

**THE IMPACTS OF TERRORISM ACTS ON
INTERNATIONAL BUSINESS INVESTMENT DECISIONS
BY MULTINATIONAL COMPANIES OPERATING IN
KENYA**

MWENDA KINYAH JOY

**A RESEARCH PROJECT SUBMITTED IN PARTIAL
FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF
THE DEGREE OF MASTERS OF BUSINESS ADMINISTRATION**

SCHOOL OF BUSINESS

UNIVERSITY OF NAIROBI

SEPTEMBER, 2014

DECLARATION

This research project is my own original work and has not been presented for examination in any other university.

Signature Date

MWENDA KINYAH JOY

REG NO: D61/61366/2013

This research project has been submitted for examination with my approval as the university's Supervisor.

Signature..... Date

DR. JOHN YABS

LECTURER

SCHOOL OF BUSINESS

UNIVERSITY OF NAIROBI

ACKNOWLEDGMENT

God the Father, the Son and the Holy Spirit; for His unlimited providence, love, care, wilful guidance and counsel. I am indeed, greatly indebted to my supervisor Dr. John Yabs for being patient with me in the course of this research work, his time, commitment, scholarly advice and continuous encouragement. Thank you very much for never accepting less than the best of my work. Without your tireless guidance this research study would not be possible! I would also wish to express my gratitude to all my friends, my lecturers at the University of Nairobi and all those who have contributed in one way or other towards the realization and success of this research work. Your concerns, support, motivation, encouragement and efforts are deeply and sincerely appreciated. Long life!

To all my acquaintances, May the love of God and the fellowship of the Holy Spirit abound!
Again, thank you all!

DEDICATION

To my parents: For their care and relentless sacrificial support towards the pursuance of my basic education and responsible parenting. I heartily wish you the love, mercy and the unfailing love of God.

To my immediate family: For being so engrossed in everything that I do, your psycho-social support, love and visionary encouragement. Continue being closely- knit and to enjoy God's providence and shelter! Amen

To the memory of all civilians and security agencies personnel who have lost their lives through terrorist acts May their lives not have been in vain.

To everyone who desires a terror free and secure Kenya, may your desires bear fruits.

ABSTRACT

Terrorism can negatively impact growth, investment and trade flows. This research study was aimed at identifying the impacts of terrorism acts on international business investment decisions by multinational companies operating in Kenya. The issue of global terrorism has assumed a frightening and dangerous dimension across the globe to an extent that an individual's safety in a nation cannot be absolutely guaranteed, Kenya in the recent past has experienced its share of terrorism and terrorist related activities with big magnitudes reported in Nairobi and Mombasa counties. Terrorism raises the risk and cost of doing business irrespective of the nature of business. The main objective of this research were to understand how terrorism acts have impacted on international business investment decisions by multinational companies operating in Kenya and to seek out possible mitigating measures of terrorism risk. The value of the study is to assist the international firms in the analysis of direct and indirect effects of terrorism on business investment decisions in order to come up with business continuity plans, business resilience strategies, crisis management programs and disaster planning and recovery measures for the business survival in the event of and after the acts of terrorism. Though political factors are not only determinants which decide the whole investment decision by multinational firms many empirical studies have found the correlation between political factors and investment decision. The study used a descriptive survey research design to explain how terrorism has impacted on international business investment decisions by the multinational firms operating in Kenya. The target population was multinational firms operating in Kenya. The researcher targeted 20 multinational companies whose list is attached as appendix three. The researcher got a sample size of five multinational firms. The researcher also used systematic random sampling to come up with a sample size. Structured questionnaires were used to collect primary data. The questions format was based on a five point Likert scale. The researcher obtained an official introduction letter from the University of Nairobi to clarify to the audience the purpose of study. Upon receiving clearance the researcher distributed the questionnaires. After distributing and collecting the questionnaires, they were coded and edited for completeness using the statistical package for social services SPSS. Quantitative data was analysed using descriptive techniques like frequencies distribution, percentages, means, modes, medians and standard deviations. In addition correlation analysis was done to establish the relationships that exist between the level of terrorism and international business operations in Kenya. Eventually data was presented using frequency tables. The study observed that international business investment of multinational companies was clearly affected by the level of terrorism acts in the country. Foreigners were more likely to invest in multinational companies that did not prove a threat to the investments made. It was also evident from the research that terrorism acts in the country increased the cost of security to the MNCs thereby reducing the level of return on investments in these firms. Terrorism acts affected growth, development and financial performance of these multinational firms it was noted that most respondents believed that increased terrorism acts affected the daily routine of these firms hence causing a reduction in return on investments, growth and development of the multinational companies. This research paper concludes that if a country does not confront its political problems, it is obvious that the country will be excluded in the list of future investment plan of multinational companies. To determine and to get rid of the major political barriers and risks to foreign investment development is the first step which Kenya should exercise in order to attract more inward foreign investment.

TABLE OF CONTENTS

| | |
|--|------------|
| DECLARATION..... | ii |
| ACKNOWLEDGMENT | iii |
| DEDICATION..... | iv |
| ABSTRACT..... | v |
| LIST OF TABLES | ix |
| LIST OF FIGURES | x |
| LIST OF ACRONYMS AND ABBREVIATIONS | xi |
| | |
| CHAPTER ONE: INTRODUCTION..... | 1 |
| 1.1Background of the study..... | 1 |
| 1.1.1 Concept of international business..... | 2 |
| 1.1.2 International business environment..... | 3 |
| 1.1.3 International terrorism | 5 |
| 1.1.4 International investment decisions | 7 |
| 1.1.5 Terrorism in Kenya..... | 8 |
| 1.2 Research problem..... | 9 |
| 1.3 Research objective | 11 |
| 1.4 Value of the study..... | 11 |
| | |
| CHAPTER TWO: LITERATURE REVIEW..... | 13 |
| 2.1 Introduction | 13 |
| 2.2 Theoretical foundation of the study..... | 13 |
| 2.3 Terrorism internationally | 15 |
| 2.4 Terrorism and investment decision | 18 |
| 2.5 Impacts of terrorism on international business activities and mitigating measures..... | 19 |

| | |
|--|-----------|
| CHAPTER THREE: RESEARCH METHODOLOGY | 23 |
| 3.1 Introduction | 23 |
| 3.2 Research design..... | 23 |
| 3.3 Population of the study | 23 |
| 3.4 Sample size..... | 24 |
| 3.5 Data Collection..... | 24 |
| 3.6 Data Analysis | 25 |
| | |
| CHAPTER FOUR: DATA ANALYSIS, RESULTS AND CONCLUSIONS | 26 |
| 4.1 Introduction | 26 |
| 4.2 Response Rate | 26 |
| 4.3 Pilot Test Results | 27 |
| 4.4 Demographic information..... | 28 |
| 4.4.1 Gender Distribution | 28 |
| 4.4.2 Period of employment at MNC (Multinational companies)..... | 29 |
| 4.5: Terrorism and investments decisions..... | 31 |
| 4.6 Effects of terrorism on the financial performance of MNCs’ | 32 |
| 4.7 Effects of terrorism on foreign investments on multinational companies in the country. ... | 34 |
| 4.8 Effect of terrorism attacks on the security cost of multinational corporations in Kenya..... | 35 |
| 4.9 Descriptive Statistics | 36 |
| 4.10 Correlation Analysis..... | 38 |
| 4.11 Regression Analysis | 39 |

| | |
|--|-----------|
| 4.12 Analysis of Variance (ANOVA) | 40 |
| 4.13 Discussion | 41 |
| CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS | 42 |
| 5.1 Introduction | 42 |
| 5.2 Summary of Findings | 42 |
| 5.2.1 Influence of foreign direct investments on international business investment in the Kenya in relation to terrorism acts in the country. | 42 |
| 5.2.2 Influence of security cost on international business investments of MNCs' in relation to terrorism acts. | 43 |
| 5.2.3 Influence of financial performance (growth and development opportunities) of multinational companies in relation to terrorism acts. | 43 |
| 5.2.4: Influence of terrorism on Investment decisions of multinational companies in the region. 44 | |
| 5.3 Conclusion | 44 |
| 5.4 Recommendations..... | 44 |
| 5.5 Limitations..... | 46 |
| 5.6 Recommendation for further research..... | 46 |
| REFERENCES..... | 47 |
| APPENDICES | 50 |
| APPENDIX 1: COVER LETTER | 50 |
| APPENDIX II: QUESTIONNAIRE..... | 51 |
| APPENDIX III: LIST OF MULTINATIONAL FIRMS | 55 |

LIST OF TABLES

| | |
|--|----|
| Table 1: Response Rate..... | 27 |
| Table 2: Gender Distribution | 29 |
| Table 3: Effects of terrorism on the financial performance of MNCs' | 32 |
| Table 4: Effects of terrorism on foreign investments on multinational companies..... | 34 |
| Table 5: Rate of Insecurity Due To Terrorism Attacks | 35 |
| Table 6 :Descriptive Statistics | 36 |
| Table 7: Correlation Coefficients between foreign investments, financial performance | 38 |
| Table 8: Multiple regression analysis of Foreigner investments, financial performance' | 39 |
| Table 9: Analysis of Variance (ANOVA) results for identifies Foreigner investments, financial performance, local investments and security costs of MNCs' | 40 |

LIST OF FIGURES

| | |
|---|----|
| Figure 1: Response Rate | 27 |
| Figure 2: Gender Distribution..... | 29 |
| Figure 3: Number of years worked in the MNCs' | 30 |
| Figure 4: Terrorism and investments decisions | 31 |
| Figure 5: Effects of Terrorism on Investment..... | 31 |
| Figure 6: Effects of terrorism on the financial performance of MNCs' | 32 |
| Figure 7: Effects of terrorism on foreign investments on multinational companies..... | 34 |
| Figure 8: Rate of Insecurity Due To Terrorism Attacks | 35 |

LIST OF ACRONYMS AND ABBREVIATIONS

| | |
|-------|---|
| SPSS | Statistical Packages for Social Science |
| LITE | Liberation Tigers of Tamal Eelam |
| TOC | Transnational Organized Crime |
| CVI | Content Validity Index |
| ANOVA | Analysis of Variation |
| MNCs | Multinational Companies |

CHAPTER ONE: INTRODUCTION

1.1 Background of the study

The importance of the role of multinational corporations in shaping the global economy has increased in the 20th century to a level that any of the top 100 or so global firms exceed the GDP of many nations; today the multinational companies are creating most of the output and employment in the world. Multinational firms exist because certain economic conditions make it possible for a firm to profitably undertake production of a good or service in a foreign location such abundant labor, availability of raw materials, market growth etc. The growing importance and necessity of foreign investment for strengthening economic stability and quickly evolving towards a developed economy in developing countries has generated interest in foreign investment decisions of multinational corporations

The growing amount of resource commitment assigned to foreign investment by the increasing number of MNCs has generated particular interest in assessing the relationship between the foreign investment and factors influencing the investment decision. Among these factors, political conditions have demonstrated to be one of the leading factors in assessing a company's foreign direct investment in a foreign company (Kobrin, 1979). Political risk refers to the possibility that political decisions or events in a country will affect the business climate in such a way that investors will lose money or not makes as much money as they expected when the investment was made.

In general, there are two types of political risk, macro risk and micro risk. Macro risk refers to adverse actions that will affect all foreign firms, such as expropriation or insurrection, whereas micro risk refers to adverse actions that will only affect a certain industrial sector or business,

such as corruption and prejudicial actions against companies from foreign countries. All in all, regardless of the type of political risk that a multinational corporation faces, companies usually will end up losing a lot of money if they are unprepared for these adverse situations.

Kenya has recently seen a series of terrorist attacks which have led to a number of deaths, casualties, destroyed buildings and business, loss of investor confidence and repatriation of business to neighboring safer countries like Tanzania and Rwanda. This has impacted negatively on the general economic outlook leading to economic slowdown. The businesses which have experienced a big magnitude of negative impact are those carrying out international business operations as compared to domestic operatives.

1.1.1 Concept of international business

International Business comprises all commercial transactions (private and governmental, sales, investments, logistics, and transportation) that take place between two or more regions, countries and nations beyond their national boundaries. Usually, private companies undertake such transactions for profit while governments undertake them for profit and for political reasons. These activities normally include the transaction of economic resources such as goods, capital, services (comprising technology, skilled labor, and transportation), and international production. Production may either involve production of physical goods or provision of services like banking, finance, insurance, construction, trading, and so on. Thus, international business includes not only international trade of goods and services but also foreign investment, especially foreign direct investment. In most countries, such trade represents a significant share of gross domestic product (Wilkins, M. 1974).

International trade is, in principle not different from domestic trade as the motivation and the behavior of parties involved in a trade do not change fundamentally regardless of whether trade

is across a border or not. The main difference is that international trade is typically more costly than domestic trade; the reason is that a border typically imposes additional costs such as tariffs, time costs due to border delays and costs associated with country differences such as language, the legal system or culture. Industrialization, advancement in technology, transportation, globalization, multinational corporations, and global outsourcing are all having a major impact on the international trade system. Increasing international trade is crucial to the continuance of globalization. Without international trade, nations would be limited to the goods and services produced within their own borders which would impact negatively on the economy of such a country.

An international business operation can be of different form; Exporting goods and services, giving license to use the property of the licensor (patents or trade mark), starting a joint venture with a foreign company, and Opening a branch for producing & distributing goods in the host country (Subsidiary), turnkey projects. Wortzel, L.H. and Wortzel, H.V. (1981).

1.1.2 International business environment

There exist a number of environmental factors that can impact the business in an economy. These environmental factors can be categorized into external and internal environment of the businesses. The internal environment of the company includes the factors which are within the company and under the control of company like product Organizational culture, Leadership, and Manufacturing (quality). On the other hand, the external factors are not under the control of the company and include Social environment, political conditions, suppliers, competitors of the company, Government regulations and policies, Resources in an economy and demographics of people. Before venturing into international business, the business can analyze environment with the aid of PESTEL model in order to estimate the level of risk emanating from operating

business in such an environment and whether such an environment is ideal for business growth and survival. Michael Porter (1990)

The Political environment considers the nature of political systems and institutions. Variables to consider here are the stability of the government and political system, the existence of local or international conflict, the role of state enterprises and the nature of the bureaucracy, the level of corruption, government attitude towards private investments, the existence or absence of trade barriers. The economic environment comprises the nature of the economic system and institutions of a particular country or region. It also takes into account the nature of human and natural resources within the target market. Key variables includes; foreign exchange rate fluctuations, level of disposable income, size and growth of GDP, interest and inflation rates as well as fiscal and monetary policies. The Social Cultural Environment comprises of the basic values of a people. Issues such as the relation between the individual and the collective, religion, family life and even time concepts and gender roles are all significant in terms of dealing with a new population. Being sensitive to these might be the difference between success and failure. Changes in social trends can impact on the demand for a firm's products and the availability and willingness of individuals to work.

The global legal environment refers to the legal environment in international business. The legal environment regulates the operations of firms in international markets. It is sufficient for a firm operating at the domestic level to stick to regulations of the land, but organizations operating in different countries need to know and comply with the laws of the domestic country as well as all the host countries they operate in. Governments impose laws to protect the home industry from stiff global competition. They impose different kinds of tariffs, enter into agreements and sign treaties to protect indigenous industry and promote local trade. When governments feel that the

home industry is affected because of dumping, they can impose heavy anti - dumping duties. To protect domestic industry, they can also impose non-tariff barriers and frame regulations on foreign investments.

1.1.3 International terrorism

Terrorism has become the defining issue of international politics of the first decade of the 21st century. This refers to the calculated use of violence (or the threat of violence) against civilians in order to attain goals that are political or religious or ideological in nature; this is done through intimidation or coercion or instilling fear. International terrorism is practiced in a foreign country by terrorists who are not native to that country. International terrorism Occur primarily outside the territorial jurisdiction of a country or transcend national boundaries in terms of the means by which they are accomplished Enders, W.,& Sandler, T. (2006). Domestic terrorism Occur primarily within the territorial jurisdiction of a country. Rapid deterioration of security in parts of Middle East and Africa has greatly contributed to a significant growth in total terrorist attacks. Terrorist attacks rose 43% worldwide in 2013 despite a splintering of al-Qaida's leadership and a sprawling global counter-terrorism campaign; the causes of terrorism appear to be varied. There does not appear to be one lone factor that leads people to engage in acts of terror. Motivations for terrorism include psychological, ideological, and strategic.

In Psychological Perspective, Those who engage in terrorism may do so for purely personal reasons, based on their own psychological state of mind. Their motivation may be nothing more than hate or the desire for power. For example, in 1893 Auguste Vaillant bombed the French Chamber of Deputies. Prior to his conviction and subsequent execution Vaillant explained his motivation in terms of hate for the middle classes. Vaillant wanted to spoil the sense of economic

and social success, by tainting it with his violence. In many respects this terrorist is interested in getting attention from others for his or her act, rather than some grand ideological or strategic goal. Morag, N. (2006).

Ideology is defined as the beliefs, values, and/or principles by which a group identifies its particular aims and goals. Ideology may encompass religion or political philosophies and programs. Examples of terrorist groups motivated by ideology include the Irish Republican Army (IRA), in Sri Lanka the Liberation Tigers of Tamal Eelam (LTTE), and the al-Qaida. The issue of religious intolerance in the world is a cause of great concern. In most nations of the world, there is rivalry between the followers of Islamic and Christian faiths. Followers of each faith have not been tolerant of the other as they are easily provoked by the actions / activities of the other. Some of the past cases of terrorism in the world were therefore premeditated on religious issue. For Example being the case of the bombing of World Trade Centre by Osama Bin Laden and his followers. Drakos, Konstantinos and Ali M. Kutan (2003).

In Strategic Perspective, Terrorism is sometimes seen as a logical extension of the failure of politics. When people seek redress of their grievances through government, but fail to win government's attention to their plight, they may resort to violence. From this viewpoint, terrorism is the result of a logical analysis of the goals and objectives of a group, and their estimate of the likelihood of gaining victory. If victory seems unlikely using more traditional means of opposition, then one might calculate that terrorism is a better option. For example, in South Africa the African National Congress only turned to the use of terrorism after political avenues were explored and failed. Of course, not just individuals may feel let down by the political process. States may use terrorists in the pursuit of their own strategic interests. States

may sponsor terrorist groups, especially when the objectives of the state and the terrorist group are similar. Enders, Walter and Todd Sandler (1991).

1.1.4 International investment decisions

MNCs invest in different locations to get different advantages from host countries in order to operate better in their home base, there are a number of factors which lead firms to expand and invest abroad and become multinational. Looking for domestic markets to sell more goods, seeking raw materials and managerial knowledge or technology and trying to find countries where factors of production are cheaper are the main motivations behind global expansion of companies. Multinational companies look for the perfect mix of these factors in answering the "where to invest" question. While labor costs and attributes of the workforce such as skill and educational levels are critical variables of investment decision, the purchasing power of the market and proximity to other markets are taken into consideration in taking the investment decision. Swedenborg, B. (1979).

Market size and growth prospects of the host country, the availability of infrastructure, reasonable levels of taxation and the overall stability of the tax regime, stable political environment, as well as conditions that support physical and personal security, legal framework and the rule of law and corruption and governance concerns constitute the main concerns of MNCs in taking their decisions in developing countries. The openness of the host country to international trade is another dimension that affects investment decisions of MNCs which allows the companies to export their final product to alternative markets easily and without limiting their sales operations with the host country market. As a result of this, foreign investors prefer countries that trade more with the rest of the world.

MNCs have to make strategic decisions on the market entry modes, market penetration and expansion and growth, positioning and competition strategies, maintaining their market share as well market exit decisions should the conditions become unfavorable. Decision on whether to repatriate the profits to the home country or to reinvest in the host nation is a tradeoff of the prevailing market conditions in both countries.

1.1.5 Terrorism in Kenya

Kenya has regrettably become a paradigm for what can happen when corruption becomes so ingrained in a nation that its security forces are unable to effectively protect its people. It is a sad state of affairs that Kenyans are denied the right to live in a country free of terror. The geographic location (Transit point for donors), poverty and unstable neighbors (Somalia and South Sudan) are some key elements that have contributed to past terrorist attacks faced by Kenya. Moreover, the extensive media coverage of the attacks particularly focused on Kenya's vulnerability to terrorism has severely tarnished its image. However, the terrorism threat remains real with Somalia being the immediate geographic proximity. Insecurity remains a key business risk in Kenya. Consequently, businesses have suffered great losses resulting from damage to property, business interruption, relocation costs and human casualties.

The size and the diversity of an economy have much to do with the ability of a country to withstand terrorist attacks without showing significant economic effects. In a more diversified and developed economy, such losses may have a temporary influence as resources are reallocated to other sectors or better security measures are deployed to allay concerns. Moreover, developed economies have better monetary and fiscal capabilities to limit macroeconomic impacts of terrorist attacks than small developing countries. Thus, we should anticipate that developed countries are more likely to display sector-specific reactions to terrorism attacks, while developing countries are apt to exhibit some macroeconomic consequences to a

particularly vicious attack or a sustained terror campaign. Kenya being a developing country with strained economic resources experience macroeconomic impact whenever there is an attack due to spillover effect from one industry to another. Morag, N. (2006).

Investors are inclined to nullify their FDI in Kenya due to some of the ‘shocks’ felt by the terrorist attack such as the direct destruction of infrastructure, the rise of operating costs due to an increasing need of security measures, and the rise of recruiting costs due to missing incentives to work in terrorism – prone regions. Another expense incurred is that of extensive advertising to attract more and new tourists to Kenya. This strategy is employed to portray Kenya as a once again safe place and to neutralize the negative media attention received after the bombing.

1.2 Research problem

The issue of global terrorism has assumed a frightening and dangerous dimension across the globe. It has gone to the extent that an individual's safety in a nation cannot be absolutely guaranteed. Cases of terrorism are taking place daily in different countries of the world, many of which are reported in the newspapers, television and radio. Ranging from suicide bombing, kidnapping of individuals to bombing of aircrafts and others, terrorists attacks are taking place daily. Examples of International terrorist attacks includes the killing of 21 people in April 2002, Tunisia on Western tourists at synagogue, May 2002, Pakistan 19 killed in attacks on French engineers in Karachi, November 2002, Kenya 12 killed in attack on hotel and Israeli Aircraft in Mombasa, May 2003, Saudi Arabia 35 killed in attack on residential compound in Riyadh, November 2003, Turkey 27 killed in multiple attacks on British and Jewish targets in Istanbul, March 2004, Spain 192 killed in attacks on Madrid rail network, etc.

Kenya in the recent past has experienced its share of terrorism and terrorist related activities with big magnitudes reported in Nairobi and Mombasa counties. Examples of terrorism and terrorist related incidences in Kenya includes; on 7 August 1998 the US Embassy was bombed, on 28 November 2002 there were missile attacks on an Israel Plane after takeoff from Mombasa airport, on 24 October 2011, a grenade was hurled at Mwaura's bar that left one person dead and wounded more than 20, on 30 September 2012, the Sunday school of St Polycarp's church in Nairobi was attacked with grenades. One child was killed; on 21 September 2013 gunmen targeted and shot customers at Nairobi's Westgate Shopping Mall. Over 80 people were reportedly killed in the attack, On 1 April 2014, in the Eastleigh district of Nairobi, six people were killed and dozens more injured when terrorists exploded bombs at two separate locations about three hundred meters apart, On 16 May 2014, at Gikomba Market in Nairobi, twin explosions claimed the lives of more than ten people, On 16th June 2014, at least 48 people were killed when suspected al shabab militants from Somalia stormed into a Kenyan coastal town and launched a major assault on a police station, hotels and government offices. Around 50 heavily-armed gunmen drove into the town of Mpeketoni, near the coastal island and popular tourist resort of Lamu, late on Sunday.

To the best of researcher's knowledge, not much study has been published recently following the heightened political risk posed by Kenya as a result of rampant terrorism related acts and how it has impacted on the investment decisions by the multinationals operating in Kenya. Generally, terrorism raises the risk and cost of doing business, whether that business is diplomacy, manufacturing, or sales. These costs are huge and affect every aspect of the business world. We must take up the challenge to defeat global terrorism in order for the cross national business to thrive and attract more global investors.

Much of the conventional wisdom theme is that terrorism is not the result of poverty and economic deprivation, this study seeks to close this knowledge gap by attempting to answer the following research questions; Why is Kenya a target of terrorism? How has terrorism in Kenya impacted on international business investment decisions by multinational companies? Can the risk of terrorism be managed?

1.3 Research objective

The objective of this research was to understand how terrorism acts have impacted on international business investment decisions by multinational companies operating in Kenya and to seek out possible mitigating measures of terrorism risk.

1.4 Value of the study

Terrorism in the past has not been seen as a business-relevant problem in Kenya until recently when the financial or political risk management and insurance have become real issues in Kenya after a series of attacks. Terrorism has moved to the rank of a risk that needs to be assessed, evaluated and managed, and that the international firm of any sector needs not bear overlook the threat due to the negative risk return associated with it.

The analysis of indirect effects which includes the examination of demand and supply effects, international transactions costs, international supply chains resilience and flexibilities, reputations, government policies, regulations, and the trends and flows of FDI and corporate internationalization strategy helps to come up with of mitigating measures.

Understanding the indirect impacts on business as a result of terrorism e.g, communication and transport infrastructure interruptions due to physical damage, injury, trauma and death and hence

come up with business continuity planning, business resilience strategies, crisis management programs, disaster planning and recovery measures for the business survival in the event of and after the acts of terrorism

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter discusses how terrorism and related terrorism activities have impacted on international business investment decisions by multinational firms and to establish whether there exist a connection between terrorism and international business and the relationship between the two.

2.2 Theoretical foundation of the study

Market imperfection theory; Market imperfection can be defined as anything that interferes with trade, this includes two dimensions of imperfections. First, imperfections cause a rational market participant to deviate from holding the market portfolio; second, imperfections cause a rational market participant to deviate from his preferred risk level. Market imperfections generate costs which interfere with trades that rational individuals make (or would make in the absence of the imperfection). According to Hymer, market imperfections are structural, arising from structural deviations from perfect competition in the final product market due to exclusive and permanent control of proprietary technology, privileged access to inputs, scale economies, control of distribution systems, and product differentiation, but in their absence markets are perfectly efficient. The firm's decision to invest overseas is explained as a strategy to capitalize on certain capabilities not shared by competitors in foreign countries. Hymer (1970)

Factor proportion theory; One of the reasons why a country might have comparative advantage in a good is that countries differ in their factor endowments (Labor and Capital). Under free trade, the capital abundant country (home) is expected to produce relatively more of the capital intensive good than the other country. Capital abundant country (home) therefore is expected to

export the capital intensive good if no strong bias in consumption. Ohlin sought to establish what explains the differences in opportunity costs for producing the same product in different countries; Possibilities include skill or technology (including a preference for producing in different ways), availability of materials or resources, or the pricing of inputs. Countries will tend to specialize in the production of goods and services that utilize their most abundant resources. Heckscher and Ohlin (1933)

The Theory of Absolute Advantage; The assertion is that a country might be more efficient in the production of some commodities and less efficient in others relative to another nation, when a country is more efficient than another in the production of a commodity, it has absolute advantage in the production of that commodity. Adam Smith argued that specialization based on absolute advantage enables countries to produce more in total and exchange surplus products for goods that are cheaper in price than they would if they were produced at home. Smith (1776)

The Theory of Comparative Advantage; This was a direct reaction to Adam Smith's theory of absolute advantage which left certain fundamental questions unanswered e.g. whether a country could still trade if it did not possess absolute advantage in any product or if it possessed absolute advantages in both products. It argues that a country has a comparative advantage in the commodity in which its degree of superiority is higher, and a comparative disadvantage in the commodity in which its degree of superiority is lower, relative to another country. Similarly, a country has a comparative advantage in the commodity in which its degree of inferiority is lower, and a comparative disadvantage in the commodity in which its degree of inferiority is higher, relative to another country. Accordingly, therefore, advantages are not absolute but are comparative. Comparing two countries on two products, each country will have a comparative advantage in one commodity and a comparative disadvantage in the other unless one country is

equally efficient or inefficient in both commodities. Thus, even if a country possessed absolute advantage in the production of two commodities, it must still be relatively more efficient in one commodity than the other. Specialization and trade should occur according to the relative opportunity costs of production in each country, measured in terms of the alternative production given up to produce a tradable good. Ricardo (1817)

2.3 Terrorism internationally

Scott Stewart, *Evolution and Trends in Terrorism Tradecraft* (2012) explain that terrorism is constantly evolving and adapting due to countermeasures against terrorism, technology and target sets. The article asserts that Terrorism is an enduring reality. Scott predicts that increased security efforts involving international travel and advances in identification technologies will force terrorist to search for “clean skin” operatives; individuals who are unknown to security services and who have the ability to travel using legitimate documents or who do not need to travel due to being “in place” in the target area due to their citizenship or nationality. Efforts at impeding or freezing terrorist funding is forcing terrorist to the sale of narcotics and other criminal activity. This has also lead to a teaming of efforts between terrorist and Transnational Organized Crime (TOC). In light of these factors, the author predicts that future terrorist attacks will be more locally focused or committed by clean skin terrorist. The author also opines that a transition to soft targets may mean an increase in targeting of hotels, business and diplomatic missions. *Evolution and Trends in Terrorism Tradecraft* provides support to this research project proposal.

Trends in Terrorism and Future Potentialities, assesses current trends in terrorism and attempts to predict future potentialities of terrorism. Hoffman explains that we are now (or were then) in a

transitional state due to AQ being forced to adapt to our evolving CT efforts. He predicted that during this time frame we will see a continuation of attacks against low level soft targets. He predicts that many local movements will be surreptitiously co-opted by AQ and their will be renewed efforts to increase recruitment of Muslims living within Islamic communities inside AQ's target countries. Hoffman also states that, "Increasingly, lone individuals with no connection with or formal ties to established or identifiable terrorist organizations are rising up to engage in violence. These individuals are often inspired or motivated by some larger political movement that they are not actually a part of, but nonetheless draw spiritual and emotional sustenance and support from (Hoffman, 1997).

Elements of Islamic fundamentalism have been invading Kenya from the east through Somalia and along the Kenyan coast. This encroachment has resulted in a growing dissent among the Muslim population, making them easy recruits for terrorist activities. In Kenyan mosques, individual Imams preach about perceived injustice to their Muslim brothers in Afghanistan, the unresolved Israeli-Palestinian conflict, and the ongoing war in Iraq. Aided by technology, in the form of the Internet, satellite TV, and Kenyan's increased travel and employment around the globe, Muslims in Kenya are becoming more globally aware. Individual Imams are using this increased global awareness to encourage Kenyan empathy with more extreme views of the needs, hardships, and philosophies of their core religion worldwide (Moustapha 2002).

The country's geographic location contributes to making Kenya an attractive terrorist target. Kenya's strategic location makes it a significant gateway from the Middle East and South Asia to East Africa and the Horn of Africa. Because it is a geographic gateway, Kenya has developed a major seaport at Mombasa, international airports in Mombasa and Nairobi, and extensive rail, road, and communications infrastructure throughout the country. In addition, Kenya is relatively

easy to enter and travel within undetected, because of its porous borders shared with its neighbors, and its long, largely unmonitored coastline. This combination of infrastructure and porous borders makes Kenya an attractive target and an easy conduit for terrorist-related materiel, activities, and transit points (Barkan and Cooke October 2001).

The grievances of minorities concerning their perceived lack of political and civil rights can often trigger violence. As such, international experts, at a meeting in 2003 in Oslo, discussed terrorism's root causes. They determined that some of the causes included lack of democracy, inequality of power, illegitimate or corrupt governments, and the expression of social injustice and failure or unwillingness by the state to integrate dissident groups or emerging social classes (Bjoro 2003). The experts pointed out that terrorism occurs in wealthy countries as well as poor countries, and in democracies as well as in authoritarian states. Thus, there exists no single root cause or even a common set of causes. However, there are a number of preconditions and precipitants for the emergence of various forms of terrorism. In Kenya, there is a perceived political marginalization of some segments of the population, especially in coastal and northeastern regions, which gives terrorists groups a perceived legitimacy for agitating and spreading their form of rule through violence and indoctrination, as witnessed by the propaganda being spread by Bin Laden and his lieutenants. The government needs to confront the root causes of terrorism and act to reduce the perceived problem.

Economic imbalance also contributes to terrorism. In their analysis of terrorism in Africa, Campbell and Flournoy acknowledge the roles marginalization and poverty play among the Muslims that invite sectarian and inter-ethnic strife, despair, and anti-Western resentment (Campbell and Flournoy 2001, 255-56). They also note the emergence of Islamic agencies, funded by Saudi and other Persian Gulf states and individuals, which are addressing the social

problems of Muslim communities while sowing seeds of discord and anti-Western sentiment and recruiting and providing safe havens for terrorist organizations.

2.4 Terrorism and investment decision

A Multinational Enterprise can invest in a big number of countries if the gains from investment are higher than country risk cost; the firm confronts itself to a choice between the investment opportunities and the risk in developing countries. Lehmann (1999), Markusen (2004). The choice of foreign direct investment location into country risk has important implications. Firstly FDI have an intrinsic character, the investment decision have tendency to delay because irreversibility due to a large cost (Dixit 1989, 1992). Second, Reversibility and delay ability are continuous rather than dichotomous concepts (Rivoli and Salorio, 1996).

The investment conditions states that the investment strategy of the firm is to invest in a project only if the present value of revenues from investment exceed the total costs, if the costs value is increasing with the degree of risk, then it means that greater risk leads to less willingness to invest. Dixit and Pindyck (1994) show that, under certain assumptions, the interaction between irreversibility, the uncertainty on the cash flows and the exact moment to invest determine the optimal choice of the investment. The impact of uncertainty through risk of expropriation, and macroeconomic policy instability are major concerns of potential investors (Thomas and Worrall, 1994). Although the expansion of the international investment always entails some risks, the firms are exposed to the risk unusually because of their large size investment, and of their government dependence in foreign country.

According to the theory of uncertain investment, the investment cost is irreversible; A firm should undertake any investment with a positive net present value (Pennings and Sleuwaegen,

2004). Modern 'options' intuition shows that this value of waiting is due to the fact that information is incomplete and supposed to become more complete by waiting. Dixit (1992) show that the investment decisions can be delayed in the time facing the economic and political uncertainty.

2.5 Impacts of terrorism on international business activities and mitigating measures

The cost of terrorism is very expensive for the multinational firms. From a managerial economics perspective, multinational corporations incur a wide range of significant business costs, both fixed and variable, due to the threat of global terrorism. One fixed cost involves upgrading the physical security of the firm's personnel, property, plant, and equipment located in areas where the incidence/likelihood of terrorism against a multinational firm, its employees and property is well above average risk (Ryans and Shanklin, 1980). A survey of 178 multinational corporations conducted in 1993 showed that, in terms of response to the threat of global terrorism, they spent the most company funds on equipment-based security—installation of security devices and other physical protection of corporate assets (Harvey, 1993).

Global supply chains are especially vulnerable to terrorist attack. The costs of securing the global supply chain vary with the amount of global commerce utilized by a particular multinational firm. The supply chain costs caused by terrorism stem not only from securing the transportation of goods, but also from the risk of delay or disruption of global supply sources due to terrorist activity. In the post-September 11th era, the U.S. Federal Government imposed more restrictive shipping regulations and standard practices with the intent of increasing security, but the government's policies have created unintended costs and complexities for international business. Since September 16, 2001, the U.S. Coast Guard has regularly escorted gas tankers heading into

the port of Boston from 200 miles away from the harbor in order to prevent terrorists from taking control of a tanker and using it as a weapon of mass destruction.

The personnel decisions intended to mitigate the risk of terrorism often impose some unintended, long-term costs. Terrorism causes global managers to consider carefully the use of expatriates in foreign assignments (Ryans and Shanklin, 1980). Lack of expatriates filling overseas assignments may create over time an isolationist orientation among the highest management levels. An upper-management “isolationist orientation” will almost certainly create a drag on a company’s international operations and global strategic decision-making processes. The controversy of weighing the terrorist threat level versus the advantages of using expatriates also may create adverse selection problems. International firms may decide to only assign unmarried expatriates so as to avoid the additional risks involved with sending entire families overseas. The unmarried executives chosen may reduce the risk exposure of the firm, but they may not actually be the best qualified or most capable for the particular job (Ryans and Shanklin, 1980).

Due to the uncertainty of terrorism and other geopolitical disruption factors, international businesses bear the costs of political risk insurance. William Berkley, quoted in Oster, 2001, Several key insurance industry leaders wrote to the Bush Administration in October 2001, “Insurance policies for acts of terrorism are impossible to price and therefore impossible to write” as quoted in Levinsohn, 2002, Underwriters also face significant financial exposure to terrorist attack as seen in the estimated \$50 billion to \$70 billion in claims filed as a result of September 11th (Levinsohn, 2002). Thus, in the immediate period after September 11th, insurers either completely ceased offering terrorism insurance or charged higher overall insurance premiums to account for terrorism pricing problems and to reduce their potentially overwhelming exposure.

International firms may be able to discourage terrorist attack by maintaining an impeccable environmental and human rights record within their areas of operations (The Economist, 2000). Political risk can be managed if firms expend resources bolstering a positive reputation in their foreign locations rather than displaying only an exploitive public image. International firms can also use risk modeling method to manage terrorism risk. The computer models determine the probability of terrorist attack and expected level of damage by way of statistics, engineering, and other technical procedures (O'Brien, 2000). Proper risk modeling enables corporate managers to determine the actual amount of terrorism risk insurance coverage required for their particular business. Managers then can share the risk modeling results with insurance underwriters to negotiate lower premiums or reduce coverage levels. International businesses require global managers who not only understand business theory and practice but who also understand risk modeling.

Preparedness to tackle the impacts of a terror attack is only one side of the coin. The right response reactions especially through economic policy are critical to restore confidence into the economy and thus minimize the negative economic impacts of a terror attack. Baily (2001) in a policy report, outlined and commented briefly on US fiscal policies responding to the impacts of 9/11. Strategic approaches to counter terrorism. These activities begin with a threat analysis that includes the collection of information on groups operating in the area and a series of vulnerability surveys. Once the threat has been assessed and the vulnerabilities have been identified one can develop asset protection approaches (personnel and physical) to manage the threat. It is important to remember that these are dynamic, rather than static activities. The threat is constantly changing, and one must be prepared to monitor the changes as they occur and respond accordingly (A war without boundary, 2006)

The democratically elected government must proclaim a determination to uphold the rule of Law and constitutional authority, and must demonstrate this political will in its actions. There must be no resort to general indiscriminate repression. The government must show that its measures against terrorism are solely directed at quelling the terrorists and their active collaborators and at defending society against the terrorists. The government must also be seen to be doing all in its power to defend the life and limb of citizens. This is a vital prerequisite for public confidence and co-operation. There must be a clear-cut and consistent policy of refusing to make any concessions to terrorist blackmail. All aspects of the anti-terrorist policy and operations should be under the overall control of the civil authorities and, hence, democratically accountable. Special powers, which may become necessary to deal with a terrorist emergency, should be approved by the legislature only for a fixed and limited period, Gary C. Gambill, *The Balance of Terror* (1998)

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter covers the research methodology that was used for this study. It focuses on the research design, population of the study, sample size, data collection and data analysis techniques.

3.2 Research design

The study used a descriptive survey research design to explain how terrorism has impacted on international business in Kenya. Ogulla (2005) points out that this type of design involves data collection from a given population by use of questionnaires. Mugenda and Mugenda (1999) notes that survey research attempts to collect data from members of the population and describe systematically a situation, problem, phenomenon, service or program, or provides information about , say, living condition of a community, or describes attitudes towards an issue.

3.3 Population of the study

The target population was multinational firms operating in Kenya. These are corporations that have its facilities and other assets in at least one country other than its home country. Such companies have offices and/or factories in different countries and usually have a centralized head office where they co-ordinate global management. Very large multinationals have budgets that exceed those of many small countries. The researcher targeted 20 multinational companies; The list is attached as appendix three .

3.4 Sample size

The researcher got a sample size of five multinational firms. Cooper and Schindler (2003) advocate for a random sampling process in which a researcher randomly selects the lists from the population of the study. The researcher also used systematic random sampling. Systematic random sampling is where a sample is chosen by selecting a random starting point and then picking each i^{th} number in succession from the sampling frame. The sampling interval i , is determined by dividing the population size N by the sample size n and rounding to the nearest integer. With the population size of 20 organizations and a sample size of 5 organizations required then the sampling interval i , will be 4.

3.5 Data Collection

The researcher used structured questionnaires to collect primary data. The questions format was based on a five point likert scale. The questionnaire was divided into three parts. The first part had questions on the profile as well as general information of the respondent organisation. The second part contains questions on terrorism and related terrorist activities in Kenya, the last part focused on impact on business operations.

Mugenda & Mugenda, (1999) argue that for a research instrument to be reliable, it must be capable of yielding consistent results when used more than once to collect data from two samples drawn randomly from the same population. The researcher carried out pilot tests of the instruments to establish the reliability. The instruments used for the pilot phase was adjusted accordingly to reflect the issues rose during pre-testing.

The researcher made all the necessary arrangements before the commencement of data collection. The researcher will obtain an official introduction letter from the University of Nairobi and clarify to the audience the purpose of study. Upon receiving clearance the researcher will distribute the questionnaires.

3.6 Data Analysis

After distributing and collecting the questionnaires, they were coded and edited for completeness using the statistical package for social services SPSS. Quantitative data was analysed using descriptive techniques like frequencies distribution, percentages, means, modes, medians and standard deviations. In addition correlation analysis was done to establish the relationships that exist between the level of terrorism and international business operations in Kenya. Eventually data was presented using frequency tables.

CHAPTER FOUR: DATA ANALYSIS INTERPRETATIONS AND PRESENTATIONS

4.1 Introduction

This chapter discusses the interpretation and presentation of the findings obtained from the field. Descriptive and inferential statistics have been used to discuss the findings of the study. The main objective of the study was to determine the impact of terrorism activities on international business investment decisions by multinational firms and to establish whether there exist a connection between terrorism and international business and the relationship between the two.

In order to simplify the discussions, the researcher provided tables and figures that summarize the collective reactions and views of the respondents. This chapter also explains the findings in comparison with relevant literature as established by other authors in the same field of study. Content analysis was used in this study due to the research instrument used was a questionnaire guide.

4.2 Response Rate

The study targeted a sample size of 5 multinational companies from which 4 filled in and returned the questionnaires. Each Multi-national company was issued with 20 questionnaires coming to a total of 100 questionnaires. This came to a total of 80 questionnaires that were filled and returned. This response rate was satisfactory to make conclusions for the study. Weisberg, Krosnick & Bowen (1996) recommended a response rate of 70%. According to Mugenda & Mugenda (2003), a response rate of 50 percent is adequate for analysis and reporting; a rate of 60 percent is good and a response rate of 70 percent and over is excellent. Based on the assertion, the response rate was considered to excellent.

Figure 1: Response Rate

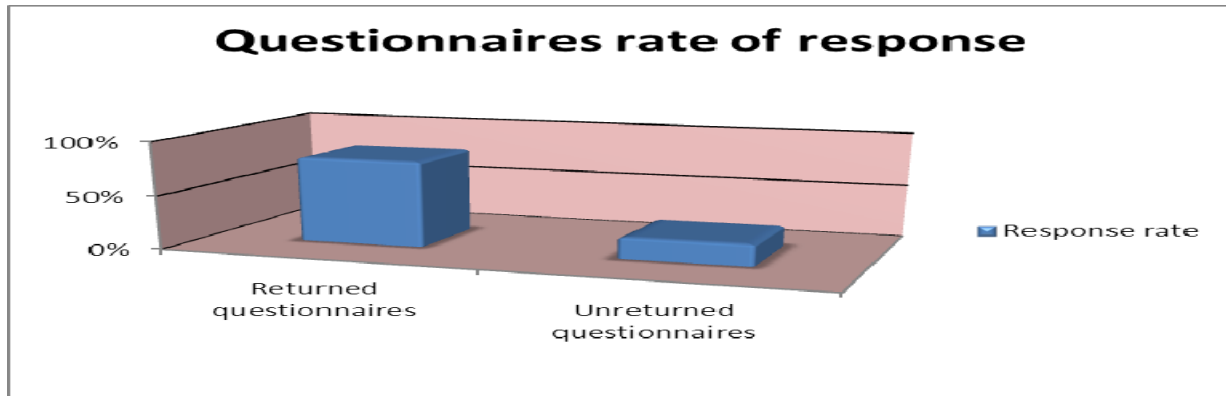


Table 1: Response Rate

| Questionnaires | Response rate | Frequency |
|---------------------------|---------------|-----------|
| Returned questionnaires | 80% | 80 |
| Unreturned questionnaires | 20% | 20 |

4.3 Pilot Test Results

To establish validity, the research instrument was given to experts who were experienced to evaluate the relevance of each item in the instrument in relation to the objectives. The same were rated on the scale of 1 (very relevant) to 4 (not very relevant). Validity was determined by use of content validity index (CVI). CVI was obtained by adding up the items rated 3 and 4 by the experts and dividing this sum by the total number of items in the questionnaire. A CVI of 0.854 was obtained. Oso and Onen (2009), state that a validity coefficient of at least 0.70 is acceptable as a valid research hence the adoption of the research instrument as valid for this study.

The questionnaires used had Likert scale items that were to be responded to. For reliability analysis Cronbach's alpha was calculated by application of SPSS. The value of the alpha coefficient ranges from 0 to 1 and may be used to describe the reliability of factors extracted

from dichotomous (that is, questions with two possible answers) and/or multi-point formatted questionnaires or scales (i.e., rating scale: 1 = poor, 4 = excellent). A higher value shows a more reliable generated scale. Cooper & Schindler (2008) indicated 0.7 to be an acceptable reliability coefficient. Since, the alpha coefficients were all greater than 0.7, a conclusion was drawn that the instruments had an acceptable reliability coefficient and were appropriate for the study.

4.4 Demographic information

The demographic profile provides information about the population structure and helps create a mental picture of the subgroups that exists in the overall population. Researchers obtain demographic information from the study subject to understand simple characteristics and to determine if samples are a representative of the population of interest (Kirton, 2000). Although demographic variables cannot be manipulated, researchers can explain the difference between them and dependent variables. In this study, the researcher sought to understand how terrorism acts have impacted on international business investment decisions by multinational companies operating in Kenya and to seek out possible mitigating measures of terrorism risk.

4.4.1 Gender Distribution

The study sought to determine the gender distribution of the respondents in order to establish if there is gender parity in the positions. The findings were as shown in the figure below

Figure 2: Gender Distribution

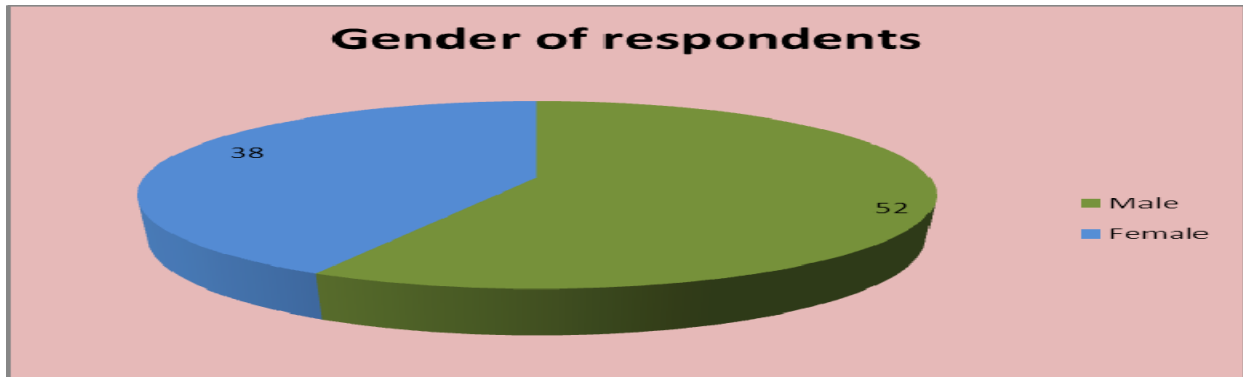


Table 2: Gender Distribution

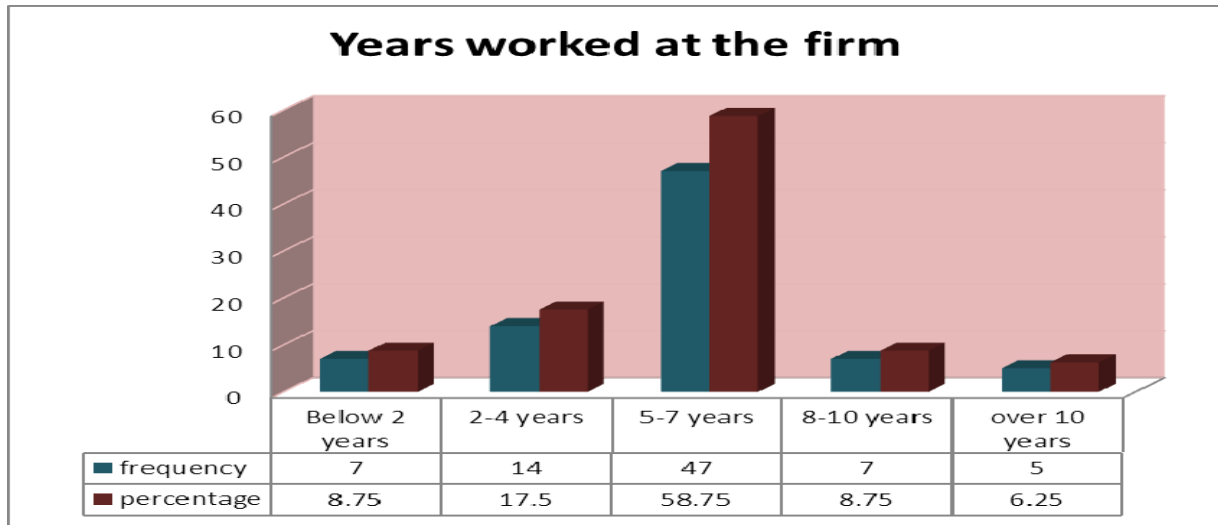
| Gender | Frequency |
|--------|-----------|
| Male | 52 |
| Female | 38 |

From the findings indicated in the figure above, it can be noted that 52 of all the respondents of the questionnaires from the multi-national companies were male. This came to about 65% of the respondents while the remaining 35% of the respondents were female respondents. Female respondents 28 of the respondents. This implies that more men than women are involved in management of the multi-national companies.

4.4.2 Period of employment at MNC (Multinational companies)

The study sought to determine how long the respondents have worked at the multi-national firm in the country. The results were shown in the figure below.

Figure 3: Number of years worked in the MNCs'



Source; Author 2014

The findings of the study showed that the majority of the respondents 47(58.75%) had worked for a number of 5 to 7 years; 14 (17.5%) of the respondents had worked for 2-4 years; 7 (8.75%) had worked for 2 to 4 years as well as below 2 years. The findings implies that the respondents who had worked below two years was a very small percentage from those who had worked for more than two years and it was evident that terrorism attacks in the country had occurred recently had been a factor why there was small percentage of workers employed in the MNC's. The study sought to establish the period of employment of the respondents. Kirton (2000) states that the length of time spent in organization leads to development of shared understanding and experiences.

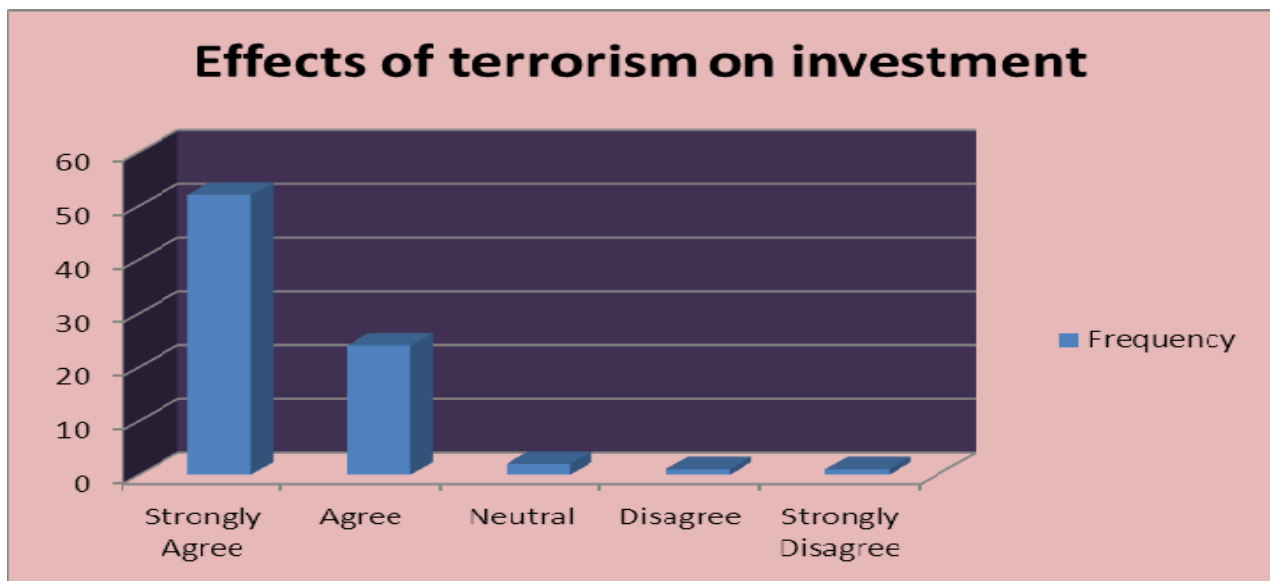
4.5: Terrorism and investments decisions

The study sought to seek the level of agreement or disagreement of the statement; Terrorism attacks in the country have a great extent of negative effect on investment and potential investments in the country. The results from the study are shown in the table and chart and table drawn below.

Figure 4: Terrorism and investments decisions

| Terrorism attacks in the country have a great extent of negative effect on investment and potential investments of the company in the country. | | |
|---|------------------|-------------------|
| | Frequency | Percentage |
| Strongly Agree | 52 | 65% |
| Agree | 24 | 30% |
| Neutral | 2 | 2.5% |
| Disagree | 1 | 1.25% |
| Strongly Disagree | 1 | 1.25% |

Figure 5: Effects of Terrorism on Investment



From the research, a frequency of 52 which covers approximately 65% of all the respondents strongly agreed to the fact that Terrorism attacks in the country have a great extent of negative effect on investment and potential investments in the country, while another 30 percent of the

respondents agreed that terrorism had negative effect on investment of multinational firms in the country. This came to a total of 95% of all the respondents. Only five percent of the respondents were either neutral, disagreed or strongly disagreed to the statement that terrorism had negative effect on investment or potential investment of multinational companies in the country.

This goes in accordance with Lehmann (1999), Markusen (2004). Who states that A Multinational Enterprise can invest in a big number of countries if the gains from investment are higher than country risk cost; the firm confronts itself to a choice between the investment opportunities and the risk in developing countries.

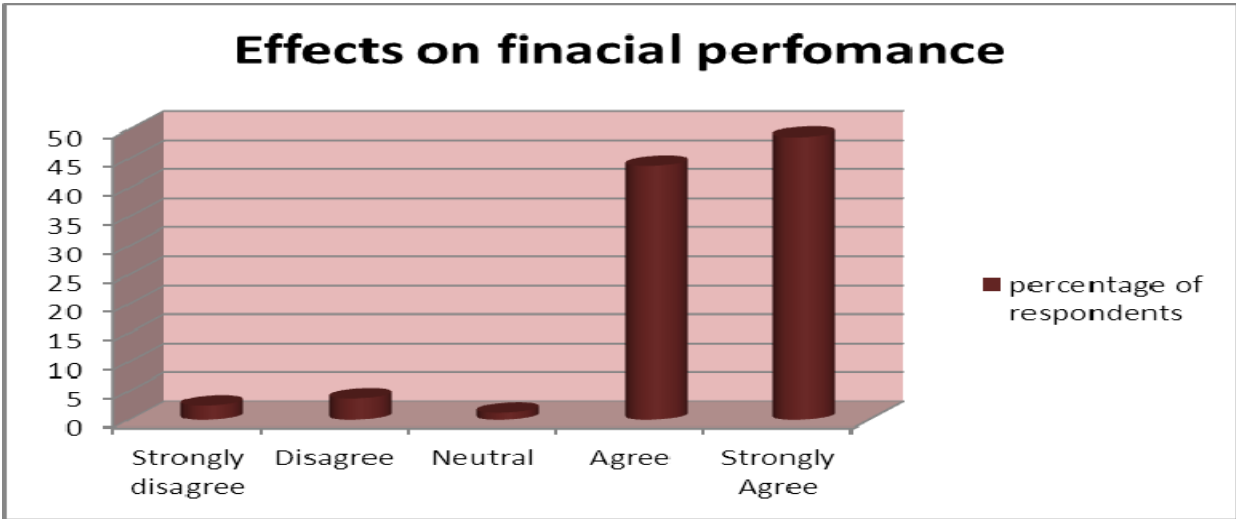
4.6 Effects of terrorism on the financial performance of MNCs'

From the study, we sought to seek the effects of terrorism on the financial performance of multinational companies. From the questionnaire the following was observed in the question; Terrorism attacks have a negative effect on the financial performance of an organization

Table 3: Effects of terrorism on the financial performance of MNCs'

| Terrorism have negative effects on the financial performance of Multinational companies in the country | | |
|---|-----------|------------|
| | Frequency | Percentage |
| Strongly disagree | 2 | 2.5 |
| Disagree | 3 | 3.75 |
| Neutral | 1 | 1.25 |
| Agree | 35 | 43.75 |
| Strongly Agree | 39 | 48.75 |

Figure 6: Effects of terrorism on the financial performance of MNCs'



It was seen from the questionnaires that 48.75% of the respondents strongly agreed to the fact that terrorism attacks had negative effect on the financial performance of the organization and this had a frequency of 39 of all the respondents. This was followed by respondents who agreed to the fact that terrorism had negative effect to the financial performance of the multinational companies(MNCs').It was followed by respondents who disagreed to the statement; terrorism attacks had negative effect on the financial performance of MNCs' this covered about 3.75% of the respondents and this had a frequency of about 3.This was followed by strongly disagree and neutral which had a frequency of 2 and 1 respectively and a percentage of 2.5% and 1.25% respectively.

This is in accordance to Kun-Reuther (2006) which states that the concept of security provision is based on the understanding that insecurity and vulnerability are two sides of the same coin. In other words, the level of both risk and uncertainty is determined not just by the threat per se but by the degree of systemic vulnerability.

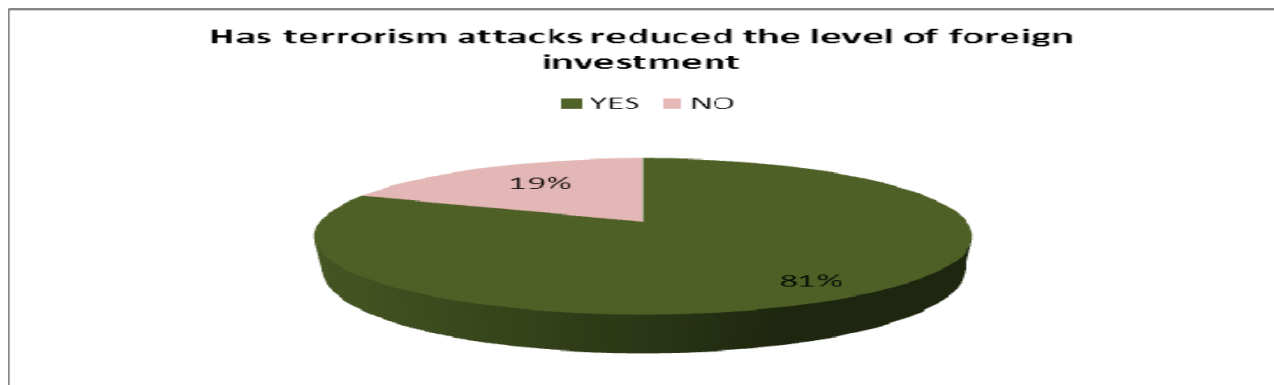
4.7 Effects of terrorism on foreign investments on multinational companies in the country.

The study sought to find out the effects of terrorism on the motivation of foreign investors to invest on multinational companies in the country. The response to the question; has terrorism attacks reduced the level of foreign investment to your company? On a yes or no basis the results were as follows.

Table 4: Effects of terrorism on foreign investments on multinational companies in the country.

| Respondents | Percentage of response |
|-------------|------------------------|
| YES | 81% |
| NO | 19% |

Figure 7: Effects of terrorism on foreign investments on multinational companies in the country.



The study showed that 81% of all the respondents said that terrorism attacks had reduced the level of foreign investments in the multinational companies in the country. This was about 65 of the 80 respondents in the study. The remaining 15 disagreed to the statement that terrorist attacks had reduced the level of foreign investment in the country. From the study it is evident that most

respondents agreed to the fact that terrorism attacks have reduced the level of foreign investments in the country. This goes in accordance to (Todd Sandler 2013 ;) attacks are reducing foreign investment in these countries because potential investors are seeking safer locations

4.8 Effect of terrorism attacks on the security cost of multinational corporations in Kenya

The study sought to seek the effects terrorism to the cost of security in MNCs’ operating in Kenya. The following responses were found from the study on the question;

Figure 8: Rate of Insecurity Due To Terrorism Attacks

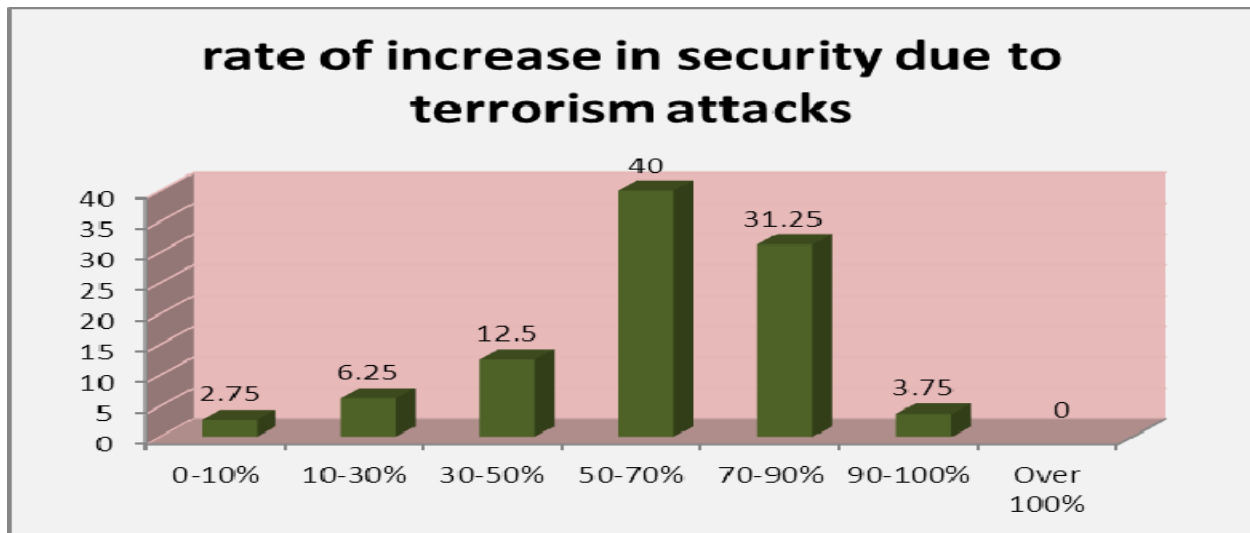


Table 5: Rate of Insecurity Due To Terrorism Attacks

| Percentage increase in cost | Frequency | Percentage |
|-----------------------------|-----------|------------|
| 0-10% | 2 | 2.75 |
| 10-30% | 5 | 6.25 |
| 30-50% | 10 | 12.5 |
| 50-70% | 35 | 40 |
| 70-90% | 25 | 31.25 |
| 90-100% | 3 | 3.75 |
| Over 100% | 0 | 0 |
| Total | 80 | 100% |

it is evident from the study that the highest frequency of respondents said that terrorism attack increased the cost of security by 50-70%, This covered 40% of all the total respondents and had a frequency of 35. It was followed by 70-90% who covered 31.25% of the total respondents and they had a frequency of 25. It was then followed by respondents who said the security cost had increased by 30-50% and covered 12.5% of the respondents.

It is generally seen that the cost of security in MNCs' in Kenya is in direct proportion terrorism attacks in the country. This agrees with some bilateral aid being tied to counter terrorism action against a resident terrorist group in the case of transnational terrorism (Fleck and Kilby, 2010; Dreher and Fuchs, 2012).

4.9 Descriptive Statistics

Table 6 : Descriptive Statistics

| | N(valid) | Mean | Standard deviation |
|--|----------|------|--------------------|
| Has terrorism acts reduced the level of foreign investment in your company | 80 | 1.19 | 0.393 |
| Terrorism acts have a negative effect on the financial performance of an organization | 80 | 1.65 | 0.813 |
| Terrorism acts in the country have a great extent of negative effect on investments and potential investments in the country | 80 | 1.44 | 0.726 |
| rate of increase of security costs due to terrorism acts in MNCs' | 80 | 4.06 | 1.035 |

From the SPSS data analysis it was noted that a mean of 1.19 was noted for the question phrased:

Has terrorism attacks reduced the level of foreign investment in your company with a variance of 0.393 meaning there was very little variation to the mean. An average of 1 represented a yes and therefore most respondents believed that terrorism attacks had a reducing effect to the level of foreign investment of multinational companies.

This is in accordance with Lehmann (1999), Markusen (2004). Who states that A Multinational Enterprise can invest in a big number of countries if the gains from investment are higher than country risk cost; the firm confronts itself to a choice between the investment opportunities and the risk in developing countries. It was also noted that the response to the question phrased: Terrorism attacks have a negative effect on the financial performance of an organization had an average 1.65 and a deviation of 1.44. This means that the average of the responses lied between 1 and 2 which represented strongly agree and agree. Therefore most respondents agreed or strongly agreed to the statement that terrorism had a significant negative effect to the financial performance of the MNCs' The standard deviation of 1.44 meant there was a variance from the mean mark of 1.44 thereby leading to the conclusion that of solution lying between one and two.

It was noted also from the analysis of the SPSS data that response to the question phrased :Terrorism attacks in the country have a great extent of negative effect on investments and potential investments in the country, the average was found to be 1.44 and a standard deviation of 0.726. This meant that there was a variance from the mean mark of 0.726 and average being 1.44 meant that the solution lies between 1 and 2. one or two represent agree and strongly agree .Therefore most respondent agree or strongly agree to the question; terrorism attacks in the country have a great extent of investment or potential investment in the country.

The research also showed that most respondents believed that the cost of security of the multinational firms increased by 50-70% and from 70-90% this is indicated by the average shown of 4.06. The deviation evident from the data was 1.035 meaning that the solution set lied between 4 and 5. four represented 50-70% while 70-90% was represented by 5. it is therefore clear that most of the respondents was believed that terrorism acts increased the cost of security by at least 50%

4.10 Correlation Analysis

Pearson correlation was used to measure the degree of association between variables under consideration i.e. independent variables and the dependent variables. Pearson correlation coefficients range from -1 to +1. Negative values indicates negative correlation and positive values indicates positive correlation where Pearson coefficient <0.3 indicates weak correlation, Pearson coefficient $>0.3<0.5$ indicates moderate correlation and Pearson coefficient >0.5 indicates strong correlation.

Table 7: Correlation Coefficients between foreign investments, financial performance, local investments, security cost and international business investments decisions by multinational companies

| | foreign investment | Financial performance | Local investments | Security cost | Business investment decisions |
|--|--------------------|-----------------------|-------------------|---------------|-------------------------------|
| Foreigner investments | 1 | | | | |
| financial performance | 0.631 | 1 | | | |
| local investments | 0.551 | 0.451 | 1 | | |
| security cost | 0.391 | 0.413 | 0.611 | 1 | |
| international business investments decisions | 0.511 | 0.524 | 0.614 | 0.713 | 1 |

The analysis above shows that security costs of the multinational firms has the strongest (Pearson correlation coefficient = 0.713; P value 0.000) in international business investment in relation to terrorism attacks in the country. In addition, foreigner investments, financial performance as

well as local investments are positively correlated to international business investments in relation to terrorism acts (Pearson correlation coefficient =.0.511, .524 and .614).

The correlation matrix implies that the independent variables: Foreigner investments, financial performance, local investments and security costs of MNCs’ are very crucial determinants of international business investment decisions of multinational companies in Kenya as a result of terrorism acts as shown by their strong and positive relationship with the dependent variable; international business investment.

4.11 Regression Analysis

Regression model is used here to describe how the mean of the dependent variable changes with changing conditions. Regression Analysis was carried out for Foreigner investments, financial performance, local investments and security costs of MNCs’. To test for the relationship that the independent variables have on effective monitoring and evaluation, the study did the linear regression analysis.

The model envisaged here takes the form; $Y_i = \alpha + \beta_1 (F.I) + \beta_2 (F.P) + \beta_3 (L.I) + \beta_4 (S.C) + \epsilon$. When $\beta_5=0$Equation 1

(Equation 1: Regression Equation) Where; Y_i =International business investment in relation to terrorism attacks, F.I= Foreigner investment, F.P= financial performance, L.I=local investment, S.C= Security costs and ϵ representing the error term

Table 8: Multiple regression analysis of Foreigner investments, financial performance, local investments and security costs of MNCs’

| Unstandardized Coefficients | | Standardized Coefficients | | |
|-----------------------------|------|---------------------------|---|------|
| B | Std. | Beta | t | Sig. |

| | | Error | | | |
|------------------------------|--------|-------|-------|-------|-------|
| (Constant) | 11.132 | 0.332 | | 2.311 | 0.023 |
| Foreigner investments | 0.231 | 0.65 | 0.002 | 1.532 | 0.081 |
| Financial performance | 0.321 | 0.332 | 0.076 | 1.256 | 0.022 |
| Local investments | 0.553 | 0.273 | 0.063 | 1.599 | 0.053 |
| Cost of security | 0.734 | 0.281 | 0.025 | 2.145 | 0.013 |

Source: Research Findings (2013)

Looking at the variables collectively, it's evident from the table that 77.6% of variation or change in international business investment is explained by the variables considered in the model i.e. Foreigner investments, financial performance, local investments and security costs of MNCs' as indicated by the coefficient of determination (R^2) which is also evidenced by F change $108.505 > p$ -values (0.05). This implies that these variables are very significant (since the p -values < 0.05) and therefore need to be considered to affect international business investment in relation to terrorism acts in Kenya. The study therefore identifies Foreigner investments, financial performance, local investments and security costs of MNCs' as critical determinants of international business investments.

4.12 Analysis of Variance (ANOVA)

Table 9: Analysis of Variance (ANOVA) results for identifies Foreigner investments, financial performance, local investments and security costs of MNCs'

| | Sum of Squares | Df | Mean Square | F | F-critical value | Significance |
|------------|----------------|----|-------------|-------|------------------|--------------|
| Regression | 52.55 | 4 | 14.93 | 18.33 | 88.33 | 0.00 |
| Residual | 3.34 | 19 | 4.22 | | | |
| Total | 55.89 | 23 | | | | |

NB: F-critical Value 88.33 (statistically significant if the F-value is less than 88.33: from table of F-values).

a. Predictors: (Constant), Foreigner investments, financial performance, local investments and security costs of MNCs'

The value of the F statistic, 18.33 indicates that the overall regression model is significant hence it has some explanatory value i.e. there is a significant relationship between the predictor; Foreigner investments, financial performance, local investments and security costs of MNCs' (taken together) and international business investment in relation to terrorism acts in Kenya.

4.13 Discussion

From the findings most experienced employees from the sample multinational firms agree that there exist a connection between terrorism and international investment decisions by multinational corporations and that the relationship between the two is negative. This finding is supported by Lehmann (2004) who argued that a multinational enterprise can invest in a big number of countries if the gains from investment are higher than the country risk cost.

Correlation analysis used to measure the degree of this relationship showed 0.713 which means there exist a strong positive relationship between terrorism and investment decisions by multinational firms operating in Kenya. F statistic, 18.33 indicates that the overall regression model is significant hence it has some explanatory value i.e. there is a significant relationship between the predictor; Foreigner investments, financial performance, local investments and security costs of MNCs' (taken together) and international business investment in relation to terrorism acts in Kenya.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter is a synthesis of the entire study, and contains summary of research findings, conclusions and recommendations based thereon.

5.2 Summary of Findings

This section summarizes research findings based on key objectives i.e. understanding how terrorism acts have impacted on international business investment decisions by multinational companies operating in Kenya by looking at the independent variables; Foreign direct investments, financial performance, investments decisions and security costs of MNCs' and interprets the results in the best way possible in order to get ways of mitigating terrorism risks.

5.2.1 Influence of foreign direct investments on international business investment in the Kenya in relation to terrorism acts in the country.

As a result of the findings, it was clear that foreign investors played a crucial role in the international business investments of multinational companies. Since investments by foreigners are in direct proportion with international business investment it should be considered as an important variable relevant in the growth and development of multinational companies. From the study, it was observed that most respondents considered foreign direct investment an important r factor in relation to international business investment of multinational companies.

Since foreigners invest in countries where there is efficient security it is accurate to state that terrorism acts in a country should be taken as a real threat to international business investments of multinational companies. This is in accordance to Lehmann (1999), Markusen (2004). A

Multinational Enterprise can invest in a big number of countries if the gains from investment are higher than country risk cost; the firm confronts itself to a choice between the investment opportunities and the risk in developing countries.

5.2.2 Influence of security cost on international business investments of MNCs' in relation to terrorism acts.

From the study, it was seen that most respondents believed that due to increased terrorism acts, the cost of security increased by fifty to ninety percent of the initial cost of security. This in direct reduced the level of international business investment of the multinational companies. The level of terrorism acts in a region therefore determined the costs that were to be utilized to enable the resources and employees were safe from this terrorists threats and therefore reducing the level of investments of multinational companies. This is in accordance to Kun-Reuther (2006) which states that the concept of security provision is based on the understanding that insecurity and vulnerability are two sides of the same coin. In other words, the level of both risk and uncertainty is determined not just by the threat per se but by the degree of systemic vulnerability.

5.2.3 Influence of financial performance (growth and development opportunities) of multinational companies in relation to terrorism acts.

From the study it was evident that most respondents believed that the financial performance of their organizations was affected by the level of terrorism acts in the region. Increased terrorism acts from the study was seen to hinder and reduce the profit ratios and normal business operations of the MNCs'.controlling the level of terrorism acts in the country can accurately be said to improve on the financial performance and provide a fertile ground for the growth and development of multinational companies in the region. This goes in accordance to (Todd Sandler2013 ;) attacks are reducing foreign direct investment in these countries because potential investors are seeking safer locations

5.2.4: Influence of terrorism on Investment decisions of multinational companies in the region.

From the study it was evident that investment decisions of multinational companies in a region was influenced by the level of terrorism acts in the country. Most respondents strongly agreed that terrorism attacks in a region demotivated the management of multinational corporations from investing in a region. Investment decisions were therefore affected by the level of terrorism acts, and reduction of terrorism acts would encourage MNCs' from investing in the region.

5.3 Conclusion

The study observed that international business investment of multinational companies was clearly affected by the level of terrorism acts in the country. Some of the variables that were seen to control of terrorism acts were cost of security, Financial performance i.e. growth and development opportunities, Multinational investment decisions and foreign direct investment(FDI).It was noted from the study that the level of foreign investment was affected by terrorism acts in the country. Foreigners were more likely to invest in multinational companies that did not prove a threat to the investments made. It was also evident from the research that terrorism acts in the country increased the cost of security to the MNCs thereby reducing the level of return on investments in these firms. Terrorism acts affected growth, development and financial performance of these multinational firms it was noted that most respondents believed that increased terrorism acts affected the daily routine of these firms hence causing a reduction in return on investments, growth and development of the multinational companies.

5.4 Recommendations

The study recommends the government to identify high-risk travelers and facilitate legitimate travel. This can be done at the airlines and ports so as to reduce the level of entry of terrorists

groups in the country. The authorities at the airports should require airlines flying to the country to provide Advance Passenger Information and Passenger Name Record (PNR) Data prior to departure or landing.

The study recommends other governments to end injustices .There is a lot of injustice almost everywhere especially in the third world countries like in the tribal belt between Afghanistan & Pakistan, the situation is very disturbing in terms of obtaining justice. People cannot get speedy justice. Injustice in the system has supported in increasing terrorism and therefore people take laws in their hands. In Pakistan, people generally have lost trust in judicial and police system. There is much injustice almost everywhere. Rich are becoming more rich whereas poorer are becoming poorer. This gap between the rich and poor has caused people to move towards terrorism as they need shelter, food, cloth, for their families and terrorist masterminds assure them that they will. We need to end this injustice in our society so we can stop terrorism.

The study also recommends that the government should emphasize military action, imprisonment, cutting off terrorists' sources of finance, and denying the terrorists safe territory

The study recommends Governments to redefine success against terrorism. Military objectives achieved or plots foiled are insufficient. A decline in Muslim radicalization is crucial in reducing and preventing terrorism acts.

The study recommends Western governments to direct their national media towards ex-jihadi Muslim scholars who renounce violence, because they can influence jihadi opinion on the ground.

The study also recommends that there should be some independent oversight of the effect of "Preventing Violent Extremism" funding to ensure that it does not exacerbate communal divisions or cause other perverse incentives.

5.5 Limitations

The first limitation is that Terrorism is a very sensitive topic and almost all information with regard to terrorism is classified and access denied by security agencies and as a result this study heavily relied on information from secondary sources.

The second limitation is that there was an element of biasness in the sense that most interviewees exhibited vast business knowledge and limited knowledge on terrorism structures, organization and execution and also the future of terrorism in Kenya as well.

The third limitation was time constraint to measure changes in the variables over time due to the due dates of the assignment.

The fourth limitation was constrained funds to finance the study.

5.6 Recommendation for further research

The analysis of the empirical study has indicated a number of relevant issues that the research project did not investigate, but which might be important for further research. One is the effects of terrorism attacks on other local firms in the country not only multinational firms, research should be made on effects of terrorism acts on the financial markets, governmental organizations as well as non-governmental organizations, research should also be made on other mitigating measures to terrorism acts.

REFERENCES

- Blomberg, S. Brock, Gregory Hess and Akila Weerapana .2004. "Economic Conditions and Terrorism," *European Journal of Political Economy*.
- Blomberg, S. Brock, Gregory Hess and Akila Weerapana .2004. "An Economic Model of Terrorism," *Conflict Management and Peace Science*.
- Christos Kallandranis & Konstantinos Drakos & Nicholas Giannakopoulos, 2012. "Counterterrorism Effectiveness: The Impact on Life and Property Losses," EUSECON Policy Briefing 19, DIW Berlin, German Institute for Economic Research.
- Campbell, K. M., & Flournoy, M. A. (2001). *To prevail: an American strategy for the campaign against terrorism*. Washington, D.C., Center for Strategic and International Studies.
- Drakos, Konstantinos & Kutan, Ali M., 2001. "Regional effects of terrorism on tourism: Evidence from three Mediterranean countries," ZEI Working Papers B 26-2001, ZEI - Center for European Integration Studies, University of Bonn.
- Enders, Walter, Gerald F. Parise, and Todd Sandler. 1992. "A Time-Series Analysis of Transnational Terrorism: Trends and Cycles." *Defence Economics*.
- Enders, Walter and Todd Sandler. 1991. "Causality between Transnational Terrorism and Tourism: The Case of Spain." *Terrorism*.
- Enders, Walter and Todd Sandler. 1993. "The Effectiveness of Anti-Terrorism Policies: Vector-Autoregression-Intervention Analysis." *American Political Science Review*.
- Enders, Walter and Todd Sandler. 1996. "Terrorism and Foreign Direct Investment in Spain and Greece."
- Enders, Walter and Todd Sandler. 1999. "Transnational Terrorism in the Post-Cold War Era." *International Studies Quarterly*.

- Enders, Walter and Todd Sandler. 2000. "Is Transnational Terrorism Becoming More Threatening." *Journal of Conflict Resolution*.
- Enders, W., & Sandler, T. (2006). *The Political Economy of Terrorism*. Cambridge University Press, Cambridge.
- Hymer, S. (1960/1976). *The international operations of national firms: A study of direct foreign investment*. Cambridge, MA: The MIT Press.
- Heckscher, E. and Ohlin, B. (1933), *Interregional and International Trade*, Harvard University Press, Cambridge, MA.
- Harvey, Michael G. (1993), "A Survey of Corporate Programs for Managing Terrorist Threats," *Journal of International Business Studies Third Quarter*.
- Hoffman, Bruce. 1997. "The Confluence of International and Domestic Trends in Terrorism." *Terrorism and Political Violence*.
- Hoffman, Bruce. 1998. *Inside Terrorism*. New York: Columbia University Press.
- Konstantinos Drakos & Ali M. Kutan, 2003. "Regional Effects of Terrorism on Tourism in Three Mediterranean Countries," *Journal of Conflict Resolution, Peace Science Society (International)*.
- Kobrin, Stephen J., *Political Risk: A Review and Reconsideration* (March 1979)
- Levinsohn, Alan (2002), "Risk Only the U.S. Government Can Insure," *Strategic Finance*.
- Morag, N. (2006) Contemporary state terrorism: theory and practice
- Morag, N. (2006) the economic and social effects of intensive terrorism

O'Brien, K.L., Leichenko, R.L., 2000. Double exposure: assessing the impacts of climate change within the context of economic globalization. *Global Environmental Change*.

Porter, M.E. (1990, 1998) "The Competitive Advantage of Nations", Free Press, New York, 1990.

Ryans, John K. and Shanklin, William L. (1980), "How Managers Cope with Terrorism," *California Management Review*, winter.

Ricardo, D. (1817), "Principles of political economy" in Saffra, P. (Ed.) (1951), *The Works and Correspondence of David Ricardo*, Vol. 1, Cambridge University Press, London

Swedenborg B (1979) *The Multinational Operations of Swedish Finns - An Analysis of Determinants and Effects*, IUI, Stockholm.

Smith, A. (1776), *An Inquiry into the Nature and Causes of the Wealth of Nations*, edited by E. Cannan (1961) and reprinted by Methuen, London.

Thomas, J. & Worrall, T., 1991. "Foreign Direct Investment and the Risk of Expropriation," *Papers 9126*, Tilburg - Center for Economic Research.

The Economist (2000), "Risky Returns," May 18.

Wilkins, M. (1974). *The maturing of multinational enterprise: American business abroad from 1914 to 1970*. Cambridge, MA: Harvard University Press.

Wortzel, L. and Wortzel, H. 1981. "Export marketing strategies for NIC and LDC-based firms", in *Columbia Journal of World Business*.16(1): 51-60.

<http://www.stratfor.com/weekly/evolution-and-trends-terrorism-tradecraft>"> Evolution and Trends in Terrorism Tradecraft

<http://www.jstor.org/discover/10.2307/1830458?uid=3739368&uid=2129&uid=2&uid=70&uid=4&sid=21104581261937>

APPENDICES

APPENDIX 1: COVER LETTER

Joy Kinyah Mwenda,
C/O University of Nairobi,
School of Business,
Nairobi, Kenya.
August 29th 2014

The Director,

.....

Dear Sir(s),

Ref: MBA Research Questionnaire

The above refers. I am a post graduate student at The University of Nairobi undertaking a Masters Degree in Business Administration (MBA). As part of the study work, I am required to carry out a research study on the influence of terrorism on international business investment decisions by multinational companies operating in Kenya. Your esteemed organisation was selected as part of the sampled population.

I humbly seek your permission and time to fill out the attached questionnaire. The data collected will be treated with ultimate confidentiality and will be used for academic purposes only.

Thank you in advance,

Yours Sincerely,

Joy Kinyah Mwenda

Signed

Dr. John Yabs

Lecturer– School of Business

APPENDIX II: QUESTIONNAIRE

UNIVERSITY OF NAIROBI: MBA RESEARCH PROJECT QUESTIONNAIRE

SECTION I: BACKGROUND INFORMATION

Please tick or mark a cross the appropriate department where you work.

1. Please indicate your functional responsibility in the company.
Senior Management () Maintenance Dept () Finance Dept () Production Dept ()
2. Indicate your position in the organisation.
.....
3. Which industry is your company?
a.) Manufacturing & Construction () b.) Oil and Gas () c.) Service ()
d.) Others ()
4. How many years has your company been operating since incorporation?
a.) Less than one year () c.) 1 to 5 years ()
b.) 6 to 10 years () d.) Over 10 years ()
5. How many years have you been operating in Kenyan market?
a.) Less than one year () c.) 1 to 5 years ()
b.) 6 to 10 years () d.) Over 10 years ()
6. What is the coverage of your company operations?
a.) Only in African countries ()
b.) Globally ()

SECTION II: TERRORISM IN KENYA

7. Please tick the act (s) of terrorism that has been directly or indirectly experienced in your company.
a.) Kidnapping ()
b.) Hostage taking ()
c.) Armed Attack ()
d.) War Threat ()
e.) Severe social unrest ()
f.) Blockades against the company ()

8. What has been the target of terrorist and terrorism acts : (you can tick/cross more than one answer)
- a.) Buildings ()
 - b.) Human beings ()
 - c.) Businesses ()
 - d.) Government infrastructure ()
 - e.) Places of worship ()
 - f.) Any other target please specify.....

9. In answering this question and rest of the questions in this section, you are given a scale of 1 – 5 to help you respond easily; where:

5 = very effective

4 = Less effective

3 = effective

2 = negatively ineffective

1 = Very negatively ineffective

How would you rate the Kenyan government in combating transnational terrorism in Kenya in relation to the following?

| Variables | 5 | 4 | 3 | 2 | 1 |
|---|----------|----------|----------|----------|----------|
| a.) Employment of Diplomacy | () | () | () | () | () |
| b.) International and regional cooperation to identify and dismantle terrorists cells | () | () | () | () | () |
| c.) Employment of the Instrument of Information | () | () | () | () | () |
| d.) Government efforts to educate the Kenyan public on terrorism | () | () | () | () | () |
| e.) Government efforts to address other perceived factors that cause terrorism | () | () | () | () | () |
| f.) Government efforts to address religious extremism in the | () | () | () | () | () |

| | | | | | |
|---|-----|-----|-----|-----|-----|
| country | | | | | |
| g.) Employment of the Military as an Instrument of National Power | () | () | () | () | () |
| h.) Employment of Law Enforcement and Intelligence | () | () | () | () | () |
| i.) Employment of Socioeconomic Elements of National Power | () | () | () | () | () |
| j.) Legislation and Financial Controls | () | () | () | () | () |

10. What is the effect of terrorism on the following investment decisions?

| Variables | 5 | 4 | 3 | 2 | 1 |
|---|----------|----------|----------|----------|----------|
| a.) Inflow of FDI | () | () | () | () | () |
| b.) Growth and expansion strategies | () | () | () | () | () |
| c.) Employment of Expatriates | () | () | () | () | () |
| d.) Deployment of capital equipments | () | () | () | () | () |
| e.) Returns on investments | () | () | () | () | () |
| f.) Risk Insurance | () | () | () | () | () |
| g.) Market entry and market share retention | () | () | () | () | () |

SECTION III: MULTINATIONAL REACTIONS TO POLITICAL RISK

11. How has your organisation reacted to the increased political risk in Kenya?

.....

12. What are the measures your organisation has taken to mitigate the political risk exposures

.....

13. What is the future of your organisation in the Kenyan market?

.....
.....

Thank you so much for your cooperation in answering the questionnaire.

Joy Kinyah Mwenda

APPENDIX III: LIST OF MULTINATIONAL FIRMS

| | |
|----|---------------------------------------|
| 1 | UNILEVER |
| 2 | COCA COLA |
| 3 | PZ CUSSONS EA LTD |
| 4 | GENERAL ELECTRIC |
| 5 | FOTON AUTOMOBILES |
| 6 | TOYOTA EAST AFRICA |
| 7 | CMC MOTORS |
| 8 | ATLAS COPCO EASTERN AFRICA LTD |
| 9 | GLAXOSMITHKLINE LTD |
| 10 | PROCTER & GAMBLE (EA) LTD |
| 11 | BETA HEALTHCARE INTERNATIONAL LIMITED |
| 12 | HUAWEI TECHNOLOGIES LIMITED |
| 13 | DHL GLOBAL FORWARDING (KENYA) LIMITED |
| 14 | MAERSK KENYA LIMITED |
| 15 | WHITESANDS |
| 16 | TPS HOLDINGS LIMITED |
| 17 | PRICE WATERHOUSE COOPERS |
| 18 | DELOITTE AND TOUCHE |
| 19 | LIBYA OIL(K)-MOBIL/TAMOIL |
| 20 | TULLOW KENYA BV COMPANY |