 
adequate measures and resources in place to obviate such threats and their fallouts. As 
compared to Nest Pakistan, the approach of Nest Turkey seemed more reactive and 
rather negative i.e. restrict movement, ban travel, ban sales activity etc. Passivity 
could affect efficiency and sales of the company. Such security measures should be 
adopted which may not slow down the operations and diminish the sales. However, in 
acute situation of terrorist threat the movements of employees, especially the higher 
echelon, and their travel can be temporarily curtailed. Beverage-P claimed to have a 
mix of proactive and reactive approaches whereas Beverages-T believed in proactive 
approach and fortified its IT security systems at Head Office and other units.

The managers must understand that crises evolve in an ordered fashion, passing 
through a series of stages, which are essentially those of pre-crisis, crisis and post-
crisis (Fink, 1986). They should be prepared to anticipate, respond, react and learn. 
Pauchant and Mitroff (1992) identified the resulting tasks for managers as signal 
detection, preparation and prevention, learning, containment and recovery. The first 
two require a proactive stance while the latter two are reactive and oriented towards 
the resumption of the status quo. Unlike 1980s and 1990s, after 9/11, to effectively 
fight terrorism, a better understanding of terrorists and terrorism must be gained than 
has been the case in the past (Hoffman, 2002). Learning from the experience is an 
interactive step and strengthening capabilities to deal with future problems 
(Henderson, 2003).

All MNCs except Beverages-P believed in playing a leading role for smaller 
companies and display best practices for them. They played an intentional leading 
role as a security model for the smaller firms. However, Beverages-P also affirmed 
that smaller firms do learn from them. It goes to confirm that organisations attempt to 
acquire legitimacy and recognition by adopting structures and practices viewed as 
appropriate in their environment (Björkman et al., 2007). New emerging practices are 
brought in by outsiders or “peripheral/marginal” organisations that are successful; 
others start mimicking them, motivated by their increasing legitimacy; as a result, new 
patterns of organisational action become shared and gradually institutionalized 
(Kostova and Roth, 2002).
It was better for the large MNCs to seek feedback of the smaller firms to confirm their satisfaction over the gaining of information and learning of lessons from them. In addition to strengthening the security environment for all MNCs it would have helped them attain legitimacy.

All MNCs except Beverages-T, employed a combination of bottom-up and top-down approach to have a holistic view by obtaining input of the executives as well as lot of people working at the lower rungs.31 Beverages-T preferred to get information from the ground and the beat force, which was primarily a bottom-up approach to make decisions, but understood that a combination of top down and bottom up approaches delivered better results. It showed that within institutional environment (country) there is a similarity (isomorphism) of business systems and organisational characteristics.

All MNCs had the mechanism to insure their assets against terrorism. True to the nature of isomorphism all MNCs made it mandatory to insure their buildings and assets. Insurance became part of the strategy to protect the assets from all sorts of destruction and disruption because the government, regulators, employees, other organisations and general public expected such an action from a large MNC. This step granted social acceptance which ‘gives rise to benefits like isomorphism and homogeneity among organisations’ (DiMaggio and Powell, 1983). But the MNCs seemed careless in providing full insurance to employees.

It is generally observed that companies try to avoid expenditures on specific terrorism related insurance. It is important for the host countries to offer terrorism risk insurance programs with varying degrees of government support. In the United Kingdom, as a result of the attacks by the Irish Republican Army, Pool Re was created in 1993 to provide insurers reinsurance on amounts in excess of their compulsory retentions of terrorism coverage. After September 11, other countries, most prominently France, Germany, Netherlands, and Australia, established

31 A "top-down" approach is where an executive decision maker or other top person makes the decisions of how something should be done. A "bottom-up" approach to changes one that works from a large number of people working together, causing a decision to arise from their joint involvement.

permanent or temporary terrorism risk insurance programs that involve some degree of governmental participation. In several other countries including Austria, India, and Taiwan, private programs were established that do not involve government support.32

All MNCs claimed that their respective boards and management devoted adequate time to security related issues. The security managers and TMT met regularly to discuss the security matters. They interacted regularly and exchanged information and ideas. The points and suggestions given by the security managers were discussed threadbare and decisions were taken accordingly. Most often major onus was on the security managers to be adept in his job and equipped with strong communication skills to convincingly apprise the management of the emerging threats.

The management of all MNCs knew quite well that regular inflow of credible and timely information about terrorism related situation and developments in the country and the region as well was critical for the security of business. All managers made a good arrangement to exchange information and stay in touch for better security environment. In Turkey, the camaraderie of corporate security managers, who were former police officers, helped them interact closely, frequently and reliably. In Pakistan, MNCs relied on their own intelligence, media and employees; mostly open source intelligence, which gave them a good picture of the trends and emerging threats. That information and assessment should be so cogent and credible that the Top management could believe it.

Security managers of all eight MNCs kept their TMT aware of impacts of terrorism. They arranged training and awareness sessions for them. MNCs knew that without having a fair understanding of the intricacies of security TMT would not be able to approve necessary measures and funds for security. They must be made aware of the dangers of terrorism to business and to the employees. They must be briefed on regular basis in this regard to create profound understanding of the direct and indirect impacts of terrorism.

A security manager (a retired army officer) of a large bank in Punjab, Pakistan

cribbed that security was usually the first prey of cost-cutting exercise because the TMT mostly did not give security the due weightage. Terrorism, howsoever rampant, is considered a distant phenomenon, which might not reach them. They must be regularly apprised of the fact that indirect threats have impacts on all businesses.

All MNCs had realized that decentralised units could defeat the objective of terrorists to disrupt the business activity permanently or for a longer time. Some MNCs like Fast Food and Oil Co had naturally scattered units which was a natural defence against such an impact. However, Nest -T had all offices at one place for convenience of effective administrative control. Though its manager did not show liking for decentralization of its infrastructure as a tactic, it had 9 depots at different places which was a decentralized arrangement. Nest-P has its factory and offices at different places prior to growth of terrorist threat. The fact remains that this arrangement can give the company a tactical advantage to avoid disruption of business.

Ironically despite rampant terrorism in the EMs, the MNCs did not expect mammoth terrorist attack which could totally destroy their infrastructure and operations. Even the American entities like Fast Food which had faced terrorist threats and attacks suffered from such misplaced expectations. Though total annihilation of a company through a terrorist attack had not happened, it could not be ruled out. If a security manager thinks such an attack cannot take place which would totally disrupt the business, axiomatically he and top management would not prepare themselves for such an eventuality. Ideally a security manager should be liberal in employing paranoia in his assessments of threats. The necessity for solid Disaster Recovery Plans has never been as evident as it is after September 11, 2001. In wake of the inception of global terrorism after this brutal terrorist attack, security became more important than ever, in every aspect of living.33

Hiring of vetted and security cleared new employees was considered essential in the EMs afflicted with terrorism. All MNCs ensured vetting or ground check of employees within confines of the laws of the host countries. In Turkey, law did not

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allow vetting therefore the MNCs relied on character certificates and guarantees. In Pakistan MNCs ensured background check of new employees. In the situation of heightened terrorism, sleeper agents and sympathisers can be extremely dangerous for the country and the companies as well. However, at times laws of the land do not allow snooping on the citizens and to get information about the citizens. This makes getting low-down on the employees a difficult task. The antidote can be to have guarantors about their characters.

Anxiety and fear of terrorist attack or in its aftermath can have severe impact on the morale and mental health of the employees. In a 2005 study of London residents conducted a few weeks after the 7th July 2005 terror attacks, 31% of respondents reported a significant elevation in stress levels and 32% reported an intention to travel less.34 A survey conducted soon after the September 11 attacks found that 17% of the US population living outside of New York City reported symptoms related to post-traumatic stress disorder. It is observed that when one spends hours every day watching, reading and listening to news related to terrorism related events, it can make people feel more vulnerable. And as cities go on alert because of the threat of future attacks, fear can cause stress. All MNCs were cognizant of the fact that fear was the most lethal impact terrorism could have on its employees. The managers were aware that anxiety and fear of terrorist acts and threats could mar the efficiency and productivity of their employees. All took measures to assuage their fear and anxiety. Mostly briefings were given to create awareness and to teach them how to manage fear and anxiety. Regular workshops and briefings and of course timely information to allay apprehensions were a must. The families of the employees also needed briefings.

The steps and measures taken by the MNCs, as discussed above, depicted their seriousness and well thought out arrangement to tackle impacts of terrorism. They claimed to have structured response to external threats, which confirmed that proper arrangements were largely in place to take decisions for action. It also provided them legitimacy ‘whether by virtue of being legally sanctioned, morally authorized or

culturally supported’ (Scott, 2008). The confidence of MNCs in their arrangements to make quick and correct decisions was a positive sign. However, room for improvement and changes is always there.

**Interaction with Host Government**

All MNCs made conscious and concrete endeavours to maintain good relations with the host governments. They started off by following the policies and laws of the land to create good image and good will. It was necessary because institutional arrangements define the social context of organisations and shape organisational actions. Oil Co-T, during the process of developing good working relationship with the host government realized that compliance of the laws of the land was a challenge as it necessitated changes in internal mechanics and systems. The manager Nest-P learnt during the process of complying with the regulations of the local environment that it had to strike a balance between international rules and local laws. Fast Food-T developed good relations with the host government and its departments because it was essential to bring about changes in its formal rules and structures in response to the institutional pressures and changes created by the impacts of terrorism.

Strangely Oil Co-P and Fast Food-P did not fare well in this regard and seemed to be reluctant to develop regular and close rapport with the host government departments. Though they claimed they had good relations with the concerned departments, in fact they only interacted with lower level police officers and local administration. Fast Food-P had faced attacks and threats but remained inactive in developing close relations with the host government. However, they diligently followed the rules and laws of the land.

In order to operate successfully on foreign soil, especially in the EMs, MNC must be ready to seek support of government departments as per the three-dimensional construct of country’s institutional profile, including regulatory, cognitive, and normative dimensions. All MNCs had developed close interactions with police and local governments in the host countries. Nest-T had not faced terrorist threats and attacks but its supply chains faced closure of routes in south east of the country or export shipments were delayed due to security reasons; it had to communicate with the police and seek its help. The security manager kept close liaison with the local
police and law enforcement agencies to meet such exigencies. Public Affairs Manager Nest-P worked closely with them. All other MNCs, except Oil Co-P and Fast Food-P, understood this aspect and strictly followed the similar ways to seek support of government departments.

Trust and harmony between MNCs and host governments create conducive business environment. Quick police response in case of emergency raises level of trust. All MNCs’ security teams consulted the LEAs to form security plans, which were accepted by the management. The interaction with the host governments was a two-way traffic. MNC complied with the laws and regulations whole-heartedly when favourable government policies created conducive environment for the MNCs. All the managers claimed that they had very good relationship with government departments at all levels because the respective host governments were doing their job very well. Their vital security organs like police, LEAs and armed forces did an excellent job in addressing the threats of terrorism. Similarly, the judicial system was quite efficient in dealing with terrorism cases in both countries. Implementation of laws through courts was of immense importance to bridle terrorism and to create confidence in the businesses. Efficient judicial system generated confidence. Rather MNCs could give recommendations to the governments to enact proper laws and policies to control terrorism and its impacts for the protection of businesses.

In order to meet the emerging legal requirements and new policies aimed at handling terrorism the companies sought opinion of legal experts and also discussed with other companies. MNCs consulted each other and deliberated over the new laws for uniform implementation. They brought about internal changes in their responses and regulations accordingly. Mimicking created a sense of legitimacy in all MNCs in Turkey and Pakistan therefore they adopted this approach. Legitimacy is achieved through becoming isomorphic as a result of adopting practices and structures that are institutionalized in a particular environment (Kostova and Zaheer, 1999), (Phillips et al., 2000). At times the governments in EMs lack the capacity to tackle terrorism therefore MNCs play a proactive role, like CSR, to tackle some aspects of terrorism. Any such action by a large MNC is mimicked by other MNCs. It earns them legitimacy and makes the implementation of their goals possible.
This proximity between the MNCs and the respective governments was the result of good government policies that created conducive environment for the MNCs and correspondingly eager compliance by the MNCs which earned them ‘Robust’ category in all aspects in consolidated analysis.

**Constraints/Limitations**

True to the fact that economic action of individuals and organisations is institutionally determined, all managers admitted that spending over security had increased after 9/11 and more budget was required to meet implementation of new measures and arrangements. Counter-terrorism (CT) spending by Western countries had increased over the past 15 years. Since 2001, the United States (US) federal expenditure on homeland security had grown on average by $360 billion annually. EU spending was estimated to have increased from €5.7 million in 2002 to €93.5 million in 2009. However unlike Foodie, that had expressed concern over approval of funds for security arrangements, all other MNCs did not show any such constraint. They agreed that on the pattern of the states, MNCs should bring together the expenditure elements needed to deliver and sustain MNC’s protection capabilities to meet the challenges of the future operating environment. The security managers must be armed with solid information to convince the top management to make reasonable increase in the budget for enhanced security arrangements. Nest-P claimed that it being a health wellness company took the matter of the safety and security of its employees very seriously therefore whatever amount was needed in this regard the company sanctioned promptly. Beverages-T believed in optimal use of existing funds therefore hardly any more funds were required. Oil Co-T believed that if case for extra funds for filling the chinks in the security armour was pleaded in a logical and forceful it was accepted and responded positively.

Expanding internationally can pose social and cultural challenges and it requires managerial adaptation due to differences between national cultures and prevalence of terrorism in host country. Nest and Beverages had been operating in these two EMs

and in this part of the world since long therefore social and cultural adaptability was not an issue for them. Nest Turkey was confident of ‘All Turks who understand the threat of terrorism’ to overcome such barriers.

In the Pilot study, the manager of Foodie had elaborated that it was quite complex to tackle religious extremism or talk about it freely as it could be construed as an attack on religion. The Law Enforcement Agencies also faced this dilemma and had to tread carefully to avoid stirring the religious sensibilities of different sects and religious parties. Social and cultural sensibilities become more accentuated in the environment afflicted with religious terrorism therefore more care is required to avoid stirring such cultural and social sentiments.

Other MNCs had also been operating in these countries for more than three decades therefore they had familiarized themselves with the local environment, norms and traditions. Most of their employees, including the managerial level, were locals who had no problem to understand the religious and social sensibilities of the people and stakeholders alike. MNCs have to operate differently from its base country and have to be cautious about the religious and cultural sensibilities of all segments of the society, which includes the employees as well.

In terrorism related issues quick decisions are a prerequisite to tackle the swift impacts of terrorism. All MNCs fine-tuned their decision making process to avoid delays and undue red tape. The managers knew that in case of high level of terrorist threats and impacts MNCs had to take quick decisions. Delays in decisions to tackle impacts of terrorism could be detrimental for the company. They claimed that decision-making was swift and in most cases the decisions pertaining to security matters were done locally. Local managements were authorized to take most of the decisions related to security plans and measures. Overall policy principals and guidelines which helped the MNCs to make quick decisions without deviating from the policy of the company.

It was however observed that though the MNCs in Turkey and Pakistan had similar back end policies and strategies, there were at times slight differences in decision making approaches and systems as per local environment, cultures and institutional systems of respective host countries.
Outcome

All MNCs realized the enormity of the overall post-9/11 security situation, severity of its impacts on the MNCs in the respective EMs and the correspondingly changing institutional factors which acted as catalyst to carry out necessary adjustments and changes in the security strategies. The outcome of the changes in the strategies was positive as it strengthened the security of the MNCs to face the impacts of terrorism and created a culture of security consciousness in the employees. It ensured a larger degree of security of the personnel, organisation and operations of the companies. Shared sense of urgency for security caused the required changes which were done in a calculated, careful and cogent manner, conforming to social and cultural milieu, local policies and laws. A multitude of SOPs, strategies and plans were devised and implemented diligently. There was an increase in the expenditures on the beefed-up security but the companies did not hesitate to spend the amount to deflect the impacts of terrorism. The TMT and employees took the new strategies seriously and accepted the changes because procrastination and slackness were not plausible options in an environment marred with suicide bombings and terrorist attacks. MNCs managed to develop rapport with the host governments, their security agencies and people of the respective countries that guaranteed unflinching support from them. The companies and their employees developed zeal and resilience to secure themselves and their infrastructure to stay relevant and competitive in the market. They all displayed almost similar organisational characteristics within specific institutional environment, with some local twists.

The study reveals that in challenging environment of uncertainty and threats of terrorism, MNCs showed tendency to emulate one another and respond to the social pressures. As predicted by the institutional theory the MNCs responded to laws and regulatory environment as well as norms and practices. It goes to prove that institutional arrangements define the social context of organisations and shape organisational actions.

The birth of culture of security consciousness in the employees of the MNCs confirms that they huddled together (Normative) and followed one another (Mimetic). They resorted to similar behavior due to institutional pressure for isomorphism. The theory
attempts to explain that this approach is also adopted to attain legitimacy. But this study shows that in the environment plagued with terrorism the MNCs adopted this approach for protection rather than legitimacy alone. This finding is significantly incongruent with what the theory attempts to explain.

The consolidated analysis shows Oil-Co-P and Fast Food-P responded to institutional pressure in relatively non-deterministic ways in interaction with host governments which confirms the idea of Kostova et al.(2008) that MNCs adopt idiosyncratic ways instead of isomorphic in institutionally weak environment.

In final conclusion it can be stated that the impact of terrorism on MNCs in EMs afflicted with terrorism was quite serious as all MNCs considered it the highest or gravest risk to businesses. After 9/11 incident global terrorism engulfed the entire world and all sectors faced its impact. Businesses, especially MNCs, were prime targets of the impacts. The leading MNCs operating in EMs like Turkey and Pakistan realized the need for urgent and sweeping changes in their systems, strategies and policies to cope with the emerging challenges. Their understanding and response had been satisfactory overall, with some slackness at times. They felt the need to resort to greater adaptability to the local environment and developed closer liaison with the host governments and their departments. They managed to overcome the constraints and limitations and showed resilience to continue to operate in these EMs. However future plans were a mixed bag.

The research questions and the questions for case studies were framed in a way that helped explore the behaviour of the MNCs, their approaches to address the impacts of terrorism and ways to address internal and external institutional environment. The eight case studies were studied separately and analysed in juxtaposition which gave vivid and viable answers to the research questions that appropriately built an argument, established the context of the problem, and explained MNCs’ activities to handle these problems and uncertainty. It also revealed the idiosyncratic and isomorphic behaviours of the MNCs and highlighted the role of actors in shaping institutional processes.

It can, thus, be summed up that post-9/11 terrorism emerged as top challenge for the MNCs around the world, especially in the EMs afflicted with terrorism. The
realization and understanding of the nature of impacts of terrorism on businesses is the key to initiate modifications and adjustments in the strategies and policies. The internal changes are made in light of external institutional factors. The MNCs embedded in the settings of host countries are in a better position to overcome the constraints and limitations. The MNCs that adopt the route of understanding of the post-9/11 terrorism and concomitant changing institutional context, realization of the form and nature of impacts on business, adjustments of strategies, religious implementation of new strategies, and determination to continue the business in the EM, can operate successfully and earn profits.

7.2 Theoretical Implications

Terrorism is a glaring peculiarity in EMs, which has not been profoundly researched specifically focusing on the role of the MNCs operating there. Institutional Theory enabled to explore and explain the approaches of MNCs embedded in country-specific institutional arrangements (Busenitz et al., 2000) of the EMs that have peculiar social system accentuated with prolonged existence of terrorism. It provided rich theoretical foundation for examining a wide range of critical issues and also allowed for theorizing at multiple levels of analysis, which was essential for MNC research (Djelic and Quack, 2003). It helped understand how MNCs responded to the institutional pressures caused by terrorism and why they adopted particular systems in particular emerging markets.

Use of this theory to understand and explain the impact of terrorism on MNCs in EMs has further developed the theory by considering terrorism as a distinctive political risk which creates distinct institutional factors requiring adjustments of strategies accordingly. The analysis of case studies depicted that, in such an environment, out of the three pillars of institutional factors, regulative factors gains more strength than the normative and cognitive factors. Deliberate and sustained efforts of the MNCs to maintain good relations with the host governments and their diligent adherence to laws of the land confirmed this standpoint.

It is observed that in the environment afflicted with terrorism, MNCs adopt structures and practices viewed as appropriate, not only to acquire legitimacy and recognition, as
expounded by Yildiz and Karakas (2012), but to ensure protection and security against the impacts of terrorism. Instead of striving to confirming to ‘undeniably legitimate versions of themselves’ MNCs care more about surviving the impacts of terrorism. The quest for isomorphism for legitimacy takes a back seat whereas the endeavours for survival come to the fore. But of course, it depends on the severity and longevity of terrorism and the strength of institutional environment.

The MNCs studied in this research were isomorphic under strong institutional environment and idiosyncratic in weak institutional environment. Oil Co- and Fast Food-P did not maintain the same level of warm interaction with the respective governments as by the other six MNCs, probably because of institutionally weak environment (Kostova et al., 2008). It confirms that individuals and organisations can respond to institutional pressures in comparatively non-deterministic ways in different environment (Thorton and Ocasio, 2008).

The analyses confirm that despite the threats of terrorism, all the MNCs operating in the two EMs were thriving and determined to continue the business which highlights a new and positive relationship between institutional uncertainty and entrepreneurship in EMs. Furthermore, this finding has abolished the myth that firms hesitate to operate in the countries with institutional distance or institutional uncertainty between them (Xu and Shenkan, 2002). Where there is a profit there is a way. MNCs make strategic adjustments to cope well with formal and informal institutions to overcome the uncertainties.

It is learnt that fear of impact of terrorism contradicts the theme of ‘habitualising’ as the heightened threat level does not let anything ‘taken-for-granted’ or as the ‘way these things are done’ (Scott, 1987). MNCs do adopt mimetic isomorphism and respond to taken-for-granted practices to circumstances of uncertainty if that fulfills their quest for protection and security.

These findings and developments indicate that in case of studying international business in the markets afflicted with terrorism, a psychological pillar ought to be added to the existing three pillars of the institutional theory. Fear is the most tangible fallout and the most potent tool of terrorism which is designed to have far-reaching psychological effects beyond the immediate as object of terrorist attack. It is not
appropriately taken into consideration and explained by regulative, normative and cognitive pillars. Psychological pillar must be added to study fear-factor which generates new patterns of organizational actions. It will sharpen the tools to study the institutional environment and the internal functioning of MNCs. There is a thin but fine difference between the cognitive and psychological mechanisms.

Second contribution can be to introduce ‘indigenousness’ as the essential structural ingredient of the MNCs based in EMs. Greater involvement of local management and employees can mute foreignness and minimize the role of national institutional environments to shape organisations’ practices and structures through coercive, mimetic and normative mechanisms. Indigenousness grants quick consistence with institutional environment, provides lasting legitimacy and reduces contradictory pulls from institutional factors in the local environment and by international isomorphic processes.

These developments and contributions at least offer new streaks for further discourse to use institutional theory in the studies related to international business and terrorism in emerging markets.

7.3 Managerial Implications

The revelations made in this study would help the MNCs and their managements to learn how to operate in EMs afflicted with terrorism, especially in dealing with the impacts of terrorism. At least five clear lessons in this regard are enumerated below.

First, the managers and security heads of MNCs can learn that adequate knowledge of current and previous terrorist threats is essential to adopt quick and correct measures to ward off the impacts. There is a direct connection between clear realization of the severity of terrorism and introduction of robust proactive measures to cope with it. In all eight case studies the interviewees were asked to spell out three main terrorist threats that could affect their businesses. All of them thought about it and gave cogent answers. The idea behind it was to gauge their insight and understanding of threats which could enable them to respond accordingly.

Second, managers should have a clear understanding of the difference in direct and indirect impacts of terrorism. All the managers who were interviewed considered
indirect impact as more important than direct impact of terrorism because it was
difficult to handle the former and could undermine the reputation and revenues of the
company. This finding offers authentic suggestion to the managers of MNCS to
develop better understanding of the nature and scope of terrorism. More importantly,
this would also bring clarity in understanding the importance of direct and indirect
impacts of terrorism and to choose the more lethal of the two to respond accordingly.
It would help them make correct threat assessment: the form and nature of
threats/impacts, adjustment in strategies accordingly, level of emphasis on quick
decision making, significance of closeness with the host government, methods of
overcoming the constraints and deliberations to make plans for the future impacts.

Third, MNCs must make stringent hiring policies with emphasis on hiring clean
employees. There should be enough filters to plug the entry of undesirable elements
who could act as fifth columnists or saboteurs. Either vetting should be carried out or
guarantees should be obtained before hiring and even during the job tenure.

Fourth, MNCs can learn to take sustained measures to mitigate anxiety and fear of
their employees caused by terrorist acts and threats. Workshops on stress and fear
management can be very useful for emotional well-being of the employees. Nest-P
ran Safety, Health and Environment (SHE) program to address the anxiety caused by
fear of sudden terrorist attacks or due to physical or emotional set-back to its
employees. It can be emulated by MNCs as a permanent component of their policy for
the psychological health of their employees.

Fifth, MNCs and the host governments ought to have close relationship to ensure
security of the MNCs which would create confidence in prospective investors too.
The interaction of MNCs with the host governments in an environment marred with
terrorism is greater as compared to stable and serene environment. The MNCs strive
to establish closer and cordial relations with the governments and their concerned
departments. Similarly governments ought to be caring and close to the MNCs
because they bring in FDI in their countries and they need protection from all sorts of
threats, especially from terrorism. This study will arm the governments with credible
knowledge to understand the impact of terrorism, how MNCs respond to it and how to
handle the situation in a deliberate and planned manner.
In addition to above there are many more findings in this study which provide cogent and credible suggestions and lessons for MNCs and the host governments to ensure security for sustained and uninterrupted operations of MNCs.

7.4 Limitations

Despite conducting elaborate case study interviews, at times the responses from the interviewees seemed sketchy and information on decisions and processes seemed deficient. Prior to conducting the interviews, it was realized that word terrorism might make the interviewees cringe and lift their guards up against divulging requisite information. Its negative connotation, strikes wrong chords of the governments and MNCs who axiomatically feign to deny its presence and try to sweep it under the carpet as if it does not exist nor has any bearing on them. This difficulty was faced while seeking permission and time for interview and later during the course of interviews. These hurdles were overcome with repeated and relentless approaches along with repeated questioning. The gap of deficient information was largely plugged by going through the documents like policies of the MNCs.

In Turkey, the managers were quite cautious to use the word terrorism or dilate upon it. However, they complied with the agreed date, time and pattern of interviews. In Pakistan, the managers showed reluctance for interview but were more candid during interviews. Fast Food-P and Oil Co-T were cautious and careful in giving elaborate answers which meant they withheld some information. Probably this was the reason that integration and cumulating of knowledge (pertaining to terrorism) had been difficult to achieve (Young and Findley, 2011) and resulted in little integrated research on the impacts of terrorism on MNCs in EMs.

It is possible to investigate the subject by employing quantitative method, using survey based approach, by sending elaborated questionnaires on large scale to the key persons of the MNCs who have been involved in their security and management affairs. However, first, the topic is sensitive therefore many might not like to respond the questionnaire and secondly, this methodology would analyse the subject in a generalized manner and may also falter due to faulty or incomplete information which otherwise could be verified by interacting directly with the each concerned key person.
and examining the related documents.

7.5 Future Plans and Suggestions for Future Research

Though all MNCs had good understanding of the emerging security scenarios and had taken multiple steps to strengthen their security, ironically and erroneously they all thought they had developed enough capacity to respond proactively to the localized issues therefore future plans were not needed at this point in time. This led them to think less about further changes and plans for improvement in future. All considered the threat of CBNR attacks as farfetched and a very remote possibility. This steered them into a state of inertia, in an absence of any visible action and contingency plans, regarding the threats of such magnitudes. They shifted the responsibility to counter such attacks on the respective governments and their respective security apparatus. Experts are of the opinion that the risk of hazardous (CBNR) incidents in military or even civil scenarios is very real, with potentially devastating consequences for people and the environment. The governments ought to have supported the MNCs to make them realize about the impending dangers of CBNR so that they could take preemptive measures. Institutional environments of a country can be supportive of particular types of economic activity, depending on the established regulatory, cognitive, and normative institutional arrangements (Yiu and Makino, 2002).

The managers of all MNCs were confident that their HR policies had already been developed and modified during last ten years due to soaring terrorist threats therefore there was no plan to change the employment/hiring patterns in future. Emphasis on hiring security cleared and clean employees would continue. Though the security manager Nest Turkey didn’t think that terrorism had impact on hiring policies, the fact that locals were being hired for higher slots of management shows this change. In a subtle way employment/hiring patterns do change. All Corporate Security Managers in Turkey are locals. Adopting appropriate HRM approaches is critical to successfully implement different strategic orientations of MNCs (Tarique et al.,

It was a positive aspect that none considered disinvestment as an option. Once the MNCs had started operations it was not easy to make decisions to stop further investment or make major decision of disinvestment because of terrorism, especially when the company was making profits in that country. There was a realization of deteriorating security conditions but disinvestment was not on the cards. All MNCs demonstrated resilience intended to enhance investment and had plans to stay in the respective EMs for times to come. Xu and Shenkan, (2002:614) are of the view that firms hesitate to enter or operate in the countries with such distance and uncertainty. But it is established that once the firms start their business in countries with uncertainties and start earning profits, they do not hesitate to continue their business there.

From this study sprout many avenues for future research in the same field. The themes of this study offer a good ground to carry out research on every theme separately. Full-fledged topics of research out of these themes can be like, Post-9/11 Terrorism and Institutional factors that impact MNCs; Managers’ Realization and Response to ever-increasing terrorism; Why adjustments in strategies and SOPs are vital to cope with impacts of terrorism; Importance of interaction with host governments in EMs; Constraints and Limitations that can hamper the formulation and adjustment of new security measures; Understanding future of terrorist threats to MNCs etc.

Terrorism thrives on creating fear which impacts not only the immediate targets but all and sundry around it. There is a need to study the impact of fear of terrorism or threats of terrorism on the employees of MNCs and subsequent fall-outs on their operations and how to tackle the phenomenon.

All MNCs considered the threat of CBNR attacks as unlikely and a very remote possibility. Researches show that though CBNR attacks are rare, the threat is tangible, therefore effective risk management requires pro-active measures, vigilance and innovation. Further research should be conducted on this aspect especially pertaining to the role of MNCs as well as governments to ascertain the likelihood of CBNR attacks and impacts on businesses and to find out ways and means to tackle them.
During the last few years there has been an increase in terrorist acts in UK and other European countries like France, Italy, and Germany etc. It necessitates research on the impact of terrorism on businesses in developed countries, especially those which have experienced terrorism. The research can be conducted on the new threats and trends of terrorism in these countries and how MNCs respond to the impacts. The scope of study can be extended by selecting cases from developed countries. The number of interviewees and the countries can be enhanced to validate the findings.

Preparation against impacts of terrorism is the key to ensure continuity of operations but nearly one in four companies has no business continuity plan at all, and a further 14% say their plan is insufficient in light of current political violence (Czinkota et al., 2010). Though my study shows a better state of preparedness in EMs afflicted with terrorism, this aspect of neglect in formulation of business continuity plan, especially in developed countries facing terrorism, needs to be explored further to ascertain the reasons of this apathy and to offer suggestions to overcome it.
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## Appendix A: Journals and Papers used in Literature Review

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