

5

Global Security Risks, Emerging Markets and Firm Responses: Assessing the Impact of Terrorism

Luis Alfonso Dau, Elizabeth M. Moore
and Max Abrahms

Introduction

Despite the best efforts of states and international organisations, events such as acts of terrorism continue to occur (Lutz & Lutz, 2008; Institute for Economics and Peace, 2014). Such external events have negative ramifications on the economic development and advancement of affected areas by impacting the performance of MNEs and other firms operating there. In an effort to mitigate the negative effects of acts of terrorism, both policymakers and academics have increasingly been devoting time and research to identify different resilience and counterterrorism mechanisms of firms and markets (Art & Richardson, 2007; Chen & Siems, 2004; Miller, 2008). Surprisingly, however, there has been limited attention paid by scholars to the intersection of firms and terrorism (Czinkota, Knight, Liesch, & Steen, 2010). Furthermore,

L. A. Dau (✉)

D'Amore-McKim School of Business, Northeastern University,
Boston, MA, USA

e-mail: L.Dau@northeastern.edu

E. M. Moore

Global Resilience Institute, Northeastern University, Boston, MA, USA

e-mail: moore.el@husky.neu.edu

M. Abrahms

Department of Political Science, Northeastern University, Boston, MA, USA

e-mail: m.abrahms@northeastern.edu

there continues to be a void in understanding the toolkits available to firms to bolster their financial resilience. Given the international diffusion of mass-casualty terrorist attacks, and hence, the topical nature of this phenomenon, we propose that it is important that scholars and policymakers develop a firmer understanding of how firms can develop their counterterrorism resilience.

In this chapter, we highlight that business is a primary target of terrorists (Sandler & Lapan, 1988). Extant literature has already discussed how acts of terrorism aim to cripple society and cause severe disruptions in business and economic operations (Clarke, 2015; Tilly, 2004). Specifically, the strategic management literature suggests that when firms experience pressure and changes in their external environment they must maintain a minimum level of efficiency to survive and remain profitable (Dau, Moore, & Soto, 2016a; Husted & Allen, 2006; Peng, Wang, & Jiang, 2008). However, limited attention has been devoted towards an understanding of how firms can respond specifically to external pressures such as acts of terrorism (Czinkota et al., 2010; Frey, 2009). We therefore pose a number of key questions, such as: Are there strategic decisions that firms can make to mitigate the damage caused in the wake of a terrorist act? How can firms augment their financial resilience when faced with acts of terrorism? Moreover, what impact (if any) does the type of markets firms operate in have on the relationship between firms and their financial resilience to terrorism? Concerning our last question, prior studies have noted that both regime type and market type tend to have an effect on firm performance (Dau & Wesley, 2016; Hennart, 2012). Further, the resilience and counterterrorism literature have also assessed which types of governments are most effective at responding to acts of terrorism (Abrahms, 2007) and some found that non-democracies may potentially respond swifter and more effectively to acts of terrorism compared with democratic states (e.g. Crenshaw, 1983; Pape, 2005; Piazza, 2006). This means that it may be useful to also capture in our studies how firms from different national and institutional contexts may be better at maintaining efficiency levels to survive and even thrive following critical events such as a terrorist attack.

To this end, we propose that emerging market multinational enterprises (EMNEs) may be better equipped to survive and remain profitable after a terrorist attack than developed or advanced market multinational enterprises (AMNEs), because the former have more substantive prior market experiential knowledge concerning how to operate amidst contexts characterised by chaos and institutional voids (Dau, Moore, & Bradley, 2015; Dau et al., 2016; Ayyagari, Dau, & Spencer, 2015). This phenomenon can already be seen through firms such as CEMEX, Tata Group and Grupo Argos. Moreover, we explain that EMNEs are also better equipped to survive and remain profitable

after a terrorist attack than domestic firms from the same home country, since terrorism creates an opportunity to internationalise and diversify that EMNEs are more capable of seizing. To illustrate the aforementioned propositions, we utilise Grupo Carso from Mexico as a case study of an EMNE that has responded remarkably well to acts of terrorism. Despite being a single-country case study, this chapter builds on both the firm performance and EMNE literature. It contributes to the literature on EMNEs by suggesting that some EMNEs may have prior market experiential knowledge that allows them to respond better to terrorist activities than other firms. As such, we argue that EMNEs have specific toolkits that allow them to respond effectively to market disruptions, like those that follow in the wake of acts of terrorism. Moreover, it adds to the literature on firm performance by examining how terrorist activity impacts the knowledge, competition and opportunities of firms—an intersection that is, perhaps surprisingly, scarce in prior studies. We suggest that terrorism represents an external environmental pressure that forces firms to leverage their existing knowledge bases and increase their competitiveness to survive. More so than other external environmental pressures, terrorist activity creates a vacuum of power in the impacted area(s). Thus, for firms to survive, they are encouraged to increase competition and seek opportunities abroad, while simultaneously navigating through the market disruptions created.

By looking at the intersection of EMNEs and terrorism events, this chapter aims to provide a starting point for a research program that can be expanded upon in future scholarship. The remainder of this chapter is structured as follows. Section one will provide a brief overview of firm performance, terrorism and EMNEs. Section two will outline the logic concerning the proposed relationships between firm performance, terrorism and EMNEs. Section three will utilise Grupo Carso from Mexico as a case study to provide evidence to support our propositions. Finally, Section four provides a discussion and some conclusions.

Firm Performance, Terrorism and EMNEs

Firm Performance

Previous studies have already demonstrated that firm performance is predicated on the market, competition and opportunities available to the firm (e.g. Dau, 2011, 2013; Loecker & Goldberg, 2014; Miller, Washburn, & Glick, 2013). Each of these components impacts the ability of the firm to

survive and increase its profitability. To survive, a firm must therefore be able to accrue key resources such as experiential market knowledge and translate that knowledge into strategic decisions (Johanson & Vahlne, 1977; Kaplan, Schenkel, von Krogh, & Weber, 2001; Wales, Parida, & Patel, 2013). Based on the knowledge acquired through experience, a firm must understand how to effectively respond to both internal and external pressures in order to maintain a minimum level of efficiency (Kaplan et al., 2001). Firms are expected to absorb knowledge from their home environments, which they can subsequently leverage as a competitive advantage either domestically or internationally where they compete against other foreign entrants as well as local competitors (Bruhn & McKenzie, 2013; Conner & Prahalad, 1996). Amidst globalisation, there is an increase in the rate and volume of people, products and capital flowing across borders (Austin, McKinney, & Kick, 2012; Mahtaney, 2013; Stohl, 2004). Competition with both foreign entrants and other local companies forces firms to learn new strategies, new methods of operation, new innovation techniques and new governance structures (Fosu, 2013; Ocampo, 2011). As such, if a firm cannot adapt and learn from other local firms and or foreign entrants, it may not survive.

Finally, firm profitability will only increase when firms seize new opportunities (Barney, 1996; Schilling & Steensma, 2002), which can arise internally or externally (Alvarez & Busenitz, 2007; Dau, 2015, 2016). A firm can create new opportunities by innovating products or altering methods of production (Andersson, 2011; Wiklund & Shepherd, 2003). Alternatively, external opportunities arise from new market conditions or through internationalisation processes (Eisenhardt & Schoonhoven, 1996; Patel & Fiet, 2011). Naturally, firms that become more capable to continuously seize new opportunities are expected to be more profitable than firms that do not.

Terrorism

By definition, acts of terrorism are intended to disrupt normalcy and cause fractures in the day-to-day life of individuals as well as firms in order to gain political objectives and advances (McCauley & Moskalenko, 2008; Clarke, 2015; Abrahms, 2008). In order for such an event to be classed as an act of terrorism, there must be evidence of intention to coerce, intimidate or convey an intimidating message (Prabha, 2016; Ruby, 2002). Further, the action must exceed the context of legitimate warfare activities (Blomberg, Hess, & Tan, 2011; LaFree, 2010). Commonly, terrorists carry out these goals through the use of violence against the state or against individuals

(Finlan, 2003). Within the literature, three main types of terrorism have been identified: demonstrative, destructive and suicide (Cronin, 2002, 2003). Demonstrative terrorism is generally used to gain publicity for recruiting, to air grievances, and to accrue external sympathy (Crenshaw, 1981). Destructive terrorism is used to coerce opponents and mobilise support for their cause (Denzin, 2007). Suicide terrorism is aimed at extreme shock and showing complete devotion of the cause (Pape, 2005). In the latter case, the insurgent actors act in accordance with their beliefs that no other avenue for expression against the oppressive forces that they are fighting would be adequate (Hoffman, 2006; Peleg, Regens, Gunter, & Jaffe, 2011). Events of terrorism therefore range from individual shooters to suicide bombers to massive organised campaigns aimed at creating chaos and splintering societies (see Kapitan, 2003; McCauley & Moskalenko, 2008; Miller, 2008).

Despite the efficacy of terrorism (Abrahms, 2006, 2012, 2013), which falls outside the scope of this particular examination, terrorism results in the following: increased uncertainty, a lack of security, a limit in overhead social structures and a drop in inward foreign direct investment (FDI) and foreign aid (Blomberg et al., 2011; Gaibullov & Sandler, 2009). Further, it is important to note that entrepreneurs and corporations are common specific targets of the violence carried out by terrorists due to the incentives they offer and the space they occupy within local communities (Abrahms, 2007, 2008; Savun & Phillips, 2009). Notably, scholars have recognised that 'Terrorists hope that economic costs, when combined with human losses from economically damaging attacks, will pressure besieged governments to concede to their political demands' (Gaibullov & Sandler, 2011: 335).

Hence, successful attacks of terrorism may indicate a loss of legitimacy for the state and an exposure of limitations in the capability and institutions of the national government (Kehayan & Napoli, 2005; Meierrieks & Gries, 2013; Piazza, 2006). As a result of these limitations, resiliency becomes particularly important (Carp, 2010; Davis, 2014). Resiliency entails both the prevention of future terrorist attacks and the rebuilding process after the attack takes place (Berke & Campanella, 2006; Hartman & Winsler, 2006; Kuiper, 2012). Resiliency structures are put in place to minimise damage created by the violence. These structures and actions range from the individual to the community, to the firm and also to state levels. Given the increase in terrorist attacks across the world, it is imperative that both scholars and practitioners understand the different mechanisms that actors across these different levels can use to increase resiliency in the face of such violent events.

Theoretical Justification for Examining the Intersection Between EMNEs and Terrorism

There has been an increasing dialogue on EMNEs and the potentially unique toolkits that they have at their disposal to strategise (Buckley & Tian, 2017; Hennart, 2012; Ramamurti & Singh, 2009). Literature suggests that multinational companies from emerging markets are in possession of different sets of experiential market knowledge, and thus respond to market competition and business opportunities in divergent ways than AMNEs (Dau, Moore, & Soto, 2016b; Gaffney, Cooper, Kedia, & Clampit, 2013; Ramamurti, 2004). In response to globalisation, firms from emerging markets not only have to survive within their local markets, but also feel pressure to expand abroad (Ramamurti & Singh, 2009). As such, scholars have sought to understand what competitive advantages EMNEs have, and how their home country environments make them distinctive and equip them with survival mechanisms in light of globalisation. Furthermore, an increase in acts of terrorism has also been associated with globalisation and considered as a drawback of the free movement of goods and individuals. Empirical evidence also suggests that acts of terrorism take place globally meaning that they may take place in both emerging markets as well as advanced economy markets. Thus, we propose that it would be timely and important to understand the different ways in which EMNEs, in particular, tend to respond to acts of terrorism and the consequences of such events on EMNEs' performance.

EMNES and Firm Performance in Dangerous Locations

Firm performance is primarily associated with a firm's ability to acquire knowledge, respond to competition and take advantage of internal and external opportunities (Buckley & Tian, 2017; Miller et al., 2013). Globalisation has been associated with both positive and negative effects for businesses (Burgoon, 2012; Keohane & Nye, 2000). Political and societal violence pose, at present, large threats to business performance. Such violence destabilises political, economic and social institutions (Lutz & Lutz, 2008). As of late, terrorism has become one of the largest sources of political and societal violence, which has led us to argue that the effect of acts of terrorism on businesses from emerging markets is worthy of empirical investigation. Despite the best efforts of policymakers and governments

to respond to different forms of violence and promote resilience, they still plague countries all over the world (Art & Richardson, 2007; LaFree & Dugan, 2009; Miller, 2008). As previously noted, violence such as terrorism causes drastic disruptions to normalcy (Crenshaw, 1983; Kapitan, 2003). Further, terrorists asymmetrically target firms since they represent a vital economic lifeline for societies (Frey, 2009; Herzenstein, Horsky, & Posavac, 2015; Sandler & Lapan, 1988). One explanation for this is that terrorists are expected to achieve their political and social goals by attacking firms as a form of 'economic strangulation' (Abrahms, 2006, 2008) as 'economic strangulation' caused by acts of terrorism, pressures politicians and governments to respond to, and work with, terrorist groups.

Most importantly perhaps is the observation that, when a terrorist attack occurs, there is an immediate power vacuum (Chenoweth, 2010; Crenshaw, 1983). Even in countries that have strong existing institutions, events associated with terrorism can have lasting impacts. Take the example of the attacks against the USA on 11 September 2001. Regardless of the institutions, strength and reputation of the country prior to the attacks, the political attitude and cognitive atmosphere within and surrounding the country changed following the attacks (Denzin, 2007; Drakos, 2004; Rapoport, 2001). Trust and security were compromised, despite these events occurring in a developed country (Abrahms, 2011; Cronin, 2003). The events interrupted the lives and routines of individuals and thus also impacted firm on behaviour and business performance. Therefore, after an act of terrorism unfolds, a country (whether developed or emerging) becomes vulnerable (Crenshaw, 1983; Cronin, 2003).

Extant literature suggests that EMNEs have unique toolkits that other multinational companies do not possess (Kapur & Ramamurti, 2001; Ramamurti & Singh, 2009). Specifically, emerging markets are characterised by low levels of transparency and trust in governments, less codified formal institutions and weaker enforcement mechanisms (Aizenman, 2003; Sanfilippo, 2015). As such, they are not only viewed as suitable targets for acts of terrorism but also when terrorism does strike, the impact may be exacerbated since emerging countries had already suffered from institutional voids. Conversely, advanced markets typically experience highly formalised institutions, high levels of transparency and increased levels of trust in the government (Darity & Davis, 2005). Given the increased potential for institutional destabilisation within emerging markets particularly following extreme destabilising events such as events of terrorism, we propose that scholars should examine how firms from emerging countries respond to terrorism.

We propose that experience of navigating institutional voids may provide a competitive advantage to EMNEs when faced with the aftermath of events of terrorism. Scholars have already demonstrated that, unlike their counterparts, EMNEs have accrued experiential knowledge from operating in less stable and less institutionalised markets (notably, Buckley & Tian, 2017; Luo & Wang, 2012). Thus, prior to a terrorist act, EMNEs already have a greater level of internal knowledge on how to respond to external uncertainty, chaos and disruptions (Aizenman, 2003; Gaffney et al., 2013). This may mean that, when a terrorist act occurs, an EMNE has a knowledge-based advantage due to their prior market experience of operating in a relatively volatile environment. That is not to say that all EMNEs will survive and thrive following a terrorist attack, or that firms from advanced markets will not, but rather that EMNEs may have a better chance at maintaining a minimum level of efficiency to survive in uncertain and volatile environmental conditions.

Moreover, we argue that this prior experiential market knowledge can be used by EMNEs to seize opportunities for internationalisation, giving them an advantage over domestic firms from the same home country. Unlike local firms from emerging markets, EMNEs already have the knowledge and capability to operate abroad in both developed and other emerging host markets (Ramamurti, 2004; Ramamurti & Singh, 2009). The power vacuum and uncertainty brought on by terrorism create both competition and opportunities for internationalisation. Terrorism exposes the failures of the sovereignty of the government, thus inviting foreign entrants into the market. This creates competition and forces EMNEs and local firms to rise to the increased competition (Dau, 2012, 2017). Unlike local firms, however, EMNEs already have the capability and knowledge necessary to expand internationally and insure their growth and survival when the home environment is uncertain. International expansion is therefore a strategy to disperse risk (Papanastassiou, 1999). Extant organisational literature posits that decentralisation is also a form of resilience (Tommasi & Weinschelbaum, 2007). We extend this logic to propose that the more geographically diverse a firm is, the more likely that firm is to survive terrorist threats. Thus, the increased pressure from terrorist activity, coupled with the unique market experiential knowledge that EMNEs have acquired, leads to the following assertion.

Proposition *EMNEs have unique toolkits that allow them to leverage knowledge and seize opportunities after a terrorist event to maintain viable levels of performance, thereby increasing their likelihood of survival.*

Contextual Evidence from Mexico

The Terrorism Threat

As previously mentioned, acts of terrorism have taken place in countries all over the globe. We have chosen to focus on Mexico, which is one of the countries that has experienced extreme pressure from both domestic and international terrorists as terrorism has hit several Mexican cities. Since 1970, Mexico has experienced over 500 terrorist attacks resulting in between 60,000 and 100,000 deaths (START, 2015). Moreover, the attacks have intensified since 1990. Prior to 1990, the average Global Terrorism Index (GTI) score for Mexico was 31.47 (Berkebile, 2017). Since 1990, however, the average GTI score has jumped dramatically to 112.43, making Mexico one of the largest victims of terrorism globally. In 1997 alone there were 95 incidents of terrorism, claiming roughly 300 casualties (START, 2015). Moreover, four of the most notable incidents of terrorism in Mexico have occurred since 2008: the Morelia grenade attacks, the Ciudad Juarez rehab centre attack, the Puebla oil pipeline explosion attack and the Monterrey casino attack (Campbell & Hansen, 2014).

The Mexican government has tried to build resilience by fomenting partnerships with the USA and implementing stricter regulations against terrorism (Longmire & Longmire, 2008; Williams, 2012). The United States' Department of Homeland Security has attempted to initiate policy aimed at identifying and suppressing the prevalence of narco-terrorism within Mexico (Campbell & Hansen, 2014). Further, it has tried to isolate the Hezbollah network that extends from South America into Mexico and the USA. In an attempt to reduce terrorism, the Mexican Senate introduced and approved a reform to the terrorism laws within the country (Open Security, 2014). The bill outlines punishment of 15–40 years in prison for any action that seeks to generate fear among the Mexican population. Despite the intentions of the law, countless Mexicans still live in a constant state of terror.

Additionally, scholars suggest that ISIS will likely increase their operations in Mexico in order to use the state as a launch pad into both North and South America (Campbell & Hansen, 2014; Flanigan, 2012). As such, it is critical that both policymakers and managers adjust their strategic responses to the increasing threat of terrorism. Below we introduce briefly the example of Grupo Carso, a large EMNE that has recognised the need to respond swiftly and effectively to acts of terrorism to avoid destabilising the

company, which could have led to negative performance outcomes for the entire group.

Firm Responses and Performance: The Case of Grupo Carso

Grupo Carso is one of the largest EMNEs from Mexico. It has a market valuation of \$10.5 billion US dollars and is diversified into several industries ranging from industrial, to retail, to infrastructure, to energy, to automotive, to housing. Carlos Slim, who is currently ranked as the seventh richest man in the world, founded Grupo Carso more than 30 years ago in 1980. It is made up of three major divisions: Grupo Condumex, Grupo Sanborns and Carso Infraestructura y Construccion. The three divisions operate in four continents (North America, South America, Europe and Asia) and 30 plus countries (Grupo Carso, 2016).

The main headquarters of Grupo Carso is in Mexico City (Grupo Carso, 2016). According to the Global Terrorism Database, Mexico City is one of the most impacted cities within Mexico. Two of the most notable attacks directly on Mexico City came on 31 January 2013 and 31 October 2016 (START, 2015). Between these two attacks, many individuals were affected. In the two months prior to both attacks, stock prices in Grupo Carso dropped to very low levels to around five dollars a share (Grupo Carso, 2016). Following the attacks, however, stock prices rebounded and continued to rise steadily. The same effect was seen following the 2016 terrorism events. Conversely, the overall Mexican economy did not experience the same rebound (Nayyar, 2011). From 2012 to the end of 2013, the gross domestic product growth rate in Mexico experienced a low of -1.2% (World Bank, 2016). Moreover, it dropped 0.5 percentage points between 2015 and to the beginning of 2016. Additionally, when acts of terrorism peaked in Mexico in 1995, the country's growth rate hits its record low of -6.20% (World Bank, 2016).

Grupo Carso has publicly noted previous responses to terrorism. The company noted that after the attack against the USA in 2001, sales were impacted. Some of their sales dropped by as much as 14%, specifically within their Grupo Sanborns division (Grupo Carso, 2001). Moreover, the net loss following the attacks reached 13.6 million USD (Grupo Carso, 2001). In response to the severe losses, Grupo Carso announced a restructuring plan to diversify sales abroad, improve productivity and restructure

operations and management to reduce liabilities and risk for shareholders. Within this plan, the primary focus was to first invest more money abroad immediately following the attacks. After a terrorist attack, a domestic economy is often strangled and disrupted. The company effectively sent money abroad, and as a result, they reduced the risk of their money being lost or negatively impacted by the destabilised economic institutional framework. A second focus of the plan was to restructure internally. By flattening out the governance structure of the company, they were able to diversify the risk. This strategy built resilience within the company since it mitigated the potential for a terrorist attack to undermine the firm entirely. By investing more financial resources abroad and restructuring internally, the company was able to rebound by the beginning of 2002. Although the attacks of 2001 were detrimental, it allowed the company to acquire and internalise knowledge on how to respond to such events and remain profitable in the face of extreme external environmental shocks such as terrorism. We argue that there is much to learn from their example particularly with regard to the strategic decisions that firms make in response to environmental shocks and the role of home market institutions and institutional development in providing them with the necessary resources and knowledge capabilities to respond effectively.

Discussion and Conclusion

The purpose of this chapter is to discuss a very topical and important business issue that sits at the intersection between terrorism, firm performance and the strategies of EMNEs. This chapter examines EMNEs with regard to their domestic and international responses to the pressures experienced from terrorism. As such, it adds to the growing conversation on EMNEs and how they may use their unique resources and capabilities to strategise and sustain their growth and performance. We assert that EMNEs have an advantageous starting point for surviving and remaining profitable in the wake of a terrorist attack, stemming from the prior market experiential knowledge and capabilities they accrue from their home environments. Further, we argue that EMNEs are more likely to outperform domestic firms, given their ability to seize international opportunities forced from terrorism.

This chapter hopes to also add some insights into the burgeoning field of resilience. At present, there is still too limited empirical as well as theoretical research on the interplay between acts of terrorism and firm performance. This chapter builds upon the limited existing research program and

thus invites future scholars to extend our earlier proposition. The case example provided of Grupo Carso supports our proposition that EMNEs have unique toolkits that allow them to leverage knowledge and seize opportunities after a terrorist event to maintain viable levels of performance, thereby increasing their likelihood of survival.

By examining the relationship between terrorism and EMNEs, this chapter offers several important theoretical contributions. The Literature on firm performance indicates that profitability and survival are contingent upon a firm's ability to absorb and leverage experiential market knowledge, increase competitiveness and seize opportunities. We extend this discussion by parsing out the ways that terrorists, as foreign entrants, impact these three elements that comprise firm performance. We argue that when market-disrupting events take place, firms may need to accrue the knowledge necessary to adapt to the disruption and uncertainty created in that market to increase or maintain their competitiveness. Moreover, we argue that extreme events such as acts of terrorism force firms to exploit the opportunity to grow and internationalise into more stable markets. In this context, we argued that EMNEs have a distinct advantage of possessing prior knowledge of operating in uncertain institutional environments and may be less disturbed by external destabilising events. Given the characteristics inherent within an EMNE's home country conditions, these firms already have some knowledge and capabilities with regard to operating amidst disruptions and uncertainty, as well as internationalising in order to escape such disruptions and uncertainty. Thus, we also contribute to the literature on EMNEs by investigating their strategies responses to more specific external events other than those related to the market in which the firm operates and or its competitors.

The ideas expressed and contextual evidence provided in this chapter have the potential to provide some insight not only for academics interested in conceptualising the effect of acts of terrorism but also for practitioners and policymakers. As terrorism continues to threaten the security and stability of markets across the world, it is imperative that managers and CEOs understand how terrorism challenges profitability and how to build financial resilience to recover from terrorist activities. This preliminary study suggests that EMNEs have knowledge and capabilities to operate in uncertain environments prior to a terrorist attack. Moreover, it suggests that there is a benefit to internationalising in the face of terrorism. Practitioners would benefit from leveraging knowledge from EMNEs and absorbing their resilience strategies to survive potential post-terrorist attacks. For example, through the case study, it became evident that restructuring quickly and

diversifying is a beneficial tool that EMNEs can employ. Further, this chapter highlighted that EMNEs have adapted this tool in a timely manner primarily because they have become accustomed to operating within destabilised institutional environments in their home markets. As such, MNEs would benefit from understanding and employing this restructuring and diversifying technique if and when such cases of extreme environmental uncertainty occur.

This chapter also posits that EMNEs build resilience to terrorism by investing more resources abroad, since their home market lacks in economic and political stability even prior to the events of terrorism taking place. Other MNEs could consider this strategy to pre-emptively augment resilience to terrorism and other forms of violence that may destabilise institutions. Additionally, this research offers important insights for policymakers. Terrorists attempt to induce financial strangulation by attacking firms to achieve their political goals. Policymakers and government officials could mitigate the potential success of terrorists by understanding how to augment the financial resilience strategies of firms.

Despite the insights of this chapter, it is critical to recognise that this research program is novel and can be expanded upon in future research. As such, this chapter serves as a launching point for further theoretical and empirical analyses. It would be advantageous to complement this case study with an examination of multinational companies from other market types to examine the generalisability of the ideas put forward. For example, future scholars could examine multinational firms from different advanced and emerging markets to assess the diverse ways in which firm performance is impacted following events of terrorism. Moreover, the research program could be expanded by both interview-based studies and large-scale statistical analyses. Future scholarship on financial resilience would benefit from firm-specific insights stemming from conversations with managers and CEOs as their perceptions may reveal more about why some firms are more resilient than others. Additionally, it would be beneficial to trace extensive patterns of EMNE performance in relation to terrorist activity.

As terrorist threats continue to exacerbate, resilience efforts have increased. Both practitioners and academic scholars are seeking to understand how to bolster counterterrorism efforts and augment resilience. Even though businesses are one of the primary targets of terrorists, there is limited scholarship on this topic. Our chapter serves as a preliminary study aimed at understanding the divergent ways in which EMNEs respond to and survive terrorist attacks in a globalised world. Finally, such a debate allows us to emphasise the importance of having organisational resilience in the

strategy ‘toolkits’ of MNEs, particularly for firms operating in highly uncertain, volatile environments, given that more resilient MNEs may, indeed, be the higher performers in the long term.

References

- Abrahms, M. (2006). Why terrorism does not work. *International Security*, 31(2), 42–78.
- Abrahms, M. (2007). Why democracies make superior counterterrorists. *Security Studies*, 16(2), 223–253.
- Abrahms, M. (2008). What terrorists really want: Terrorist motives and counterterrorism strategy. *International Security*, 32(4), 78–105.
- Abrahms, M. (2011). Does terrorism really work? Evolution in the conventional wisdom since 9/11. *Defence and Peace Economics*, 22(6), 583–594.
- Abrahms, M. (2012). The political effectiveness of terrorism revisited. *Comparative Political Studies*, 45(3), 366–393.
- Abrahms, M. (2013). The credibility paradox: Violence as a double-edged sword in international politics. *International Studies Quarterly*, 57(4), 660–671.
- Aizenman, J. (2003). Volatility, employment and the patterns of FDI in emerging markets. *Journal of Development Economics*, 72(2), 585–601.
- Alvarez, S. A., & Busenitz, L. W. (2007). The entrepreneurship of resource-based theory. *Entrepreneurship: Concepts, Theory and Perspective*, 27(6), 207–227.
- Andersson, S. (2011). International entrepreneurship, born globals and the theory of effectuation. *Journal of Small Business and Enterprise Development*, 18(3), 627–643.
- Art, R. J., & Richardson, L. (2007). *Democracy and counterterrorism*. Washington, DC: US Institute of Peace Press.
- Austin, K. F., McKinney, L. A., & Kick, E. L. (2012). Globalisation: Theories of convergence and divergence. *Routledge international handbook of world-systems analysis* (p. 560). London: Routledge International Press.
- Ayyagari, M., Dau, L. A., & Spencer, J. (2015). Strategic responses to FDI in emerging markets: Are core members more responsive than peripheral members of business groups? *Academy of Management Journal*, 58(6), 1869–1894.
- Barney, J. B. (1996). The resource-based theory of the firm. *Organisation Science*, 7(5), 469.
- Berke, P. R., & Campanella, T. J. (2006). Planning for postdisaster resiliency. *The ANNALS of the American Academy of Political and Social Science*, 604(1), 192–207.
- Berkebile, R. E. (2017). What is domestic terrorism? A method for classifying events from the global terrorism database. *Terrorism and Political Violence*, 29(1), 1–26.
- Blomberg, S. B., Hess, G. D., & Tan, D. Y. (2011). Terrorism and the economics of trust. *Journal of Peace Research*, 48(3), 383–398.

- Bruhn, M., & McKenzie, D. (2013). *Entry regulation and formalization of microenterprises in developing countries*. Policy Research Working Paper Series, June.
- Buckley, P. J., & Tian, X. (2017). Internalization theory and the performance of emerging-market multinational enterprises. *International Business Review*, 26(5), 976–990.
- Burgoon, B. (2012). Inequality and anti-globalisation backlash by political parties. *European Union Politics*, 14(3), 408–435.
- Campbell, H., & Hansen, T. (2014). Is narco-violence in Mexico terrorism? *Bulletin of Latin American Research*, 33(2), 158–173.
- Carp, J. M. (2010). Resiliency: The essence of survival in chaos. *Families in Society: The Journal of Contemporary Social Services*, 91, 266–271.
- Chen, A. H., & Siems, T. F. (2004). The effects of terrorism on global capital markets. *European Journal of Political Economy*, 20(2), 349–366.
- Chenoweth, E. (2010). Democratic competition and terrorist activity. *The Journal of Politics*, 72(1), 16–30.
- Clarke, C. P. (2015). *Terrorism, Inc.: The financing of terrorism, insurgency, and irregular warfare*. Santa Barbara, CA: ABC-CLIO.
- Conner, K. R., & Prahalad, C. K. (1996). A resource-based theory of the firm: Knowledge versus opportunism. *Organisation Science*, 7(5), 477–501.
- Crenshaw, M. (1981). The causes of terrorism. *Comparative Politics*, 13(4), 379–399.
- Crenshaw, M. (1983). *Terrorism, legitimacy and power—The Consequences of political violence*. Middletown, CT: Wesleyan University Press.
- Cronin, A. K. (2002). Rethinking sovereignty: American strategy in the age of terrorism. *Survival*, 44(2), 119–139.
- Cronin, A. K. (2003). Behind the curve: Globalisation and international terrorism. *International Security*, 27(3), 30–58.
- Czinkota, M. R., Knight, G., Liesch, P. W., & Steen, J. (2010). Terrorism and international business: A research agenda. *Journal of International Business Studies*, 41(5), 826–843.
- Darity, W., & Davis, L. S. (2005). Growth, trade and uneven development. *Cambridge Journal of Economics*, 29, 141–170.
- Dau, L. A. (2011). Reforms, multinationalization, and profitability. In L. Toombs (Ed.), *Academy of management best paper proceedings*. Briarcliff Manor, NY: Academy of Management.
- Dau, L. A. (2012). Pro-market reforms and developing country multinational corporations. *Global Strategy Journal*, 2(3), 262–276.
- Dau, L. A. (2013). Learning across geographic space: Pro-market reforms, multinationalization strategy, and profitability. *Journal of International Business Studies*, 44(3), 235–262.
- Dau, L. A. (2015). A model of the firm's sources of experiential knowledge in the internationalisation process. In V. Taras & M. A. Gonzalez-Perez (Eds.), *The handbook of experiential learning in international business* (pp. 65–90). London: Palgrave Macmillan.

- Dau, L. A. (2016). Knowledge will set you free: Enhancing the firm's responsiveness to institutional change. *International Journal of Emerging Markets*, 11(2), 121–147.
- Dau, L. A. (2017). Contextualizing international learning: The moderating effects of mode of entry and subsidiary networks on the relationship between reforms and profitability. *Journal of World Business*.
- Dau, L. A., & Wesley, D. (2016). Overcoming the home field disadvantage: How BRICS firms adapt to market reforms. In R. van Tulder, A. Verbeke, J. Carneiro, & M. A. Gonzalez-Perez (Eds.), *Progress in international business research, volume 11: The challenge of BRIC multinationals* (pp. 175–193). Bingley: Emerald Group.
- Dau, L. A., Moore, E. M., & Bradley, C. (2015). Institutions and international entrepreneurship. *International Business: Research, Teaching, and Practice*, 9(1), 1–20.
- Dau, L. A., Moore, E. M., & Soto, M. (2016a). The great recession and emerging market firms: Unpacking the divide between global and national level sustainability expectations. In C. Gurdgiev, L. Leonard & M. A. Gonzalez-Perez (Eds.), *Lessons from the great recession: At the crossroads of sustainability and recovery* (pp. 165–187). Bingley: Emerald Group Publishing Limited.
- Dau, L. A., Moore, E. M., & Soto, M. (2016b). Informal transnational political actors and emerging markets: Understanding entrepreneurship in a changing normative atmosphere. In A. Walsh (Ed.), *Entrepreneurship and firm performance* (pp. 19–41). Hauppauge, NY: Nova Science Publishers.
- Dau, L. A., Moore, E. M., Soto, M., & LeBlanc, C. (2016). How globalization sparked entrepreneurship in the developing world: The impact of formal economic and political linkages. In B. Christiansen & F. Kasarci (Eds.), *Corporate espionage, geopolitics, and diplomacy issues in international business* (pp. 72–91). Hershey, PA: IGI Global.
- Davis, L. E. (2014). Have we gone too far with resiliency? *Social Work Research*, 38(1), 5–6.
- Denzin, N. K. (2007). Terrorism and the Politics of Fear. *Contemporary Sociology: A Journal of Reviews*, 36(3), 266–267.
- Drakos, K. (2004). Terrorism-induced structural shifts in financial risk: Airline stocks in the aftermath of the September 11th terror attacks. *European Journal of Political Economy*, 20(2), 435–446.
- Eisenhardt, K. M., & Schoonhoven, C. B. (1996). Resource-based view of strategic alliance formation: Strategic and social effects in entrepreneurial firms. *Organisation Science*, 7(2), 136–150.
- Finlan, A. (2003). Warfare by other means: Special forces, terrorism and grand strategy. *Small Wars & Insurgencies*, 14(1), 92–108.
- Flanigan, S. T. (2012). Terrorists next door? A comparison of Mexican drug cartels and middle eastern terrorist organisations. *Terrorism and Political Violence*, 24(2), 279–294.
- Fosu, S. (2013). Capital structure, product market competition and firm performance: Evidence from South Africa. *Quarterly Review of Economics and Finance*, 53(2), 140–151.

- Frey, B. S. (2009). How can business cope with terrorism? *Journal of Policy Modeling*, 31, 779–787.
- Gaffney, N., Cooper, D., Kedia, B., & Clampit, J. (2013). Institutional transitions, global mindset, and EMNE internationalisation. *European Management Journal*, 32(3), 383–391.
- Gaibulloev, K., & Sandler, T. (2009). The impact of terrorism and conflicts on growth in Asia. *Economics and Politics*, 21(3), 359–383.
- Gaibulloev, K., & Sandler, T. (2011). The adverse effect of transnational and domestic terrorism on growth in Africa. *Journal of Peace Research*, 48, 355–371.
- Grupo Carso. (2001). Grupo Carso Structure. *Annual Report*.
- Grupo Carso. (2016). Investment Portfolio and Historic Trends. *Corporate Profile*.
- Hartman, S., & Winsler, A. (2006). Resiliency. In N. J. Salkind (Ed.), *Encyclopedia of human development* (Vol. 3, pp. 1075–1077).
- Hennart, J.-F. (2012). Emerging market multinationals and the theory of the multinational enterprise. *Global Strategy Journal*, 2(3), 168–187.
- Herzenstein, M., Horsky, S., & Posavac, S. S. (2015). Living with terrorism or withdrawing in terror: Perceived control and consumer avoidance. *Journal of Consumer Behaviour*, 14(4), 228–236.
- Hoffman, B. (2006). Inside terrorism. *Political Science Quarterly*, 114, 432.
- Husted, B. W., & Allen, D. B. (2006). Corporate social responsibility in the multinational enterprise: Strategic and institutional approaches. *Journal of International Business Studies*, 37(6), 838–849.
- Institute for Economics and Peace. (2014). *Global terrorism index: Measuring and understanding the impact of terrorism*. Sydney: Institute for Economics and Peace.
- Johanson, J., & Vahlne, J.-E. (1977). The internationalisation process of the firm—A model of knowledge development and increasing foreign market commitments. *Journal of International Business Studies*, 8(1), 23–32.
- Kapitan, T. (2003). The Terrorism of ‘Terrorism’. *Terrorism and International Justice*, 13, 47–66.
- Kaplan, S., Schenkel, A., von Krogh, G., & Weber, C. (2001). Knowledge-based theories of the firm in strategic management: A review and extension. *Academy of Management Review*, 617, 1–47.
- Kapur, D., & Ramamurti, R. (2001). India’s emerging competitive advantage in services. *Academy of Management Perspectives*, 15(2), 20–32.
- Kehayan, V., & Napoli, J. C. (2005). *Resiliency in the face of disaster and terrorism: 10 things to do to survive* (p. 95). Fawnskin, CA: Personhood Press.
- Keohane, R. O., & Nye, J. S. (2000). Globalisation: What’s new? What’s not? (And so what?). *Foreign Policy*, pp. 104–119.
- Kuipera, N. A. (2012). Humor and resiliency: Towards a process model of coping and growth. *Europe’s Journal of Psychology*, 8(3), 475–491.
- LaFree, G. (2010). The global terrorism database (GTD): Accomplishments and challenges. *Perspectives on Terrorism*, 4(1), 24–46.
- LaFree, G., & Dugan, L. (2009). Research on terrorism and countering terrorism. *Crime and Justice*, 38(1), 413–477.

- Loecker, J. D., & Goldberg, P. K. (2014). Firm performance in a global market. *The Annual Review of Economics*, 6(1), 201–227.
- Longmire, S. M., & Longmire, J. P. (2008). Redefining terrorism: Why Mexican drug trafficking is more than just organized crime. *Journal of Strategic Security*, 1(1), 35–52.
- Luo, Y., & Wang, S. L. (2012). Foreign direct investment strategies by developing country multinationals: A diagnostics model for home country effects. *Global Strategy Journal*, 2, 244–261.
- Lutz, J. M., & Lutz, B. J. (2008). *Global terrorism. US foreign policy*. London: Routledge.
- Mahtaney, P. (2013). *Globalisation and sustainable economic development: Issues, insights, and inference*. New York: Palgrave Macmillan.
- McCauley, C., & Moskalenko, S. (2008). Mechanisms of political radicalization: Pathways toward terrorism. *Terrorism and Political Violence*, 20(3), 415–433.
- Meierrieks, D., & Gries, T. (2013). Causality between terrorism and economic growth. *Journal of Peace Research*, 50(1), 91–104.
- Miller, C. C., Washburn, N. T., & Glick, W. H. (2013). The myth of firm performance. *Organisation Science*, 24(3), 948–964.
- Miller, S. (2008). Terrorism and counter-terrorism. *Terrorism and Counter-Terrorism: Ethics and Liberal Democracy*, 579, 1–222.
- Nayyar, D. (2011). The financial crisis, the great recession and the developing world. *Global Policy*, 2(1), 20–32.
- Ocampo, J. A. (2011). Global economic prospects and the developing world. *Global Policy*, 2(1), 10–19.
- Open Security. (2014). *Mexico: Terror and "Terrorism."* Available at <https://www.opendemocracy.net/opensecurity/alejandro-garcia-de-la-garza/mexico-terror-and-terrorism>.
- Papanastassiou, M. (1999). Technology and production strategies of multinational enterprise (MNE) subsidiaries in Europe. *International Business Review*, 8(2), 213–232.
- Pape, R. A. (2005). *Dying to win: The strategic logic of suicide terrorism*. New York: Random House.
- Patel, P. C., & Fiet, J. O. (2011). Knowledge combination and the potential advantages of family firms in searching for opportunities. *Entrepreneurship: Theory and Practice*, 35(6), 1179–1197.
- Peleg, K., Regens, J. L., Gunter, J. T., & Jaffe, D. H. (2011). The normalisation of terror: The response of Israel's stock market to long periods of terrorism. *Disasters*, 35(1), 268–283.
- Peng, M. W., Wang, D. Y. L., & Jiang, Y. (2008). An institution-based view of international business strategy: A focus on emerging economies. *Journal of International Business Studies*, 39(5), 920–936.
- Piazza, J. A. (2006). Rooted in poverty?: Terrorism, poor economic development, and social cleavages. *Terrorism and Political Violence*, 18(1), 159–177.

- Prabha, K. (2016). Defining terrorism. *Strategic Analysis*, XXIV(1), 125–135.
- Ramamurti, R. (2004). Developing countries and MNEs: Extending and enriching the research agenda. *Journal of International Business Studies*, 35(4), 277–283.
- Ramamurti, R., & Singh, J. J. V. (2009). *Emerging multinationals in emerging markets (a)*. Cambridge, MA: Cambridge University Press.
- Rapoport, D. C. (2001). The fourth wave: September 11 in the history of terrorism. *Current History*, 100(650), 419–424.
- Ruby, C. L. (2002). The definition of terrorism. *Analyses of Social Issues and Public Policy*, 2(1), 9–14.
- Sandler, T., & Lapan, H. E. (1988). The calculus of dissent: An analysis of terrorists' choice of targets. *Synthese*, 76(2), 245–261.
- Sanfilippo, M. (2015). FDI from emerging markets and the productivity gap—An analysis on affiliates of BRICS EMNEs in Europe. *International Business Review*, 24(4), 665–676.
- Savun, B., & Phillips, B. J. (2009). Democracy, foreign policy, and terrorism. *The Journal of Conflict Resolution*, 53(6), 878–904.
- Schilling, M. A., & Steensma, H. K. (2002). Disentangling the theories of firm boundaries: A path model and empirical test. *Organisation Science*, 13(4), 387–401.
- START. (2015). GTD Global Terrorism Database. *National Consortium for the Study of Terrorism and Responses to Terrorism*, 63.
- Stohl, C. (2004). Globalisation theory. *Engaging Organisational Communication Theory and Research*, 8(3), 223–261.
- Tilly, C. (2004). Terror terrorism, terrorists. *Sociological Theory*, 22, 5–13.
- Tommasi, M., & Weinschelbaum, F. (2007). Centralization vs. decentralization: A principal-agent analysis. *Journal of Public Economic Theory*, 9(2), 369–389.
- Wales, W. J., Parida, V., & Patel, P. C. (2013). Too much of a good thing? Absorptive capacity, firm performance, and the moderating role of entrepreneurial orientation. *Strategic Management Journal*, 894, 12.
- Wiklund, J., & Shepherd, D. (2003). Knowledge-based resources, entrepreneurial orientation, and the performance of small and medium-sized businesses. *Strategic Management Journal*, 24(13), 1307.
- Williams, P. (2012). The terrorism debate over Mexican drug trafficking violence. *Terrorism and Political Violence*, 24(2), 259–278.
- World Bank. (2016). Country Profiles; Mexico. *World Development Indicators*.