



PERSPECTIVE

Terrorism and international business: A research agenda

Michael R Czinkota^{1,2},
Gary Knight³,
Peter W Liesch⁴ and
John Steen⁴

¹McDonough School of Business, Georgetown University, Washington, USA; ²The University of Birmingham, Birmingham, UK; ³College of Business, Florida State University, Tallahassee, USA; ⁴UQ Business School, The University of Queensland, St Lucia, Australia

Correspondence:

G Knight, College of Business,
Florida State University, Tallahassee,
FL 32306-1110, USA.
Tel: +1 850 321 6875;
Fax: +1 850 644 4098;
E-mail: gknight@fsu.edu

Abstract

Terrorism threatens international business (IB) through its direct and indirect effects. As governments tighten security at public sites, businesses have become more attractive terrorist targets, with important implications for the operations and performance of multinational firms. While terrorism has been substantially studied in other fields, there has been little scholarly research to address terrorism and the distinctive challenges that it poses for IB. In this article we conceptualize terrorism in relation to IB. We provide background on the dimensions and effects of terrorism, and develop a theoretical grounding for terrorism research by drawing on the literature from IB, economics, political science, and other fields. After discussing findings from the literature review, we offer a comprehensive agenda for future research regarding the relationship between terrorism and IB. Our agenda emphasizes the effects of terrorism, organizational preparedness, company strategy and performance, global supply chain and distribution channels, and human resource issues. Our review helps establish a baseline for future empirical research. Consistent with the early stages of research, IB scholars are encouraged to offer useful perspectives and effective solutions that shed needed light on terrorism and help reduce its destructive effects for IB and multinational firms.

Journal of International Business Studies (2010) 41, 826–843.

doi:10.1057/jibs.2010.12

Keywords: terrorism; corporate security; multinational enterprises (MNEs); global environment; international business research agenda

INTRODUCTION

Since the 1980s, terrorism has become increasingly complex and lethal (Enders & Sandler, 2006; Frey, Luechinger, & Stutzer, 2007). Broadly speaking, three interrelated trends have significantly altered the nature of terrorism:

1. the *globalization* of commerce, travel, and information transfer, which increases the salience of economic disparities and ideological competition, and facilitates the ability of far-flung but like-minded collaborators to undertake harmful activities;
2. the ascent of *religious fundamentalism*, and its militant exercise, particularly in Islamic countries; and
3. the availability of *weapons that can cause mass destruction* (including nuclear, chemical, and biological weapons), providing small groups, or even individuals possessing very limited resources, with asymmetrical, deadly power (Beeson & Troesken, 2006; Czinkota, Knight, & Liesch, 2004; Enders & Sandler, 2000; Victoroff, 2005; Wernick, 2006; Witschel, 2004).

Received: 14 October 2008

Revised: 13 February 2010

Accepted: 21 February 2010

Online publication date: 8 April 2010



The direct effects of terrorism are characterized by loss of life, as well as by destruction of infrastructure, buildings, and equipment. However, few firms experience these effects. By contrast, terrorism's *indirect effects* tend to be widely felt. These include declines in buyer demand, increased IB transaction costs, interruptions in international supply chains, declines in foreign direct investment (FDI), and new government regulations and procedures intended to stem emergent threats (Barth, Li, McCarthy, Phumiwasana, & Yago, 2006; Bouchet, 2004; Czinkota et al., 2004; Ketata & McIntyre, 2008; Lenain, Bonturi, & Koen, 2002; Spich & Grosse, 2005).

The transaction or friction costs associated with terrorism can significantly affect international commerce (Blomberg & Hess, 2006; Fratianni & Kang, 2006; Lutz & Lutz, 2006). For example, international supply chain interruptions following the September 11, 2001 attacks in the United States ("9/11") led Ford to temporarily close five of its US auto plants (Siekman, 2003). The global express delivery firm Federal Express lost over \$100 million in the 48 h after the 9/11 attacks (Navarro & Spencer, 2001). Scholars have found a strong association between terrorism and declines in international investment (e.g., Alon & McKee, 2006; Blomberg & Hess, 2006; Fratianni & Kang, 2006). For example, Lutz and Lutz (2006) analyzed 23 Latin American countries between 1969 and 1988, and found that terrorism had significant, negative effects on inward investment and economic development.

Terrorism produces new impediments to cross-national trade and investment, as national and supra-national governments impose anti-terrorism policies, regulations, and procedures (Czinkota et al., 2004; Spich & Grosse, 2005). Such responses have the potential to alter the commercial environment in ways more harmful to business interests than the terrorist events that provoked them (Czinkota et al., 2004; Enders & Sandler, 2006). For example, increased inspections of shipping containers and new security programs to protect ports have decreased the efficiency of international shipping and logistics (Aggarwal, 2006; Gori, 2004; Spich & Grosse, 2005). Since 2003 the United States has enforced the "24-hour rule", according to which sea carriers are required to provide the US Customs Service with detailed descriptions of the contents of any sea container bound for the United States no less than 24 h before the container is loaded onto a vessel at a foreign seaport. The

contents listing must be highly specific. Failure to comply means the vessel will not be allowed to dock at a US port (Hannon, 2003). New shipping delays are said to be equivalent to a tariff rate of 2.4%, similar to all the protective tariffs imposed by Japan (United States Trade Representative, 2006).

Terrorism consumes government, military, and private resources expended to prevent and guard against it. For example, from 2001 through 2005, military spending in the United States was increased by nearly \$100 billion to fund the "war on terrorism", in addition to the cost of conflict in Afghanistan and Iraq (Niskanen, 2006). The airport search procedures used by the US Transportation Security Administration cost about \$5 billion a year (Niskanen, 2006). Government subsidies to police and fire departments for terrorism preparedness cost several billion dollars annually (de Rugy, 2005; Niskanen, 2006). Firms incur additional billions annually to manage terrorism-induced risk, and to comply with government regulations and procedures intended to thwart terrorism (e.g., Barnes & Oloruntoba, 2005; Business Roundtable, 2005; Eggers, 2004; Frey et al., 2007).

In order to assess managerial concerns, we reviewed annual reports of Fortune 500 firms from 2003 to 2006, and found 1141 mentions of "terrorism", an average of more than one mention in every other annual report. The tendency to mention terrorism increased during the period in several key sectors. In a Gallup International survey (2008) of 61,600 randomly chosen people in 60 countries, out of 13 choices the "war on terrorism" was cited as the fourth most important priority for world leaders (following "eliminating poverty", "economic growth", and "reducing wars").

Scholars have cited terrorism as a key international policy issue (Czinkota & Ronkainen, 2009), and one of the critical frontier IB issues (Ricart, Enright, Ghemawat, Hart, & Khanna, 2004). Ricart et al. (2004) noted that terrorism is on the rise and "the ultimate form of anti-globalization". We searched the library database ABI/Inform in the period 1986–2008 in scholarly journals, and found 1381 articles with the word "terror", "terrorism", or "terrorist" in the article title, from such fields as economics and political science. Through 2009, the *Journal of International Business Studies* featured only one article focused on terrorism, Harvey's (1993) seminal study on corporate tactical approaches. In short, with few exceptions (e.g., Kotabe, 2005; Suder 2004a, 2006), there has been relatively little research regarding terrorism and IB.

In this article we seek to advance scholarship in this area. We conceptualize terrorism in relation to IB; provide a comprehensive review of extant, relevant literature to provide background for scholarship; and offer a comprehensive agenda for future research on the relationship between terrorism and IB.

In the next sections we draw on the extant literature from IB, economics, and political science, to provide background on terrorism. Our review helps establish a baseline for future empirical research on terrorism and IB, and to uncover findings that suggest areas where IB scholars can focus research efforts. The literature review provides theoretical grounding in order to lay a foundation for future research. Then, after discussing findings from the literature review, we offer a comprehensive agenda for future research, regarding the relationship between terrorism and IB.

BACKGROUND ON TERRORISM

Terrorism is the premeditated, systematic threat or use of violence by subnational groups to attain a political, religious, or ideological objective through intimidation of a large audience. It involves communicating a political, religious, or ideological message via fear, coercion, or intimidation of non-combatant persons or the general public (Alexander, Carlton, & Wilkinson, 1979; Enders & Sandler, 2000; Hoffman, 2006; Rosendorff & Sandler, 2005; Wernick, 2006). The goal is to influence a target audience and affect its behavior in ways that serve the interests of the terrorist (Victoroff, 2005).

International terrorism adds the dimension of crossing national borders. The international dimension of terrorism emphasizes acts that arise from the "foreign ties of its perpetrators, the nature of its institutional or human victims, the target of its demands, or the execution of its logistics" (Enders & Sandler, 2000: 309; Mickolus, Sandler, & Murdock, 1989). Also, acts planned in one country and executed in another are considered international terrorism.

However, the distinction between international and domestic terrorism is not always apparent. For example, the 2005 bombings in London's public transport system were carried out by four Muslim men, three of them born in Britain, and the fourth in Jamaica. While the men were influenced by the terrorist group Al-Qaeda, it is unknown whether Al-Qaeda actually directed the attacks (House of Commons, 2006). In this way, terrorists may have domestic origins, but draw inspiration

from global networks. Regardless of its origins, terrorism holds important implications for the operations and performance of the multinational enterprise (MNE).

Terrorism has existed throughout history (e.g., Hoffman, 2006; Wernick, 2006). Most scholars suggest that terrorism's modern era began in 1968, with the hijacking campaign mounted by Palestinian organizations following Israel's Six Day War (e.g., Hoffman, 2006). The year 1979 was significant, with takeover of the US embassy in Iran, the start of a new century in the Islamic calendar, and the Soviet Union's invasion of Afghanistan (Enders & Sandler, 2000; Rapoport, 2004). The 9/11 attack was a pivotal event that increased the salience of terrorism for MNEs.

Certain aspects are fundamental to terrorism (Crenshaw, 2001; Cronin, 2003; Enders & Sandler, 2006; Hoffman, 2006; Victoroff, 2005). First, terrorism aims to precipitate change. At its root, terrorism is about some group's perception of justice, whether man-made or divine. Terrorism is a violent form of signaling that aims to change minds by destroying physical assets, and injuring or killing people. Second, while war and other forms of state use of force are typically subject to international norms and conventions, terrorists generally do not follow such rules, nor are they protected by them. Third, in order to maximize the psychological impact, terrorism has a deliberately unpredictable quality. Random attacks achieve systemic effects by intimidating a wide audience and arousing general anxiety. Terrorism events in London, Madrid, Tokyo, and Washington suggest that attacks are unpredictable and can occur anywhere. Finally, terrorism involves aggression against civilians. In order to inspire fear, terrorism deliberately targets non-combatant citizens (Cronin, 2003; Victoroff, 2005).

Terrorism occasionally achieves the outcomes desired by its perpetrators. For example, businesses and governments have made payments to release prisoners held by terrorists (Van Natta, 2003; Kydd & Walter, 2006). Typically, however, terrorism does not achieve its intended strategic objectives (e.g., Abrahms, 2006, 2008; Crenshaw, 1988; Neumann & Smith, 2005). Terrorists' goals are often unstable, may evolve quickly, and change rapidly (Abrahms, 2008; Crenshaw, 1988). Some terrorist groups neglect to specify their political goals (Hoffman, 1997). Terrorist organizations typically do not disband after failing consistently to achieve political goals (Abrahms, 2006, 2008).

Table 1 Major terrorist events

<i>Event</i>	<i>Date</i>	<i>Victims</i>
Attack on Israeli athletes at the Olympic Games	5 September 1972	11 killed
Attacks on US and French military personnel, Lebanon	23 October 1983	305 killed, 75 injured
Airliner bombing over Lockerbie, Scotland	21 December 1988	270 killed
World Trade Center, New York	26 February 1993	6 killed, 1042 injured
Sarin gas attack, subway, Tokyo	20 March 1995	12 killed, 1034 injured
Subway system, Paris	25 July 1995	8 killed, 80 injured
Central Bank, Colombo, Sri Lanka	31 January 1996	91 killed, 1400 injured
US embassy, Nairobi, Kenya	7 August 1998	213 killed, about 4000 injured
World Trade Center, New York	11 September 2001	2992 killed, numerous injured
Nightclub, Bali, Indonesia	12 October 2002	202 killed, 209 injured
Ferry system, Philippines	27 February 2004	116 killed, numerous injured
Commuter trains and stations, Madrid	11 March 2004	191 killed, 2050 injured
Subway system, London	7 July 2005	56 killed, about 700 injured
Marriott Hotel, Islamabad, Pakistan	20 September 2008	53 killed, about 250 injured
Various hotels and facilities, Mumbai, India	26–29 November 2008	173 killed, about 308 injured

Table 1 lists recent terrorist attacks that inflicted substantial casualties and destruction. These events are noteworthy because they inflicted much harm and destruction, and typically struck at sites important to firms and nations, such as military installations, public transportation systems, major business-related facilities, and tourist destinations. In recent years the likelihood of death or injury from an attack has increased. Greater lethality results partly from the rise of suicide attacks, which became relatively common by the 1990s (Moghadam, 2008). Worldwide, the number of suicide attacks in 2001 was 53 (including the 9/11 attacks), and peaked at 300 in 2005, with Iraq accounting for about half of all such attacks (Moghadam, 2008). As the Iraq war receded, suicide attacks declined. But they likely will remain a popular tactic because, in addition to their ability to kill dozens of people, they produce significant psychological harm and other indirect effects, with implications for business. The Christmas 2009 Al-Qaeda-inspired incident in a commercial aircraft in the skies over Detroit, Michigan, was a failed suicide bombing that, if successful, might have cost several hundred lives, both in the aircraft and on the ground.

The National Counterterrorism Center reports that, since the beginning of the war in 2003, Iraq was the site of the largest proportion of terrorist attacks (National Counterterrorism Center, 2009). Excluding Iraq provides a clearer picture on the occurrence of terrorism worldwide. Iraq excluded, the number of worldwide terrorist attacks has trended upward, with 7690 attacks in 2005, 7914

in 2006, 8296 in 2007, and 8512 in 2008. During that time, the average fatality rate increased to just over one death per attack (National Counterterrorism Center, 2009). As per the table, numerous individual incidents resulted in hundreds of dead and casualties. While most attacks are concentrated in the Middle East and South Asia, terrorism occurs in every region of the world. Most attacks are directed at civilians, businesses, and business-related infrastructure (National Counterterrorism Center, 2009; US Department of State, 2002).

The New Terrorism

For most of the 20th century, terrorism was motivated primarily by nationalism, separatism, Marxist ideology, and socio-economic inequality (Enders & Sandler, 2000; Wilkinson, 1986). In the 1980s, however, new factors emerged that differentiate contemporary terrorism (“new terrorism”) from earlier forms. For one, new terrorism tends to be more violent than earlier forms. New terrorists have shown a willingness to mount attacks that inflict massive damage and loss of life (Enders & Sandler, 2006; Hoffman, 2006; Wernick & Kundu, 2008). Examples include the 9/11 attacks, the Madrid train bombing, and the Mumbai, India, event. In addition, new terrorists tend to be less discriminating about their intended targets, and often direct their violence toward “soft targets”, such as hotels, mass transit systems, and business facilities (Wernick, 2006).

Religiously inspired terrorists may be especially dangerous (Cronin, 2003; Hoffman, 2006). Religious terrorists often feel engaged in a struggle of

good against evil. Most undertake violent behavior to please the perceived commands of a deity, which can make them relatively unconstrained by secular laws or values. Religious terrorists are often alienated from the existing social system, which they seek to eliminate rather than improve. They typically receive popular support from people and organizations in countries and cultures around the world (Cronin, 2003; Hoffman, 2006; Wernick, 2006).

While some earlier groups (e.g., the IRA in Ireland and ETA in Spain) received support from outside their home countries, the encouragement of new terrorist groups is more widespread, especially in Islamic countries (Lee & Perl, 2002; Mousseau, 2003). Al-Qaeda's activities are supported by non-governmental Muslim organizations worldwide, making it a truly global network (Cronin, 2003; Witschel, 2004). The US government lists hundreds of organizations worldwide that provide financing and other support for Islamic terrorism (US Department of the Treasury, 2009). Al-Qaeda is actively supported by thousands of disaffected young Muslims, and tacitly supported by a much larger number of Muslims who do not necessarily endorse the group's methods (National Commission on Terrorist Attacks upon the United States, 2004).

In some respects, terrorist networks take on the characteristics of a meta-national organization that is able to learn locally and source centrally (Doz, Santos & Williamson, 2004). Time-series analysis of terrorist attacks tracks the rise of international networks (Enders & Sandler, 2000; Mickolus, 1982). Over time, such networks have brought resources and experience to bear on new targets, resulting in greater damage to life and property. Given the enigmatic, organic nature of new terrorist groups, it is very difficult, if not impossible, for international firms to predict targets and estimate risk (Marion & Uhl-Bien, 2003; Wernick & Kundu, 2008).

Terrorist groups in the 1970s and 1980s often took credit for their attacks. Some groups warned authorities in advance, to minimize collateral damage. By contrast, new terrorist groups usually do not provide advance warning of their actions (Hoffman, 2006). Most attacks are conducted by unknown perpetrators (National Counterterrorism Center, 2009). New terrorists may also stage secondary attacks, targeting authorities and others who respond to the primary attack (National Counterterrorism Center, 2009).

As compared with earlier groups, new terrorists appear to be getting "more bang for their buck" by undertaking higher-impact events (Enders & Sandler, 2000; Frey et al., 2007). Al-Qaeda's attacks on the United States reflect a desire to damage the US economy and thereby reduce the means to support US foreign policy. The motive became more salient after the 9/11 attacks, when the resulting damage to the US economy far exceeded expectations (Libicki, Chalk, & Sisson, 2007). The potency of terrorism is reinforced by widespread media coverage (Enders & Sandler, 2000; National Counterterrorism Center, 2009; Urry, 2002).

To date, few terrorist groups have sought to obtain or use weapons that can cause mass destruction (one exception was the Aum Shinrikyo group, which perpetrated the Sarin gas attack in Tokyo in 1995; Hoffman, 2006). Mass slaughter is likely ill-suited to the objectives of many terrorist groups. However, the 9/11 attacks in the United States in New York, Washington DC, and Pennsylvania highlighted the abundance of opportunities for small groups to divert non-weapon technologies to cause mass destruction. Terrorists discovered they can amplify destructiveness by using relatively simple technology (e.g., jet aircraft) to strike at vital assets in small geographic clusters (Homer-Dixon, 2002). The threat may be acute in advanced economies, which are characterized by concentrated, high-value economic and technological systems (Homer-Dixon, 2002). Nuclear power plants, energy grids, industrial clusters, shopping malls, and the Internet are among numerous national assets that are attractive to groups that employ even low-tech approaches to terrorism (Perrow, 2007). Such capabilities, based on low-tech approaches, pose considerable risk for firms.

Specific Effects of Terrorism

The globalization of markets has coincided with the globalization of risk (Bouchet, 2004). Advanced communications technologies, and the liberalization of trade, investment, and finance, have increased the spaces in which illicit activity can flourish beyond government control (Akbar, 2004). Just as openness serves to invigorate national economies and individual firms, it also makes them vulnerable to external forces (Spich & Grosse, 2005). Free trade promotes consumption opportunities and rising living standards, but also facilitates the activities of entities that threaten safety and security.

Within this context, scholars have conceptualized the impact of terrorism on the actions and performance of international firms. Evidence from anecdotal, practitioner, and government sources indicates that terrorism is among the top concerns of MNEs and national governments (Anon, 2008; Berrong, 2009; PricewaterhouseCoopers, 2008; Wernick, 2006). Various surveys indicate that some firms have increased security budgets to defend against possible terrorism-related threats (e.g., Business Roundtable, 2005; Wernick, 2006). Numerous firms appear to include terrorism in decision-making about choosing international markets, as well as locating and managing foreign operations (Czinkota, Knight, Liesch, & Steen, 2005; Li, Tallman, & Ferreira, 2005; Wernick, 2006).

However, evidence suggests that most firms fail to prepare adequately for terrorism (e.g., Czinkota & Knight, 2005; Gillingham, 2006). For example, few British or US firms have business continuity plans in place (Briggs, 2002; Millar, 2006). In our research, we have surveyed hundreds of firms regarding their perceptions of terrorism and responses to it. Findings suggest that companies are concerned about terrorism and its implications for business activities. A substantial number of the firms in our research experienced increased IB business costs, shifts or interruptions in global supply chains, and other IB challenges related to terrorism. Some companies consider terrorism in planning for IB operations. In general, however, most firms that we surveyed failed to undertake sufficient planning or advance preparation in relation to terrorism. Smaller firms, although active in IB, were particularly unlikely to consider or plan for terrorism in their international activities.

Our research and review of extant literature suggests that, in contrast to direct effects, terrorism's *indirect effects* hold the greatest importance for most firms. Specific indirect effects include the following:

- *Declines in buyer demand* due to the fear and panic that ensue following terrorist acts (e.g., Eckstein & Tsiddon, 2004; London Chamber of Commerce and Industry, 2005; OECD, 2002). For example, the 9/11 attacks precipitated a widespread psychological response, leading to significant decline in buyer behavior for both consumer and industrial goods.
- *Increased IB transactions costs* that are incurred as firms attempt to both defend against terrorism and comply with government mandates intended to improve the security of commercial activities (e.g., Aggarwal, 2006; Barnes & Oloruntoba, 2005; Gori, 2004). Costs associated with increased company security efforts affect the competitiveness of internationalizing firms (Spich & Grosse, 2005).
- *Interruptions in international supply chains* following terrorism result in shortages or delays of critical inputs (Czinkota et al., 2004). Interruptions reduce the efficiency of supply chains and logistics (Czinkota et al., 2005).
- *Government policies, regulations, and procedures* enacted to deal with terrorism alter the business environment and the ease with which global commerce takes place.
- *Declines in FDI* can be a consequence of terrorism. In the literature, there is evidence that high rates of local terrorism reduce the inflow of capital to particular areas (Abadie & Gardeazabal, 2003). This has been observed in Spain, Greece, Israel, and Latin America (e.g., Enders & Sandler, 1996; Frey et al., 2007; Lutz & Lutz, 2006).

Interdependent physical movement of raw materials and other goods is susceptible to the direct and indirect effects of terrorism. MNE supply chains are vulnerable, with the firm's first- and second-tier suppliers stretching farther from the home base into national environments that may entail substantial risk (McIntyre & Travis, 2006). International supply chains are subject to physical disruptions that threaten the performance of the firm (McIntyre & Travis, 2006; Singhal & Hendricks, 2005).

Nations have undertaken numerous initiatives to improve security in key systems, especially in the infrastructure of international transportation, logistics, communication, and information technology. For example, the United States now requires firms to submit manifests of merchandise imports and exports. New measures such as the Container Security Initiative, Maritime Transportation Security Act, International Ship and Port Facility Security Code, and the Patriot Act have imposed tens of billions of dollars in compliance and other costs on private sector firms (Barnes & Oloruntoba, 2005; Eggers, 2004; McIntyre & Travis, 2006). New regulations and security efforts affect the competitiveness of international firms (Spich & Grosse, 2005), partly by increasing business transactions costs (Aggarwal, 2006; Gori, 2004). For example, the cost of business continuity insurance increased substantially in the years following 9/11

(e.g., Bradford, 2006). The costs of new security regulations and procedures can exceed the benefits that they provide (Nielsen, 2005).

Simultaneously, government intervention to address terrorism provides benefits. Initially, security measures can protect important facilities and infrastructure from terrorism. Intervention also can lead to new technologies that are then deployed for other uses. Government spending stimulates the economy, for example, in security systems industries. Various government programs educate firms on disaster avoidance, security planning, and emergency response, and provide loans and loan guarantees to affected firms. Such efforts help firms avoid terrorism's effects, and persist in the wake of disasters.

Enderwick (2001) devised a framework that portrays a hierarchy of the impact of terrorism. The hierarchy illustrates terrorism in terms of primary impacts (e.g., on specific industries), secondary impacts (e.g., on investments, security, and intelligence), response-generated impacts (e.g., on global supply chains, growth rates, and oil prices), and long-term issues (e.g., on the importance of the State, geopolitical alliances, and various freedoms).

Terrorism particularly affects such global industries as aviation, insurance, finance, retailing, travel, transportation, and tourism (Aggarwal, 2006; Czinkota et al., 2004; McIntyre & Travis, 2004). Tourism generates much foreign exchange, and is crucial to both developed and developing economies. Tourism is a "soft target", and a "first world" activity, driven mainly by affluent Western countries (Dimanche, 2004). For example, in the 8-year period after 9/11, terrorist attacks on hotels around the world more than doubled, from 30 to 62, and the number of different countries affected jumped from 15 to 20 (Wernick & Von Glinow, 2010).

In the banking and finance sectors, terrorism can increase risk levels, especially when value chains are long or complex (Grosse & Spich, 2009). Anti-terrorism legislation in Europe and North America requires financial institutions to identify customers, improve internal controls, and notify the authorities of unusually large or suspicious transactions. Terrorism can increase risks perceived by investors, leading to higher discount rates. It can reduce the value of future investment benefits, thereby discouraging investment, future consumption, and national economic growth (Aggarwal, 2006). Terrorists also target firms' Internet-based

systems (e.g., Isaak, 2004; Kshetri, 2005). "Cyber-terrorism" is on the rise, but laws and enforcement regarding cyber-attacks are weak in most countries (Kshetri, 2005).

In the following sections we examine theoretical perspectives that can shed light on the effects of terrorism and possible responses to it.

Terrorism and Economics Perspectives

Terrorism appears to affect the level of economic activity in some areas (e.g., Blomberg & Hess, 2006; Fratianni & Kang, 2006; Lutz & Lutz, 2006). For example, following the outbreak of terrorism in Spain's Basque region in the 1960s, per-capita GDP fell about 10% relative to a control region without terrorism (Abadie & Gardeazabal, 2003). Regional business performance improved significantly during the 1998–1999 truce, but declined again when the truce ended. In per-capita GDP terms, the Basque region was once among the richest in Spain, but declined substantially following 30 years of terrorist conflict. Terrorism imposed a negative reputational externality on the region, with foreign investors favoring alternative destinations that had no terrorism (Abadie & Gardeazabal, 2003).

As firms respond to terrorism, optimal decision-making is facilitated by skillful forecasting that predicts how terrorists will behave in the future. Economic analysis within rational-choice theory aids predictions about future terrorist behavior (Enders & Sandler, 1995, 2006). Rational choice analysis is useful for investigating the propensity for terrorist events, for example by integrating game theory with statistical analyses. Firms can use such methods to aid in assessing the viability of given areas for investment or other IB activities. Scholars might investigate how rational choice analysis can be used to predict the likelihood of terrorism.

The choice-theoretic model aids in developing testable propositions regarding terrorist behavior. Terrorists are assumed to be rational, economic agents who seek to maximize benefits and minimize costs, while operating with limited resources (Abrahms, 2008; Enders & Sandler, 1995, 2006). Limited resources are an important constraint, and reflect the extent to which terrorists possess financing and specific capabilities, such as the ability to build weapons of mass destruction. Another constraint is the risk posed by undertaking terrorist events. Terrorism is employed when net expected gains are seen to outweigh the net



expected benefits of other forms of protest (e.g., Crenshaw, 1988; Kydd & Walter, 2006).

Economic analysis implies how terrorism might be averted, by reducing the real or perceived benefits to terrorists of harmful acts, or by increasing the costs associated with undertaking terrorism. Managers and scholars should investigate how to tilt the cost–benefit relationship away from the terrorists. Action can also be taken to reduce the resources available to terrorists. Addressing terrorists' actual or potential concerns may be useful. However, such efforts may have unintended consequences by inducing terrorists to stage their attacks on firms and in countries less able to afford defensive measures. A strategy that increases the cost or risk of one kind of terrorist attack will tend to push terrorists to choose other attack modes, whose costs are lower (Enders & Sandler, 1995, 2006; Krueger & Maleckova, 2003).

Economic analysis helps address the effectiveness of efforts to defeat terrorism (Enders & Sandler, 1995, 2006). Firms and governments face the choice-theoretic problem as they seek to allocate scarce resources to pre-empting or responding to terrorism. Economic modeling can prove useful for identifying the most efficient approaches (e.g., Enders & Sandler, 1995, 2006). Game theory can be used to analyze strategic differences among proposed policies by comparing the costs and benefits likely to arise from efforts to pre-empt terrorism. The best approach is when firms and governments work together to reduce terrorist resources, reduce the perceived benefits of terrorism, or raise the cost of undertaking terrorism to the terrorists, across the board. However, such actions may become counterproductive if the required resource expenditures exceed the benefits that the expenditures are intended to produce. Excessive costs triggered by friction and protective measures can actually reinforce the goals of terrorists. Protective measures should seek to optimize outcomes regarding terrorism.

Terrorists tend to emerge from areas characterized by poverty, low economic development, and ungoverned spaces (e.g., Innes, 2007; Li & Schaub, 2004; Stern, 2010; Suder, 2004b). Poverty and underdevelopment often characterize regions in which governments fail to address basic needs, such as ensuring adequate infrastructure or the rule of law, and therefore are either unwilling or unable to expel terrorists from their borders. Trade, FDI, and portfolio investment that promote economic development tend to produce an indirect negative

effect on the emergence of terrorism (Li & Schaub, 2004). MNEs can increase their sustainability and devise IB strategies that address poverty and other social issues in developing economies. Such approaches foster better relations and help improve poor socio-economic indicators, which may be associated with the emergence of terrorist groups (Adler, 2006; Innes, 2007; Li & Schaub, 2004).

Terrorism and Political Risk

Political risk refers to the complications that businesses may face as a result of political decisions and activities of governments or other bodies (Bremmer, 2005; Howell & Chaddick, 1994; Simon, 1982). The risk emphasizes the probability that political decisions, conditions, or events will affect the business environment, with resultant harm to business interests, including reduced profitability. Government currency actions, regulatory changes, widespread corruption, and government composition changes are typical examples of political risk (Bremmer, 2005; Hill, 2009; Howell & Chaddick, 1994; Simon, 1982).

Despite sharing some characteristics, political risk differs from terrorism in various ways. Political risk is usually seen to arise from the political behaviors of governments and other public entities (e.g., Butler & Joaquin, 1998; Fitzpatrick, 1983; Kobrin, 1979; Simon, 1984). The risk is usually limited to individual countries (Bouchet, 2004; Simon, 1984; Ting, 1988). Political risk can be characterized in terms of government policy uncertainty and political uncertainty (e.g., Frynas & Mellahi, 2003). The former refers to instability in government policies that affects business activities, and the latter reflects changes in the political system, including changes of government (Frynas & Mellahi, 2003; Miller, 1992). While terrorism provokes much uncertainty, it does not easily fit these categories.

Terrorism is rarely conducted as official government policy. The political stability of countries usually does not determine whether or not they will be afflicted by terrorism. Political developments are usually gradual, and occur with a degree of certainty. Hence political risk can be predicted, and affected firms can organize their activities accordingly (e.g., Fitzpatrick, 1983; Kobrin, 1979). But terrorist actions usually cannot be predicted with significant accuracy (McIntyre & Travis, 2004; Tan & Enderwick, 2006; Wernick & Kundu, 2008). Firms generally cannot make a choice regarding their exposure to terrorism.

Terrorist events are clandestine, and occur quite suddenly. Terrorist violence is provocative and dramatic, with acts conducted covertly by small bands of extremists who lack the means to execute large-scale campaigns or target their opponents openly (Crenshaw, 2001). The victims of terrorism – often non-combatant civilians – are usually different from the target audience, which may comprise particular religious or ethnic groups, or entire nations.

Rather than being a type of political risk, “new terrorism” represents a complex, exogenous shock (Tan & Enderwick, 2006; Wernick & Kundu, 2009). It often transcends national borders, causing disruptions at the regional, global, or national levels (Wernick & Kundu, 2008). Much of terrorism’s consequences today are felt globally, as indirect effects (Czinkota et al., 2004; Wernick & Kundu, 2008).

Relevance of Corporate Responses to Political Risk

While terrorism differs in various ways from political risk, the political risk literature provides a basis for developing corporate responses to terrorism. When confronting political risk, firms devise appropriate strategies. Strategies for reducing political risk involve understanding the political uncertainties of the firm’s operating environment (e.g., Henisz & Zelner, 2005). Being cognizant of the likelihood of risk is a prerequisite for bringing the concept of risk into the strategy-making process. Just as managers consider strategy’s role in planning for political risk (Brouthers, 1995), advance planning is also often vital for dealing with terrorism.

Initially, planning requires the firm to undertake environmental scanning and country research. Particularly in risky areas, it is important to understand how different groups operate, how much power they wield, and what strategies they follow (e.g., Akhete & Choudhry, 1993). In the course of exploring international opportunities, management is faced with important decisions, such as which countries to enter, which value chain links to locate in given countries, and how best to structure international operations (e.g., Iankova & Katz, 2003; Keillor, Wilkinson, & Owens, 2005; Ting, 1988).

During the research phase, management may decide against entering a country (Miller, 1992; Ting, 1988). If a risk-prone country is entered, management may develop a contingency plan or, in extreme cases, an advance exit strategy. In a

broader sense, the political risk literature suggests how firms can diversify risk by targeting various countries or sectors (Cosset & Suret, 1995). Such findings hold implications for managing terrorism risk as well.

When dealing with political risk, Miller (1992) described particular generic responses, such as avoidance, control, cooperation, and flexibility. While control and cooperation seek to increase the predictability of environmental contingencies, flexibility aims to increase internal responsiveness to environmental contingencies (Tan & Enderwick, 2006). Avoidance implies delaying market entry indefinitely, or until a more opportune moment. Ting (1988) similarly proposed possible approaches for managing international risks: assumption of risk (e.g., self-insuring against risk), combining or pooling risks (i.e., obtaining risk insurance), loss prevention (efforts to reduce the likelihood of a loss), loss control (efforts to minimize the severity of a loss), and risk transfer (shifting risk to an outside entity, such as a subcontractor). Such approaches can be relevant to terrorism as well. For example, the firm might augment its preparedness and responsiveness to terrorism by carefully controlling operations to ensure security, by cooperating with local authorities to mitigate risks, and by emphasizing flexibility to deal successfully with terrorism.

Company entry strategy is influenced by the level of political risk. In markets characterized by low risk, many firms opt for FDI and other high-control entry modes. Conversely, in high-risk markets, the firm will usually prefer exporting and other entry modes that shift risks and control of operations to distributors and other external agents (Brouthers, 1995). When confronting terrorism, it is likely that each of exporting, FDI, and collaboration offer specific advantages. For example, exporting may provide flexibility for dealing with terrorism’s effects. Firms that internationalize via FDI are relatively more established in target markets, and potentially more informed about evolving conditions. Companies that collaborate with local partners may also be more knowledgeable about local conditions, and they can share the risks of international operations (Czinkota et al., 2005; Suder, 2004a).

The political risk literature reveals how firms, once established abroad, may adapt to the wishes and policies of the host government and other political entities, or attempt to gain competitive advantages relative to the entities that pose



potential threats (e.g., Keillor et al., 2005; Pahud de Mortanges & Allers, 1996). Many companies seek to align and integrate their operations closely within the foreign environment (e.g., Iankova & Katz, 2003). Others maintain a low profile by limiting local involvements or minimizing fixed assets and other resources in risky environments (Iankova & Katz, 2003). Experienced firms develop networks of contacts in government, business, and the marketplace, which provide useful intelligence and aid in navigating the political environment.

Success abroad is influenced by the extent of the firm's "legitimacy". Legitimacy refers to the generalized perception that actions of an entity are desirable, proper, or appropriate within a system of norms, values, and beliefs (Henisz & Zelner, 2005; Suchman, 1995). Over time, the firm may acquire a "moral" basis for legitimacy, which in turn reduces its susceptibility to attack by those who might oppose it (Henisz & Zelner, 2005; Suchman, 1995). In environments susceptible to terrorism, the firm should undertake efforts to establish its legitimacy among relevant constituents. Many MNEs target public relations efforts to local constituents, emphasize being good local citizens, and seek other means to mollify threatening interest groups and prevent harmful actions (e.g., Keillor et al., 2005; Pahud de Mortanges & Allers, 1996).

The approaches indicated above in relation to political risk hold relevance for firms in dealing with terrorism as well. Just as managers develop strategies for mitigating political risk, they can also develop strategies that lessen the potential harm of terrorism.

Other Responses to Terrorism

The growing lethality, complexity, and volatility of terrorism pose important challenges for scholars and practitioners alike. Terrorism reduces managers' appetite for taking risks, which can undermine the likelihood that firms will embark on international ventures (Aggarwal, 2006; Liesch, Steen, Knight, & Czinkota, 2006). Exporters, lenders, and portfolio managers may hesitate to allocate assets abroad, particularly in countries strongly affected by terrorism. Areas perceived as too uncertain, risky, or volatile are likely to receive less FDI and fewer portfolio investments (Bouchet, 2004; McIntyre & Travis, 2004). Firms may hesitate to post executives to foreign locations, particularly in vulnerable areas.

A fundamental task for IB scholars is to account for the emergent factors that engender higher levels of uncertainty in international settings (Steen, Liesch, Knight, & Czinkota, 2006). For example, OLI models of the multinational enterprise (e.g., Dunning, 1988) generally neglect to account for environmental uncertainty (Slater & Spencer, 2000). Substantial uncertainty implies that firms may lack important information regarding the advantages presumed within OLI perspectives. Terrorism can render untenable the benefits arising from ownership, location, internalization, and other advantages. Where terrorism-induced uncertainty is substantial, the capacity for managers to perceive the true value of such advantages is lacking (Dunn, 2000).

Suder and Czinkota (2005) distinguished vulnerability in global activity linkages along the OLI dimensions (e.g., Dunning, 1988). By categorizing critical value chain activities (e.g., procurement, distribution, service provision), they identify sensitive links that demand strategic response by management (Suder & Czinkota, 2005). Li et al. (2005) argued for extending the eclectic paradigm (e.g., Dunning, 1988) towards a model of global strategic management to investigate contemporary challenges facing MNEs. Terrorism-induced exogenous shocks can produce new types of market failures, to which firms must respond. Integrating the eclectic paradigm with MNE resources and capabilities can provide new insights for confronting terrorism in IB (Li et al., 2005).

Initially, managers must increase their awareness of terrorism. However, managerial perceptiveness may be limited by bounded acuity and other factors. Using Weick's (e.g., 1995) concepts of enactment and sensemaking, Sullivan-Taylor and Wilson (2008) argue that managers' perceptions of, and responses to, terrorism are determined by subjective perceptions, with some factors given prominence and others filtered out. The nature of sensemaking and perceived appropriate actions differ across organizations, depending on such factors as the organization's position in the supply chain, information accuracy, previous experience with harmful events, dependency on external agents, and proactive vs reactive responses (Sullivan-Taylor & Wilson, 2008, 2009).

Systems theory refers to the investigation of phenomena in the context of a broader environment (e.g., Whitley, 1994). The international firm as a system of activities in various locations evolves, and is strongly influenced by countries' political,

legal, economic, and sociocultural environments (Spich & Grosse, 2005; Whitley, 1994). For example, growing government intervention aimed at preventing terrorism is known to affect international entry and operations. Socio-economic and cultural conditions can strongly influence the emergence of or support for terrorism in individual countries (Spich & Grosse, 2005). Oh and Oetzel (2009) examined how changes in national institutional environments explain variation in the impact of terrorism on business.

Firms employ a mix of global and multidomestic (or multilocal) strategies when venturing abroad (Yip, 1995). Compared with strategies that emphasize a globally integrated network of operations worldwide, greater emphasis on multidomestic strategy can be useful for dealing with terrorism's effects. Li et al. (2005) argue that firms that emphasize globally integrated strategies are relatively likely to suffer decreased performance due to terrorism. By contrast, a multidomestic approach facilitates deeper understanding of culture and other local conditions, as well as flexibility for adapting to local environments, and for dealing with the conditions associated with terrorism (Czinkota et al., 2005). Collaborating with local or regional partners helps the firm better understand and manage risk (Li et al., 2005).

In terms of organizational structure, a centralized firm may be more at risk from terrorism than a firm with decentralized operations (Gillingham, 2006). Not only is the decentralized firm more resilient to operational interruptions, it is also less salient to terrorists. A large firm strongly associated with a single national culture is a more attractive target than a diffused firm with numerous brands and active involvement at each of the localities where it does business (Gillingham, 2006).

Enterprise resilience refers to the ability of the firm to respond effectively to interruptions and bounce back from adverse events (Branzei & Abdelnour, 2010; Burke, 2008; Sheffi, 2005). Enterprise resilience affects business income positively (e.g., Branzei & Abdelnour, 2010). When preparing for terrorism, management should focus on organizational resilience, by increasing company resourcefulness and redundancy in key processes (Burke, 2008). Redundant supply chains and other systems provide a cushion when any one system is compromised. MNEs can play a unique role in abating terrorism, including developing new technology to counter threats, and taking steps to

reduce poverty and hatred (Jain & Grosse, 2009; Suder, 2004b).

Extant literature provides evidence on how international firms are affected by and respond to terrorism. At the margin, terrorism reduces the likelihood that firms will allocate assets abroad, particularly in terrorism-prone destinations. MNE supply chains and fixed assets established via FDI are relatively vulnerable. While international collaboration is useful for managing risk, success depends on management's trust in foreign partners. When preparing for terrorism, managers should ensure company resilience, by increasing organizational resourcefulness and redundancy in key activities. Instituting appropriate security measures and developing technologies for countering threats are important tactical approaches.

DIRECTIONS FOR FUTURE RESEARCH

While the scholarly literature on terrorism in domains outside business is extensive, research within IB is sparse. In order to develop the literature, scholars should devise new IB-related theory and conceptual frameworks. In addition to business-related disciplines, researchers should draw on theory from other fields, such as political science, international relations, economics, and sociology. It is useful to establish a baseline for research on terrorism and IB, and suggest areas where IB scholars can focus research efforts. We next provide potential directions for future research.

Effects of Terrorism

In the wake of terrorist attacks, firms may be less inclined to undertake site specific IB initiatives at sites that have been prone to terrorist attacks. Given the role that IB plays in corporate and national performance, this is a significant issue. Research is needed to delve more deeply into concerns that managers have about doing IB in an age of terrorism. Scholars should investigate the precise nature of these concerns, and how they can be addressed at the corporate level.

At the same time, managerial sensemaking and perceptions of evolving phenomena can become clouded, particularly when dealing with dangerous and rapidly unfolding events (Sullivan-Taylor & Wilson, 2008; Weick, 1995). Managerial perceptions and responses regarding terrorism appear to differ across organizations, and depend on various factors (Sullivan-Taylor & Wilson, 2008, 2009). Future research might delve into how managers



perceive terrorism, and the factors that determine their sensemaking and responses to it.

A primary indirect effect of terrorism is the reaction of national governments. They impose policies and regulations that affect how firms conduct value-chain activities, leading to increased transactions costs and complexity in transportation, logistics, and entry strategies (Aggarwal, 2006; Gori, 2004; Spich & Grosse, 2005). Future research might investigate the effects on international operations of government intervention aimed at stopping terrorism. What is the effect, for example, of increased friction and delays that result from government efforts to protect ports and the homeland? MNEs with extensive international operations are especially susceptible to such effects.

Certain industries are particularly, and in many cases increasingly, affected by terrorism, such as the hotel industry (Aggarwal, 2006; Czinkota et al., 2004; Dimanche, 2004; Enderwick, 2001; McIntyre & Travis, 2004; Wernick & Von Glinow, 2010). Research might investigate the factors that make given industries vulnerable. Scholars might investigate how terrorism affects the manufacturing and services sectors. Given that services firms usually internationalize via FDI, establishing physical facilities abroad might make such firms more vulnerable to localized attacks. By contrast, many manufacturers prefer exporting, which can provide flexibility for dealing with terrorism.

Organizational Preparedness

Perhaps the key factor in preparing for the threat of terrorism is intelligence gathering. Superior intelligence is critical to forecasting and advance preparation. While terrorist incidents are relatively unpredictable, appropriate intelligence gathering can provide much information that alerts the firm to vulnerable areas. For example, aspects of the 9/11 attack had been anticipated in the years prior to September 2001, with various authorities issuing reports on the vulnerability of airports and other facilities. Yet the 9/11 terrorists exploited long-standing and predictable weaknesses in transport infrastructure and other systems (Bazerman & Watkins, 2004; Suder, 2004b). Intelligence-gathering from both secondary and primary sources can be leveraged to anticipate weaknesses in company values chains as well.

In global supply chains, organizations need to restore normal operating conditions quickly, following adverse events. A resilient firm plans all its systems, operations, procedures, and

communications to adjust to emerging risks and disruptions (e.g., Branzei & Abdelnour, 2010). By emphasizing resilient supply chains, firms acquire flexibility and redundancy in the sourcing of vital materials and components. Firms should invest in developing alternate capacity prior to the point of need. Future research should investigate advance preparation, via the development of flexibility and redundancy, to ensure that supply chains remain functional during and after terrorist events. For example, Jain and Grosse (2009) provide guidelines for security measures, anti-terrorism technology, and other useful approaches for ensuring the integrity of supply chains and other vital organizational systems. Empirical research is needed to ascertain which approaches are most effective, and how they influence organizational performance, particularly in risky environments. Moreover, centralized organizational structures appear to be relatively vulnerable to terrorism (Gillingham, 2006). An interesting research question centers on the role of organizational structure in reducing exposure to terrorism.

Company Strategy and Performance

Regarding international strategy and company performance, three areas are particularly ripe for research:

- (1) how firms are affected by terrorism;
- (2) which specific aspects of IB are especially vulnerable to terrorist actions; and
- (3) what approaches firms should follow to respond, before, during, and after terrorist events.

Raising the costs of terrorism to terrorists helps reduce the risk of direct attack (Enders & Sandler, 2006; Krueger & Maleckova, 2003). Private-public partnerships are likely to be effective in such efforts, and represent an appropriate area for future research.

The political risk literature provides a useful starting point for research regarding what countries to target with FDI, configuring global value chains, how to structure international operations, and other considerations (e.g., Iankova & Katz, 2003; Keillor et al., 2005). Scholars should investigate the relevance of corporate strategies heretofore associated with political risk (e.g., Miller, 1992; Ting, 1988).

Managers benefit from research that helps guide planning and the development of appropriate strategies. Management should examine

company-wide risks and interdependencies, perform risk-reduction planning, and restructure risk and complexity to appropriately manage harmful contingencies in the business environment. Researchers can play an important role by developing integrated risk management models that account for terrorism risk within corporate strategy (Sheffi, 2005).

New terrorism, in particular, requires the consideration of potentially higher levels of uncertainty in IB decision-making. In order to deal with this challenge, dominant IB frameworks and models, in which managers seek to optimize the organization and performance of international activities, may need to be revised or extended. In order to lay the groundwork for advancing knowledge on the IB-terrorism link and the heightened uncertainty associated with new terrorism, it is important to better understand the relevant experiences and activities of managers at international firms.

Scholars (e.g., Li et al., 2005; Suder & Czinkota, 2005) have argued for extending the eclectic paradigm (e.g., Dunning, 1988) and other theoretical perspectives to accommodate the uncertainty and exogenous shock produced by terrorism. Future research might identify key value-chain operations that demand strategic response as well as extend extant models of global strategic management to assist firms to confront terrorism more effectively. The MNE operates as a system of activities strongly influenced by countries' political, economic, and sociocultural environments (Spich & Grosse, 2005; Whitley, 1994). Systems theory and institutional perspectives are examples of theoretical bases that support the development of models and frameworks that aid terrorism research (Oh & Oetzel, 2009; Spich & Grosse, 2005).

Entry modes entail varying degrees of risk and vulnerability. For example, firms that internationalize via FDI are usually more vulnerable to political risk than those that emphasize exporting (e.g., Simon, 1982). Similar tendencies might be present in the relationship between entry modes and terrorism. In the face of terrorism, each of the various international entry modes entails advantages and disadvantages (Czinkota et al., 2005). Future research should consider how firms might incorporate terrorism into decision-making on entry modes and the operational details of establishing a presence in national settings. Research should consider the strengths and weaknesses of

various entry modes, and the extent to which terrorism discourages international expansion.

Adler (2006) advocates that MNEs increase their corporate social responsibility and devise IB strategies that help alleviate poverty in developing economies. Such approaches foster better relations and help improve poor socio-economic indicators, which may be associated with the emergence of terrorist groups (Adler, 2006; Innes, 2007; Li & Schaub, 2004). Thus future research might consider the role of corporate social responsibility and other approaches aimed at promoting positive relations with customers and other constituents, in order to reduce the firm's vulnerability to terrorism.

Recently, scholars have employed social network theory to illustrate how non-governmental organizations (NGOs) and multinational firms can work together to achieve common goals (e.g., Teegen, Doh, & Vachani, 2004). NGOs create both social and economic value. Future research might investigate how MNEs can work with NGOs and similar types of organizations to reduce the threat of terrorism.

Global Supply Chain and Distribution Channels

Global supply chains and logistical infrastructure are particularly vulnerable to the direct and indirect effects of terrorism (McIntyre & Travis, 2006). Open borders, economic integration, and globalization have engendered a "just-in-time" economy. Yet such conditions make firms vulnerable to discontinuities that can affect operations, regulatory compliance, and ultimate company performance. These new vulnerabilities have been described as "interdependence risk", and refer to unanticipated risk exposure across the extended enterprise beyond an individual organization's direct control. Examples of interdependence risk include supply chain disruption, government intervention, and public infrastructure destruction (Starr, Newfrock, & Delurey, 2003).

Consistent with a systems approach that recognizes the global distribution and interconnectedness of firms' productive activities, research should consider the pattern of firms' worldwide operations. Supply chains can be affected by terrorism via both direct attacks and indirect effects, such as security measures imposed by governments and private interests. Important components of global supply chains potentially vulnerable to attack include systems used for warehousing, transportation, and communications. Firms that use just-in-time and lean production strategies depend on the



continuous, timely receipt of inputs from around the world. Research should address how to strike the right balance between ensuring secure operations, the cost of security, and the efficiency of international operations. For example, the benefits and drawbacks of using multiple suppliers might be newly reviewed in light of terrorism.

Human Resource Issues

The effect of terrorism on international human resource planning, particularly in affected countries, is likely to be substantial (e.g., Reade, 2007). Responses that firms have made to natural and technological disasters offer clues on the likely human resource challenges (Liou & Lin, 2008). Extant research suggests that emergency planning in most organizations has not emphasized protecting employees and their ability to function at work (Liou & Lin, 2008; Mankin & Perry, 2004).

The operational challenges arising from terrorist attacks can be substantial, and highlight the potential role for human resource management in preparing for and dealing with such events (Reade, 2007). Future research should emphasize how the workplace is affected, and the role of the human resource function in averting and preparing for terrorism. Research might examine the relationship between employee sensitivity to terrorism, and the effectiveness of personnel under stressful conditions.

How firms deal with the potential loss of workplace and possible personnel shortages is of concern. What should be done to ensure the integrity of workforce succession planning? Training is an important dimension of business continuity planning. Research might investigate the types of training and planning needed to protect the firm's most important resource – the people who work there. Firms that operate in terrorism-prone areas should emphasize awareness about local conditions, as well as a sense of community and security, while ensuring a safe work environment (Liou & Lin, 2008; Perry & Mankin, 2005; Reade, 2007).

Research also should examine the relationship between terrorism and expatriates in the contemporary MNE. As firms expand their business activities globally and terrorism concerns arise, researchers should investigate the firm's responsibilities toward employees who travel or are based in foreign countries. Such findings help HR professionals better prepare organizations to survive and to care for their employees in times of crisis.

Insights are likely to emerge from extant literature on preparing for natural and technological disasters, as a means of defining the effects of terrorism on employee performance and appropriate planning and training.

CONCLUSION

Terrorism will pose significant hazards for decades to come (e.g., Cronin, 2003). Terrorism threatens IB through its direct and indirect effects. The economics of terrorism favors the terrorists – the cost of protecting against terrorist acts is many billions of dollars, while the terrorists' costs are in the millions or less. Globalization provides terrorists with greater access to powerful technologies, better recruitment, and more exploitable sources and targets of rage than ever before.

As governments tighten security at public sites, business targets become relatively more attractive to terrorists (Enders & Sandler, 2000). New emphasis on homeland security in Europe and the United States may merely redirect terrorists to softer targets (Enders & Sandler, 2006), which are operating sites of countless multinational firms. For example, inadequate security was an important factor in the Mumbai, India, attack. In the Mumbai attack the Indian authorities were caught off guard in a well-orchestrated assault by commandos with superior firepower and technology (Rabasa et al., 2009; Wernick & Von Glinow, 2010). The commandos employed digital technology to conduct pre-operational surveillance of the target properties, traversed the Arabian Sea using global positioning systems, quickly located their targets from Google Earth satellite images, and used satellite telephony and voice over Internet protocol to remain in constant contact with their handlers. Instantaneous communication enabled the handlers, watching the events unfold on live television, to alert the commandos to the movements of security forces, thereby prolonging the attack (Wernick & Von Glinow, 2010). Even as nations prepare for terrorist attacks, they often cannot prepare for all varieties of attacks, or protect all possible sites. The ability of terrorists to leverage technological savvy to undertake attacks is an emergent dimension of global terrorism, and a potential topic for future research.

MNE supply chains and other international assets are relatively vulnerable. Firms with extensive international operations should emphasize protecting valuable assets, particularly those most likely to be attacked. Company actions that raise the costs

to the terrorist decrease the likelihood of attack. Collective approaches are the most effective for defending against terrorism. Firms should undertake joint efforts with governments and other firms.

Ongoing alertness and environmental scanning to detect and monitor emergent threats are critical, to prepare to meet evolving challenges. Skillful conception and execution of strategy substantially lessens risk. The threat of terrorism can be further reduced by developing and implementing flexible contingency strategies. While the interconnectedness of modern economies has facilitated the rise of terrorism, it also engenders a degree of flexibility that firms can employ to manage interruptions in their international operations (Steen et al., 2006).

The risk of terrorism cannot be eliminated. Terrorism's role in IB must be better understood.

REFERENCES

- Abadie, A., & Gardeazabal, J. 2003. The economic costs of conflict: A case study of the Basque Country. *The American Economic Review*, 93(1): 113–132.
- Abrahms, M. 2006. Why terrorism does not work. *International Security*, 31(2): 42–78.
- Abrahms, M. 2008. What terrorists really want. *International Security*, 32(4): 78–105.
- Adler, N. 2006. Corporate global citizenship: Successfully partnering with the world. In G. Suder (Ed.), *Corporate strategies under international terrorism and adversity*: 177–195. Cheltenham, UK: Edward Elgar.
- Aggarwal, R. 2006. Terrorism and financial management. In G. Suder (Ed.), *Corporate strategies under international terrorism and adversity*: 95–108. Cheltenham, UK: Edward Elgar.
- Akbar, Y. 2004. Historical forces in international affairs and commerce: Prospects for the international economy. In G. Suder (Ed.), *Terrorism and the international business environment: The security-business nexus*: 25–42. Cheltenham, UK: Edward Elgar.
- Akheter, S., & Choudhry, Y. 1993. Forced withdrawal from a country market: Managing political risk. *Business Horizons*, 36(3): 47–54.
- Alexander, Y., Carlton, D., & Wilkinson, P. 1979. *Terrorism: Theory and practice*. Boulder, CO: Westview Press.
- Alon, I., & McKee, D. 2006. Country risk spillovers in the Middle East: A prelude to the road map for peace and the war on terror. In G. Suder (Ed.), *Corporate strategies under international terrorism and adversity*: 83–94. Cheltenham, UK: Edward Elgar.
- Anon. 2008. The Terrorism Index. *Foreign Policy*, September/October: 79–86.
- Barnes, P., & Oloruntoba, R. 2005. Assurance of security in maritime supply chains: Conceptual issues of vulnerability and crisis management. *Journal of International Management*, 11(4): 519–540.
- Barth, J., Li, T., McCarthy, D., Phumiwasana, T., & Yago, G. 2006. Economic impacts of global terrorism: From Munich to Bali. In E. Mrudula (Ed.), *Terrorism: Global economic impact*: 27–60. New York: Icfai Books.
- Bazerman, M., & Watkins, M. 2004. *Predictable surprises: The disasters you should have seen coming, and how to prevent them*. Boston, MA: Harvard Business School Press.
- Beeson, P., & Troesken, W. 2006. *When bioterrorism was no big deal*, National Bureau of Economic Research Working Paper 12636, National Bureau of Economic Research, Cambridge, MA.
- Berrong, S. 2009. Terrorism concerns businesses worldwide. *Security Management*, 53(4): 55.
- Blomberg, S., & Hess, G. 2006. How much does violence tax trade? *The Review of Economics and Statistics*, 88(4): 599–612.
- Bouchet, M. 2004. The impact of geopolitical turmoil on country risk and global investment strategy. In G. Suder (Ed.), *Terrorism and the international business environment: The security-business nexus*: 83–104. Cheltenham, UK: Edward Elgar.
- Bradford, M. 2006. Insurers set to boost cost of terrorism cover. *Business Insurance*, 40(5): 13–14.
- Branzei, O., & Abdelnour, S. 2010. Another day, another dollar: Enterprise resilience under terrorism in developing countries. *Journal of International Business Studies*, 41(5): 804–825.
- Bremmer, I. 2005. Managing risk in an unstable world. *Harvard Business Review*, 83(6): 21.
- Briggs, R. 2002. The unlikely counter terrorists. *Security Monitor*. <http://fpc.org.uk/articles/191>. Accessed 8 December 2009.
- Brouthers, K. 1995. The influence of international risk on entry mode strategy. *Management International Review*, 35(1): 7–28.
- Burke, R. 2008. International terrorism and threats to security: Implications for organizations and management. In R. Burke & C. Cooper (Eds), *International terrorism and threats to security: Managerial and organizational challenges*: 3–33. Cheltenham, UK: Edward Elgar.
- Business Roundtable. 2005. Committed to protecting America: CEO guide to security challenges. <http://www.businessroundtable.org>. Accessed 14 August 2009.
- Butler, K., & Joaquin, D. 1998. A note on political risk and the required return on foreign direct investment. *Journal of International Business Studies*, 29(3): 599–608.
- Cosset, J., & Suret, J. 1995. Political risk and the benefits of international portfolio diversification. *Journal of International Business Studies*, 26(2): 301–318.
- Crenshaw, M. 1988. Theories of terrorism: Instrumental and organizational approaches. In D. Rapoport (Ed.), *Inside terrorist organizations*: 13–31. New York: Columbia University Press.

There has been relatively little scholarly research to address IB and the evolving landscape of terrorism. In this article we have presented a comprehensive review of extant, relevant literature to provide background for scholarship on the relationship between terrorism and IB. We have offered an agenda for future research. Consistent with the early stages of research, scholars are encouraged to offer useful perspectives and effective solutions that shed needed light on terrorism, and help reduce its destructive effects.

ACKNOWLEDGEMENT

The authors wish to thank Special Editor Mary Ann Von Glinow and three anonymous reviewers for the extensive guidance they provided in the development of this article.



- Crenshaw, M. 2001. Terrorism. In N. Smelser & P. Baltes (Eds), *International encyclopedia of the social & behavioral sciences*: 15604–15606. Amsterdam: Elsevier.
- Cronin, A. 2003. Behind the curve; globalization and international terrorism. *International Security*, 27(3): 30–58.
- Czinkota, M., & Knight, G. 2005. *Promoting private sector emergency preparedness*, Hearing before the Committee on Small Business, House of Representatives. *Congressional Record*. 1 November, Serial No. 109–35, Washington DC.
- Czinkota, M., & Ronkainen, I. 2009. Trends and indications in international business: Topics for future research. *Management International Review*, 49(2): 1–17.
- Czinkota, M., Knight, G., & Liesch, P. 2004. Terrorism and international business: Conceptual foundations. In G. Suder (Ed.), *Terrorism and the international business environment: The security-business nexus*: 43–57. Nottingham: Edward Elgar.
- Czinkota, M., Knight, G., Liesch, P., & Steen, J. 2005. Positioning terrorism in management and marketing: Research propositions. *Journal of International Management*, 11(4): 581–604.
- de Rugy, V. 2005. *What does homeland security spending buy?* Working Paper #107, American Enterprise Institute, Washington DC.
- Dimanche, F. 2004. The tourism sector. In G. Suder (Ed.), *Terrorism and the international business environment: The security-business nexus*: 157–170. Cheltenham, UK: Edward Elgar.
- Doz, Y., Santos, J., & Williamson, P. 2004. *From global to metanational: How companies win in the knowledge economy*. Boston, MA: Harvard Business School Press.
- Dunn, S. 2000. Fundamental uncertainty and the firm in the long run. *Review of Political Economy*, 12(4): 419–433.
- Dunning, J. 1988. The eclectic paradigm of international production: A restatement and some possible extensions. *Journal of International Business Studies*, 19(2): 1–32.
- Eckstein, Z., & Tsiddon, D. 2004. Macroeconomic consequences of terror: Theory and the case of Israel. *Journal of Monetary Economics*, 51(5): 971–1002.
- Eggers, W. 2004. *Prospering in the secure economy*. New York: Deloitte Research.
- Enders, W., & Sandler, T. 1995. Terrorism: Theory and applications. In T. Sandler & K. Hartley (Eds), *Handbook of defense economics*: 213–249. Amsterdam: Elsevier Science.
- Enders, W., & Sandler, T. 1996. Terrorism and foreign direct investment in Spain and Greece. *Kyklos*, 49(3): 331–352.
- Enders, W., & Sandler, T. 2000. Is transnational terrorism becoming more threatening? A time-series investigation. *The Journal of Conflict Resolution*, 44(3): 307–332.
- Enders, W., & Sandler, T. 2006. *The political economy of terrorism*. Cambridge: Cambridge University Press.
- Enderwick, P. 2001. Terrorism and the international business environment. *AIB Insights*, Special Electronic Issue 1–6.
- Fitzpatrick, M. 1983. The definition and assessment of political risk in international business: A review of the literature. *Academy of Management Review*, 8(2): 249–254.
- Fratianni, M., & Kang, H. 2006. International terrorism, international trade, and borders. In M. Fratianni (Ed.), *Research in global strategic management*, Vol. 12: 203–223. Bingley, UK: Emerald.
- Frey, B., Luechinger, S., & Stutzer, A. 2007. Calculating tragedy: Assessing the costs of terrorism. *Journal of Economic Surveys*, 21(1): 1–24.
- Frynas, J., & Mellahi, K. 2003. Political risks as firm-specific (dis)advantages: Evidence on transnational oil firms in Nigeria. *Thunderbird International Business Review*, 45(5): 541–565.
- Gallup International and World Economic Forum. 2008. *Global survey highlights: Fear of future and lack of faith in world leaders*. Geneva: Gallup International Association and the World Economic Forum.
- Gillingham, D. 2006. Managing in an era of terrorism. In G. Suder (Ed.), *Corporate strategies under international terrorism and adversity*: 196–203. Cheltenham, UK: Edward Elgar.
- Gori, S. 2004. The bank sector. In G. Suder (Ed.), *Terrorism and the international business environment: The security-business nexus*: 171–188. Cheltenham, UK: Edward Elgar.
- Grosse, R., & Spich, R. 2009. Terrorism and global banking. In T. Pedersen & T. Kiyak (Eds), *Proceedings: 2009 Annual Conference, Academy of International Business*, 27–30 June 2009, San Diego, USA. East Lansing, MI: Academy of International Business.
- Hannon, D. 2003. 24-hour rule quietly goes into full effect February 2. *Purchasing*, 6 March: 41.
- Harvey, M. 1993. A survey of corporate programs for managing terrorist threats. *Journal of International Business Studies*, 24(3): 465–479.
- Henisz, W., & Zelner, B. 2005. Legitimacy, interest group pressures, and change in emergent institutions: The case of foreign investors and host country governments. *Academy of Management Review*, 30(2): 361–382.
- Hill, C. 2009. *International business: Competing in the global marketplace*. New York: McGraw-Hill Irwin.
- Hoffman, B. 1997. Why terrorists don't claim credit. *Terrorism and Political Violence*, 9(1): 1–12.
- Hoffman, B. 2006. *Inside terrorism*. New York: Columbia University Press.
- Homer-Dixon, T. 2002. The Rise of Complex Terrorism. *Foreign Policy*, January/February: 52–62.
- House of Commons. 2006. *Report of the official account of the bombings in London on 7th July 2005*. London: The Stationery Office.
- Howell, L., & Chaddick, B. 1994. Models of political risk for foreign investment and trade: An assessment of three approaches. *Columbia Journal of World Business*, 29(3): 70–91.
- Iankova, E., & Katz, J. 2003. Strategies for political risk mediation by international firms in transition economies: The case of Bulgaria. *Journal of World Business*, 38(3): 182–203.
- Innes, M. (Ed.) 2007. *Denial of sanctuary: Understanding terrorist safe havens*. Westport, CN: Praeger.
- Isaak, R. 2004. The digital divide. In G. Suder (Ed.), *Terrorism and the international business environment: The security-business nexus*: 105–119. Cheltenham, UK: Edward Elgar.
- Jain, S., & Grosse, R. 2009. Impact of terrorism and security measures on global business transactions: Some international business guidelines. *Journal of Transnational Management*, 14(1): 42–73.
- Keillor, B., Wilkinson, T., & Owens, D. 2005. Threats to international operations: Dealing with political risk at the firm level. *Journal of Business Research*, 58(3): 629–635.
- Ketata, I., & McIntyre, J. 2008. Corporate social responsibility as a new orientation in response to crisis management of sea changes and dead reckoning. In G. Suder (Ed.), *International business under adversity*: 150–167. Cheltenham, UK: Edward Elgar.
- Kobrin, S. 1979. Political risk: A review and reconsideration. *Journal of International Business Studies*, 10(3): 67–80.
- Kotabe, M. 2005. Global security risks and international competitiveness. *Journal of International Management*, 11(4): 453–455.
- Krueger, A., & Maleckova, J. 2003. Education, poverty and terrorism: Is there a causal connection? *The Journal of Economic Perspectives*, 17(4): 119–129.
- Kshetri, N. 2005. Pattern of global cyber war and crime: A conceptual framework. *Journal of International Management*, 11(4): 541–562.
- Kydd, A., & Walter, B. 2006. The strategies of terrorism. *International Security*, 31(1): 49–80.
- Lee, R., & Perl, R. 2002. *Terrorism, the future, and US foreign policy*, Issue Brief for the United States Congress, received through the Congressional Research Service website, <http://www.loc.gov. order code IB95112>. Accessed 29 July 2009.
- Lenain, P., Bonturi, M., & Koen, V. 2002. *The economic consequences of terrorism*, Economics Department Working Paper No. 334, Organization for Economic Cooperation and Development, Paris.

- Li, Q., & Schaub, D. 2004. Economic globalization and transnational terrorism: A pooled time-series analysis. *The Journal of Conflict Resolution*, 48(2): 230–259.
- Li, S., Tallman, S., & Ferreira, M. 2005. Developing the eclectic paradigm as a model of global strategy: An application to the impact of the Sep. 11 terrorist attacks on MNE performance levels. *Journal of International Management*, 11(4): 479–496.
- Libicki, M., Chalk, P., & Sisson, M. 2007. *Exploring terrorist targeting preferences*. Santa Monica, CA: Rand Corporation.
- Liesch, P., Steen, J., Knight, G., & Czinkota, M. 2006. Problematizing the internationalization decision: Terrorism-induced risk. *Management Decision*, 44(6): 809–823.
- Liou, D., & Lin, C. 2008. Human resources planning on terrorism and crises in the Asia Pacific region: Cross-national challenge, reconsideration, and proposition from Western experiences. *Human Resource Management*, 47(1): 49–72.
- London Chamber of Commerce and Industry. 2005. *The economic effects of the terrorism on London*. London: London Chamber of Commerce and Industry Press and Public Affairs.
- Lutz, J., & Lutz, B. 2006. International terrorism in Latin America: Effects on foreign investment and tourism. *Journal of Social, Political, and Economic Studies*, 31(3): 321–338.
- Mankin, L., & Perry, R. 2004. Commentary: Terrorism challenges for human resource management. *Review of Public Personnel Administration*, 24(1): 3–17.
- Marion, R., & Uhl-Bien, M. 2003. Complexity theory and Al Qaeda: Examining complex leadership. *Emergence: A Journal of Complexity Issues in Organization and Management*, 5(1): 54–76.
- McIntyre, J., & Travis, E. 2004. Global investment and trade flows: A framework for understanding. In G. Suder (Ed.), *Terrorism and the international business environment: The security-business nexus*: 120–154. Cheltenham, UK: Edward Elgar.
- McIntyre, J., & Travis, E. 2006. Global supply chain under conditions of uncertainty: Economic impacts, corporate responses, strategic lessons. In G. Suder (Ed.), *Corporate strategies under international terrorism and adversity*: 128–160. Cheltenham, UK: Edward Elgar.
- Mickolus, E. 1982. *International terrorism: Attributes of terrorist events, 1968–1977 (ITERATE 2)*. Ann Arbor, MI: Inter-University Consortium for Political and Social Research.
- Mickolus, E., Sandler, T., & Murdock, J. 1989. *International terrorism in the 1980s: A chronology of events*. Ames, IA: Iowa State University Press.
- Millar, M. 2006. Unprepared for the worst. *Personnel Today*, 27 June: 8–9.
- Miller, K. 1992. A framework for integrated risk management in international business. *Journal of International Business Studies*, 23(2): 311–331.
- Moghadam, A. 2008. *The globalization of martyrdom: Al Qaeda, Salafi Jihad, and the diffusion of suicide attacks*. Baltimore, MD: Johns Hopkins University Press.
- Mousseau, M. 2003. Market civilization and its clash with terror. *International Security*, 27(3): 5–29.
- National Commission on Terrorist Attacks upon the United States. 2004. *9/11 Commission Report*. Washington, DC: US Government Printing Office.
- National Counterterrorism Center. 2009. *2008 Report on Terrorism*. <http://www.nctc.gov>. Accessed 11 August 2009.
- Navarro, P., & Spencer, A. 2001. September 2001: Assessing the cost of terrorism. *Milken Institute Review*, 2(1): 16–31.
- Neumann, P., & Smith, M. 2005. Strategic terrorism: The framework and its fallacies. *Journal of Strategic Studies*, 28(4): 580–595.
- Nielsen, C. 2005. Competition within the US National Security Regime: A study of the US aerospace defense sector. *Journal of International Management*, 11(4): 497–517.
- Niskanen, W. 2006. The several costs of responding to the threat of terrorism. *Public Choice*, 128(1–2): 351–356.
- OECD. 2002. Economic consequences of terrorism. *OECD Economic Outlook*, June: 117–140.
- Oh, C., & Oetzel, J. 2009. The institutional environment, terrorism, natural and technological disasters, and subsidiary response. In T. Pedersen & T. Kiyak (Eds), *Proceedings: 2009 Annual Conference, Academy of International Business*, 27–30 June 2009, San Diego, USA. East Lansing, MI: Academy of International Business.
- Pahud de Mortanges, C., & Allers, V. 1996. Political risk assessment: Theory and the experience of Dutch firms. *International Business Review*, 5(3): 303–318.
- Perrow, C. 2007. *The next catastrophe: Reducing our vulnerabilities to natural, industrial, and terrorist disasters*. Princeton, NJ: Princeton University Press.
- Perry, R., & Mankin, L. 2005. Preparing for the unthinkable: Managers, terrorism and the HRM function. *Public Personnel Management*, 34(2): 175–193.
- PricewaterhouseCoopers. 2008. *Public & private global risks: 11th annual global CEO survey*. New York: PricewaterhouseCoopers. <http://www.pwc.com>. Accessed 7 October 2008.
- Rabasa, A., Blackwill, R., Chalk, P., Cragin, K., Fair, C., Jackson, B., Jenkins, B., Jones, S., Shestak, N., & Tellis, A. 2009. *The lessons of Mumbai*. Occasional paper. Santa Monica, CA: Rand Corporation.
- Rapoport, D. 2004. The four waves of modern terrorism. In A. Cronin & J. Ludes (Eds), *Attacking terrorism*: 46–73. Washington, DC: Georgetown University Press.
- Reade, C. 2007. *The effects of war and terrorism on organizational commitment*. Paper presented at the Academy of International Business Fifth Annual Conference on Emerging Research Frontiers in International Business, Miami, Florida, 28 November – 2 December 2007.
- Ricart, J., Enright, M., Ghemawat, P., Hart, S., & Khanna, T. 2004. New frontiers in international strategy. *Journal of International Business Studies*, 35(3): 175–183.
- Rosendorff, P., & Sandler, T. 2005. The political economy of transnational terrorism. *Journal of Conflict Resolution*, 49(2): 171–183.
- Sheffi, J. 2005. *The resilient enterprise: Overcoming vulnerability for competitive advantage*. Boston, MA: MIT Press.
- Siekman, P. 2003. Protecting America's ports. *Fortune*, 10 November: 198.
- Simon, J. 1982. Political risk assessment: Past trends and future prospects. *Columbia Journal of World Business*, 17(3): 62–72.
- Simon, J. 1984. A theoretical perspective on political risk. *Journal of International Business Studies*, 15(3): 123–143.
- Singhal, V., & Hendricks, K. 2005. Association between supply chain glitches and operating performance. *Management Science*, 51(5): 695–711.
- Slater, G., & Spencer, D. 2000. The uncertain foundations of transaction costs economics. *Journal of Economic Issues*, 34(1): 61–87.
- Spich, R., & Grosse, R. 2005. How does homeland security affect US firms' international competitiveness? *Journal of International Management*, 11(4): 457–478.
- Starr, R., Newfrock, J., & Delurey, M. 2003. Enterprise resilience: Managing risk in the networked economy. *Strategy & Business*, 30(Spring): 1–10.
- Steen, J., Liesch, P., Knight, G., & Czinkota, M. 2006. The contagion of international terrorism and its effects on the firm in an interconnected world. *Public Money & Management*, 26(5): 305–312.
- Stern, J. 2010. Mind over martyr. *Foreign Affairs*, 89(1): 95–108.
- Suchman, M. 1995. Managing legitimacy: Strategic and institutional approaches. *Academy of Management Review*, 20(4): 571–610.
- Suder, G. 2004a. Introduction. In G. Suder (Ed.), *Terrorism and the international business environment: The security-business nexus*: 1–5. Cheltenham, UK: Edward Elgar.
- Suder, G. 2004b. The complexity of the geopolitics dimension in risk assessment for international business. In G. Suder (Ed.), *Terrorism and the international business environment: The security-business nexus*: 68–82. Cheltenham, UK: Edward Elgar.



- Suder, G. (Ed.) 2006. *Corporate strategies under international terrorism and adversity*: 83–94. Cheltenham, UK: Edward Elgar.
- Suder, G., & Czinkota, M. R. 2005. Towards an understanding of terrorism risk in the MNE. *Multinational Business Review*, 13(3): 3–23.
- Sullivan-Taylor, B., & Wilson, D. 2008. Risk, uncertainty and strategy: Coping with the threat of global terrorism. In J. Cantwell & T. Kiyak (Eds), *Proceedings of the Annual Meeting of the Academy of International Business*, 30 June – 3 July 2008, Milan, Italy. East Lansing, MI: Academy of International Business.
- Sullivan-Taylor, B., & Wilson, D. 2009. Managing the threat of terrorism in British travel and leisure organizations. *Organization Studies*, 30(2/3): 251–262.
- Tan, W.-J., & Enderwick, P. 2006. Managing threats in the global era: The impact and response to SARS. *Thunderbird International Business Review*, 48(4): 515–536.
- Teegen, H., Doh, J., & Vachani, S. 2004. The importance of nongovernmental organizations (NGOs) in global governance and value creation: An international business research agenda. *Journal of International Business Studies*, 35(3): 463–483.
- Ting, W. 1988. *Multinational risk assessment and management: Strategies for investment and marketing decisions*. Westport, CT: Quorum Books.
- United States Trade Representative. 2006. *National trade estimate report*. <http://www.ustr.gov>. Accessed 8 September 2008.
- Urry, J. 2002. The global complexities of September 11th. *Theory, Culture and Society*, 19(4): 57–69.
- US Department of State. 2002. *Patterns of global terrorism 2001*. Washington, DC: US Department of State.
- US Department of the Treasury. 2009. *Executive Order 13224: Blocking Property and Prohibiting Transactions with Persons who Commit, Threaten to Commit, or Support Terrorism*. Washington, DC: US Department of the Treasury, Office of Foreign Asset Control.
- Van Natta Jr., D. 2003. The struggle for Iraq: Last American combat troops quit Saudi Arabia. *New York Times*, 22 September.
- Victoroff, J. 2005. The mind of the terrorist: A review and critique of psychological approaches. *Journal of Conflict Resolution*, 49(1): 3–42.
- Weick, K. 1995. *Sensemaking in organizations*. London: Sage.
- Wernick, D. 2006. Terror incognito: International business in an era of heightened geopolitical risk. In G. Suder (Ed.), *Corporate strategies under international terrorism and adversity*: 59–82. Cheltenham, UK: Edward Elgar.
- Wernick, D., & Kundu, S. 2008. Terrorism, political risk and international business: Conceptual considerations. In J. Cantwell & T. Kiyak (Eds), *Proceedings: 2008 Annual Conference, Academy of International Business*, 30 June – 3 July, 2008, Milan, Italy. East Lansing, MI: Academy of International Business.
- Wernick, D., & Kundu, S. 2009. Understanding the terrorist threat to MNEs: A conceptual model and framework for research. In T. Pedersen & T. Kiyak (Eds), *Proceedings: 2009 Annual Conference, Academy of International Business*, 27–30 June, San Diego, USA: East Lansing, MI: Academy of International Business.
- Wernick, D., & Von Glinow, M. 2010. *Reflections on the evolving terrorist threat to luxury hotels: A case study on Marriott International*. Unpublished manuscript.
- Whitley, R. 1994. Dominant forms of economic organization in market economies. *Organization Studies*, 15(2): 153–182.
- Wilkinson, P. 1986. *Terrorism and the liberal state*. London: Macmillan.
- Witschel, G. 2004. The legacy of September 11. In G. Suder (Ed.), *Terrorism and the international business environment*:

The security-business nexus: 9–24. Cheltenham, UK: Edward Elgar.

Yip, G. 1995. *Total global strategy*. Upper Saddle River, NJ: Prentice Hall.

ABOUT THE AUTHORS

Michael Czinkota is Associate Professor at Georgetown University's Business School in Washington, DC, and Chair of International Marketing, University of Birmingham, in the United Kingdom. He is a former US Deputy Assistant Secretary of Commerce and head of delegation, OECD Industry Committee. Born in Germany, and educated in Austria, Spain, and Scotland, he holds a PhD in Logistics and International Business from the Ohio State University. Key interests are trade policy and international marketing. E-mail: Czinkotm@georgetown.edu.

Gary Knight (PhD, Michigan State University) is an associate professor at Florida State University, where he directs the program in multinational business. His research interests are born-global firms, international strategy, and social marketing in emerging markets. A native US citizen, he was recently ranked as one of the top 15 most prolific authors in international business in the United States. E-mail: gknight@fsu.edu.

Peter Liesch holds a PhD from the University of Queensland and is Professor of International Business and Chair of the Strategy Cluster, UQ Business School, at the University of Queensland, Australia. A native Australian, his research is funded by the Australian Research Council and includes the pre-internationalization phase of early internationalizing firms, Sino-Australian business, and competing institutional logics in healthcare. E-mail: p.liesch@uq.edu.au.

John Steen is Senior Lecturer in Strategic Management at the UQ Business School. In addition to research interests in innovation and international business, he is actively involved in various corporate education and consulting activities, and is a current recipient of an Australian government grant on networks and innovation. A native Australian, John received his PhD from the University of Queensland.

Accepted by Mary Ann Von Glinow, Consulting Editor, 21 February 2010. This paper has been with the authors for four revisions.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.