The impact of 'narco-terrorism' on HRM

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This paper presents a mixed-method study that explores the configuration of human resource management (HRM) systems in "narco-terrorism" environments. The quantitative analysis focuses on 204 news stories. In addition, 25 interviews were conducted with managers and HR professionals at 20 firms in Mexico to explore the direct and indirect impacts of narco-terrorism on firms. Our analysis of firms' responses in terms of HRM systems indicate that trust of formal and informal institutions seems to shape HRM system in the focal firms. More specifically, a combination of strict employee control, an emphasis on soft-skills training and development, and a flexible work schedule seems to facilitate the building of trust in narco-terrorism contexts. It seems that the role of firms as social institutions integrate strategies, which seems to aim at avoid and manipulate the institutional constraints. Our findings highlight the importance of reinforcing values, such as trust, openness, and participation to develop a strong HRM system in violent driven environments. We examine the various effects of institutional contextual factors on the operation of HRM systems and practices.

Keywords: HRM, narco-terrorism, institutional theory, violence and crime

Introduction

Many organizations find themselves managing employees in countries characterized by substantial security risks. One such risk is terrorism (Suder 2004) that directly and indirectly affects organizations (Czinkota, Knight, Liesch and Steen 2010). Direct effects include the destruction of firms' infrastructure, and the kidnapping or murder of employees, while indirect effects include the loss of customers, interruptions in production and disturbances in supply chains (Liou and Lin 2008).

Terrorist attacks are likely to continue (US State Government 2014). This suggests that firms need to develop proactive antiterrorism programs to address post-traumatic stress disorder, and prevention or evacuation strategies for employees in terrorism, conflict or post-conflict zones (Wilson and Gielissen 2004). In this paper, we focus on local employees in Latin America, which according to the United Nations (2013) is the most unequal and most insecure region in the world. In particular, we focus on Mexico.

The US Department of State (2014) states that no known international terrorist organizations are operating in Mexico. However, narco-terrorism in the form of drug cartels challenges the operation of local firms and MNCs (Durbin, 2013). Little empirical research has been conducted on the direct and indirect impacts of narco-terrorism on firms in Mexico (Campbell and Hansen 2013), and even less research has focused on the effects of narco-terrorism on Human resource management (HRM). HRM can play a strategic role (Becker and Huselid 2006) in helping firms prepare for and respond to terrorist attacks (Wernick and Von Glinow 2012, p. 732). HRM can also help establish substantive policies and practices that are important for employees working in such contexts.

Mexico has undergone a series of significant political and economic transformations since the 1980s, which have set the stage for a relatively stable economy (PROMEXICO 2014). This is highlighted by the fact that foreign direct investment (FDI), which averaged $23 billion per year between 2000 and 2012 (Secretary of Economy 2014). Such figures suggest that national and international firms can prosper in Mexico despite the country's fragile institutions (North 1990).

We address three research questions in this paper. First, what are the direct and indirect impacts of narco-terrorism on firms? Second, how do firms respond to such contexts? and, third what are the emerging HRM policies and practices in regions, such as Mexico plagued by narco-terrorism, and related crime and violence? These research questions are based on three streams of literature: research on terrorism, strategic HRM, and institutional theory. To answer our research questions, we undertook a mixed-method study that entailed two steps (Creswell 2009). First, we conducted a quantitative content analysis of international media reports to address our first and second research questions. Then, we conducted 25 semi-structured interviews in 20 firms in Mexico to explore third question.

Previous research suggests that firms in Latin America seem to fill the role of social institutions given the 'distinct environment of economic, political and social instability' (Davila and Elvira 2012, p. 478). Thus, in terms of theoretical contributions, we seek to contribute to research on narco-terrorism and criminal activities at the firm level and improve our understanding of how HRM can mitigate the impact of narco-terrorism.

This paper is based on the assumption that the logic for implementing 'best' HRM policies and practices (e.g., Schuler and Jackson 2005) works differently under 'uncertain institutional circumstances' (Davila and Elvira 2009, p. 181), such as the

narco-terrorism context. This implies a need to reconsider HRM policies and practices in the context of narco-terrorism. Practitioners should be aware of the high level of pragmatism in Latin America, which implies a certain level of open-mindedness to using diverse methods to suit social realities (Davila and Elvira 2009).

The remainder of this paper is laid out as follows. First, we discuss previous research on terrorism and narco-terrorism and strategic HRM in the context of narco-terrorism, organized crime, and violence. In particular, we focus on the narco-terrorism context found in Mexico.

Theory

The impact of security risks on firms can be analysed in relation to a variety of political, government policy, macroeconomic, social, and natural uncertainties (Miller 1992, p. 314). In this paper, we focus on terrorism, which involves political, governmental policies and social uncertainties.

Terrorism is defined as the 'premeditated, systematic threat or use of violence by subnational groups to attain a political, religious, or ideological objective through intimidation of a large audience' (Czinkota et al. 2010, p. 828). This definition is associated with religions-fundamentalist groups, such as Al-Qaeda, and this type of terrorism seems to be absent in Mexico (U.S. Department of State 2014). However, narco-terrorism in the form of drug cartels challenges the operation of Mexican firms and MNCs in Mexico (Durbin 2013).

Narco-terrorism refers to 'drug trafficking organisations' use of terror as part of their trafficking enterprise' (Brito and Intriligator 1992 in Campbell and Hansen 2013, p. 161). In this paper, we focus on narco-terrorism in Mexico, which has expanded since 1990 and that according to Cambell and Hansen (2014) have declined 'because of the major Colombian cartels' (p. 158). In addition, the emergence of crime entrepreneurs

(van Duyne 2000), which are 'groups and organizations that specialize in the use of force to make money' (Volkov 2002, p. 27), seems to affect local and foreign firms.

To expand this research line, in this paper, we explore the impact of narco-terrorism and related criminal activities on firms' strategic HRM policies and practices designed to counteract the uncertainty associated with narco-terrorism. Next, we discuss strategic HRM under these contextual elements.

Strategic human resource management

There is growing recognition that HRM can serve as a source of competitive advantage for the firm (Pfeffer and Veiga 1999). This implies a need to systematically manage employees through core HRM policies and practices, including those for planning, staffing, training and development, performance appraisals, compensation, safety and health, and labor relations. It also implies a need to manage change and culture, as well as work and organizational designs (Schuler and Jackson 2005, p. 12). The strategic links among these HRM policies and practices, the firm's business needs, and organizational effectiveness have been recognized as 'strategic HRM' (Huselid, Jackson and Schuler 1997). Schuler and Jackson (2005, p. 13) summarize strategic HRM as:

> (1) Vertical integration: understanding the organization and its context, (2) horizontal integration: creating coherent HRM systems, (3) demonstrating effectiveness: showing how HRM systems affect organizational performance, and (4) partnership: HR professionals working cooperatively with line managers as well as with non-management employees.

Researchers have proposed different compositions of HR bundles that may be meaningful to employees and, therefore, 'exert their desired effect on employee attitudes and behaviors' (Nishii, Lepak and Schneider 2008, p. 504). Bloom and Reenen (2011, p. 1741) identify three types of best practices: (1) practices aimed at collecting

information before making decisions, or avoiding promotions of incompetent staff members to senior positions, (2) practices aimed at integrating technological innovations, information and communication technologies (ICT) (e.g., SAP systems), and managerial innovations (e.g., lean manufacturing), and (3) practices aligned with changes in the economic environment. However, political, government policy, macroeconomic, social, and natural uncertainties (Miller 1990, p. 314) are also believed to be crucial from a strategic HRM point of view (e.g., Liou and Lin 2008). Nevertheless, little research has been conducted to analyze the strategic role of HRM in devising the bundles of policies and practices that matter for employees working in narco-terrorism contexts.

According to Elvira and Davila (2005), employees, unions, managers, and other stakeholders in Latin America often have different or opposed interests. Therefore, their demands or expectations in relation to HRM also differ (Davila and Elvira 2012, p. 482). This suggests that HRM might take on the roles of certain stakeholders, such as the local government, that cannot respond to employees' demands. For example, mistrust of formal and informal institutions (North 1990) owing to the lack of rule of law, corruption, or patronage arrangements (Fox 1994) might shape employees' and organizations' expectations. Such expectations are rarely considered in examinations of the strategic role of HRM in implementing policies and practices (Davila and Elvira 2012). This argument is further discussed in the following section.

HRM policies and practices in regions that suffer from terrorism or narco-terrorism

The impact of terrorism on multinational corporations (MNCs) has led researchers to propose theoretical models and a research agenda for HRM in this context. Fee,

McGrath-Champ and Liu (2013) theoretically argue that the welfare-officer role of HRM (Welch and Welch 2012) involves communication on such issues as safety and security in the event of a crisis. In this paper, 'crisis' refers to terrorism, which creates challenges for local firms and MNCs with regard to employee well-being (e.g., Leguizamon, Ickis and Ogliastri 2009). This suggests that HR plays a strategic role in the management of employees in terrorism context that goes beyond typical HR roles, such as 'expatriate compensation' (Fee et al., 2013, p. 256).

Empirical research evidence on crime and violence in post-Soviet Russia (Volkov 2002) shows that firms are 'forced' to pay crime entrepreneurs to protect investments and employees from crime and violence. Sutter and colleagues (2013), who study organizations in Guatemala City, find that the responses of microbusinesses and small businesses to violent and criminal acts include making payments for protection to crime entrepreneurs or fighting back. Alternatively, managers can alter their business models by, for example, working without publicity or relocating their businesses to areas less affected by conflict (Sutter, Webb, Kistruck and Bailey 2013). MNCs in Latin America have also been found to make payments to crime entrepreneurs. For example, US-based Chiquita Brands has acknowledged making payments to paramilitary groups in Colombia to protect its executives and its banana plantations (Maurer 2009). In the late 1980s, Peru suffered extreme social distress as a result of economic turbulence and indiscriminate terrorism (Sully de Luque and Arbaiza 2005). Perez Arrau, Eades, and Wilson (2012) found that, in their emergent reaction to terrorism, many Peruvian HR managers adopted defensive behaviors, which led them to turn from protecting the employee toward protecting the organization (Sully de Luque and Arbaiza 2005, p. 2238). In general, these studies seem to indicate that firms generally bend to terrorist organizations' demands, which might imply that they engage in illegal activities, such

as paying for protection.

Davila and Elvira (2012) report that the Mexican MNC FEMSA, which is the largest beverage company in Latin America, 'provided emergency cell phones, transportation to and from work, secure housing and other measures to protect their employees in Coca-Cola FEMSA's subsidiary in Colombia' (p. 489). Andonova and Zuleta (2007), and Andonova, Guitierrez, and Avella, (2009), whose research focuses on Colombia, suggest that a firm's deep understanding of the external context leads it to promote the community's social development. This, in turn, results in respect for property rights, which supports higher productivity and profitability. Along these lines, the Colombian firms Hacienda Gavilanes, Indupalma, and Hocol implemented certain HRM practices, such as providing protection and guaranteeing peace in areas where they operate (Andonova et al., 2009). Furthermore, Leguizamon and colleagues (2009) identify 'contingent' practices that firms adopt in response to war, violence, poverty, and natural disasters (Leguizamon, Ickis and Ogliastri, 2009: 88). During the civil war in El Salvador in the 1980s, Grupo San Nicolás, a pharmaceutical company in El Salvador, offered its employees flexible schedules and private transport between the firm and their homes at night. These policies made employees feel that 'this is a family, and all of us feel that we are a part of it' (Leguizamon et al. 2009, p. 89).

A survey of 79 US-based MNCs found evidence of a more pragmatic approach that focused on: (1) investments in security devices/equipment, (2) protection of infrastructure, and (3) training of expatriates (Harvey 1993). These programs relied on 'hardware' to solve the problem and they featured a nearly total preoccupation with asset protection (Harvey 1993, p. 470). These emerging patterns on HR policies and practices echo Davila and Elvira's (2009) argument that HRM practices can function as

firms' strategies under uncertain institutional circumstances (Davila and Elvira 2009).

Thus, we identify two patterns in the extant findings. First, firms in environments challenged by terrorism and/or crime and violence bend to crime entrepreneurs' demands by subordinating to their demands such as paying them. Second, firms that focus on employee and community development through HRM, tailor their policies and practices to fit terrorism contexts that is, to offer to their employees and community adequate knowledge and tools for this environment.

The first pattern echoes Oliver's (1991) repertoire of firm's strategic responses to institutional pressures: acquiescence, compromise, avoidance, defiance, and manipulation. In particular acquiescence strategy, which refers to acceding to institutional pressures (Oliver 1991). Acquiescence can take several tactics: (1) habit, which refers to unconscious or blind adherence to preconscious or taken-for-granted value rules (Oliver 1991); (2) imitation or voluntary, conscious avoidance; or (3) compliance. In this research, we refer to extortion or *cuotas por uso de piso*, which are the illegitimate financial demands that crime entrepreneurs impose upon firm. Alternatively, avoidance, which is an organizational attempt to preclude the necessity of conforming by taking the following tactics: (1) concealing, (2) buffering, or (3) escaping from institutional pressures.

The second pattern seems to imply that firms working in terrorism contexts might embrace 'a more strategic standpoint' (Harvey 1993, p. 471) in which they base their strategy on more than the direct impacts. In such cases, the strategic approach to handling terrorism might involve investments in security to avoid narco-terrorism demands, and/or investments in employees and people related to the firm. Such an approach echoes the manipulate strategy (Oliver 1991). Manipulate strategy refers to

the active intent to change or exert power over institutional pressures (Oliver 1991) through: (1) co-optation, (2) influence, or (3) control tactics.

These pressures and mechanisms affect decision making in organizations (DiMaggio and Powell 1993). Most notable is the reliance on strategy acquiescence in which firms adopt (Oliver 1991) crime entrepreneurs' demands for permission to develop their operations in fragile institutional contexts.

The above arguments also suggest that firms that suffer from terrorism in areas where basic principles of the rule of law are lacking (e.g., Dietz, Robinson, Folger, Baron, and Schulz 2003) adopt a more strategic role in society. They do so through the implementation of HRM policies and practices that are tailored to such environments. Davila and Elvira (2012, pp. 483-84) argue that 'the role of HRM department is crucial, in order to demonstrate solidarity with employees in times of dramatic misfortune surpassed potential claims when national and local institutions fail to enforce basic property rights, or to provide protection and security'. In such contexts, the HRM department might use policies and practices to send signals to employees that they 'at the center of the business strategy' (Leguizamon et al. 2009, pp. 94).

Narco-terrorism in Mexico

Felipe Calderón, former Mexican president (2006 - 2012) decided to confront the drug trafficking organizations directly. A death toll of around 6000 people was reported in 2008, and between January and October of 2010, 530 deaths related to cartel crimes were reported, an increase of 1,081% in comparison to 2009 (Durin 2012). The war against the cartels turned into an inter-cartel competition and led to a string of disturbing and violent incidents, from robbery to extortion, perpetrated by different crime entrepreneurs that operate at the level of civil society (CIECAS 2012; INEGI

2013). *Narcobloqueos* 'disrupting traffic and limiting access to parts of the city' (Campbell and Hansen 2013, p. 168) was a tactical *maneuver* executed by crime entrepreneurs, as a means to distract the Mexican army and law enforcement.

Lack of trust in formal institutions appears to be another key factor that shapes Mexico's business environment. The percent of Mexicans who trust key formal institutions are presented as follows: Congress, 28%; political parties, 19%; the judiciary, 28%; the armed forces, 55%; and the government, 34% (Latinobarómetro 2010), which according to different reports (e.g., INEGI 2013) appears to have worsened since the implementation of the war against drug cartels. For example, according to INEGI, 182,122 cases of extortion were reported in the state of Nuevo León in 2012. Extortion can take the form of illegal payments, which are demanded from crime entrepreneurs to firms. Based on the above discussion, we present our methodology.

Methodology

We utilized a two-stage, sequential, transformative, mixed-method strategy (Creswell 2009) to answer our research questions. First, we undertook a content analysis of 204 international news reports (Gitlin 2003) to provide an account of the direct and indirect impacts of organized crime and violence due to narco-terrorism and the activities of crime entrepreneurs on firms in Mexico (see Annex 1 for a description of the data-collection process). Second, based on the themes that emerged from the content analysis, we developed a protocol for semi-structured interviews. We then conducted 25 semi-structured interviews with managers at 20 firms for a period of 10 months, and combined our quantitative and qualitative results for an interpretation of our findings.

Stage one: Quantitative content analysis

Variables and codebook

The content analysis was conducted based on a codebook developed according to the typology of direct and indirect impacts of terrorism (Czinkota et al. 2010), and firms' responses to terrorism contexts (acquiesce, avoid and manipulation) (Oliver 1991), and constrains on formal institutions, government effectiveness (North 1990) (see appendix 2). In an excel document, two independent coders (Ph.D. students in communication that work as research assistants) developed a binary coding (zero or one) to content analyze the 204 newspapers articles. The news histories were read in full for a detailed and systematic analysis (Silverman 2010), not only to find keywords but also to find paragraphs that could be used to code the news reports according to the code book. The excel documents were converted into a SPSS worksheet to perform the quantitative analysis. The inter-coder reliability, coefficient kappa (Brennan and Prediger 1981), conducted on a random subsample of 50 media reports for all variables were .90 for a range between .81 and 1, minimum and maximum values respectively for the variables.

Analysis. We conducted a principal component analysis with varimax rotation to group 13 different violence and crime acts that emerged from the quantitative content analysis: (1) kidnapping, (2) injury from physical aggression, (3) murder, (4) robbery or assault (on the street or on public transport), (5) face-to-face threats (6) face-to-face extortion at firms, (7) total or partial theft of firms' materials, (8) e-mail threats, (9) phone threats, (10) fraud or bank-card cloning, (11) social-media threats, (12) destruction of firms' property, and (13) theft or assault at firms. The analysis resulted in two orthogonal factors (eigenvalues > 1) that explain 60% of the total variance. Each of the items that

integrated the factors has communalities higher than 0.5 and loading factors higher than 0.5. The rest of the items were from dropped for the analysis. Table 1 presents the results.

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Insert table 1 about here

Table 1. Varimax-Rotated Factor Solution for narco-terrorism impacts

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Second, in order to investigate the underlying strategic responses to institutional pressures, we developed a separate principal component analysis with a varimax rotation covering the 10 different response tactics. The 10 tactics clustered into three orthogonal factors (eigenvalues > 1) that explain 53% of the total variance. The avoid factor is composed of three forms of escape that emerged from the quantitative content analysis: (1) close the firm, (2) escape to another Mexican state, and (3) escape to the US. The acquiesce and manipulate factors clustered as suggested in the theoretical framework (Oliver 1991), see table 2.

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Insert table 2 about here

Table 2. Varimax-Rotated Factor Solution for strategic responses to institutional pressures

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A third stage derived from our content analysis involved carrying out a multiple linear regression in which our dependent variables (acquiesce, avoid and manipulation), were regressed against all of our independent variables (direct and indirect impacts, formal institutions, government effectiveness, and year was also included in the model). The multiple linear regression analysis was conducted to determine the importance of

the institutional context in Mexico (independent variables) on the firms' strategies in narco-terrorism context. Table 3 presents the results.

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Insert table 3 about here

Table 3. Multiple Linear Regressions

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Stage Two: Semi-structured Interviews

Based on the content analysis, we developed a protocol for the semi-structured interviews, which is presented in the annex 3. Giving the intricate nature of our research; we relied on our personal network to build our sample for our interviews. We contacted managers and owners of firms to conduct our research. We gained access to 20 Mexican and three MNCs, were two of the authors conducted the interviews. Twelve general managers, seven HR managers (a follow up interview were conducted with five HR managers) and one owner of the firms visited were interviewed, see table 4.

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Insert table 4 about here

Table 4. Data sources: interview data

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Given the confidentiality agreements signed with the interviewees, in this article we do not include a detailed account of each firm. Interviews lasted approximately 45 minutes were tape-recorded and transcribed. We used Nvivo10 to code each interview. We adopted an abduction technique (Olsen 2004) in which we started with the theoretical framework to code our data, and moved back and forth between our data and the framework to inductively develop new categories related to the direct and indirect

impacts of narco-terrorism in relation to HRM. In the first round of coding, we deductively assigned codes to the texts that evoked direct and indirect impacts of narco-terrorism on firms, and that referred to emerging HRM policies and practices.

After the first round of coding, we systematically compared (Miles and Huberman 1994) our qualitative data with the results of the quantitative content analysis. We developed an interactive process to compare our findings and theory with the aim of capturing emerging HRM policies and practices in relation to the narco-terrorism context. The coding yielded an initial scheme with 21 codes that facilitated the comparison of topics across data sources. The data have seven main second-order themes that were associated with two aggregate dimensions: Consequences of 'narco-terrorism', and HRM system, see table 5.

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Insert table 5 about here

Table 5. Data Structure

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 Findings

Our findings are structured in two parts. We present the results of the quantitative content analysis in order to provide a general overview of impacts of the narco-terrorism on firms and to address our first two research questions. With regard to our third research question, we present the emerging HRM policies and practices found in our thematic analysis of the interviews.

Implications and consequences of the narco-terrorism context

Our first two research questions were the following: (1) What are the direct and indirect

impacts of narco-terrorism on firms? and (2) How do firms respond to such contexts? Table 3 shows that the regression equation is statistically significant for two strategies: acquiesce (F(5, 198) =12.780, p <.000) and manipulation (F(5, 198) =12.780, p <.000). These strategies explain 24.4% and 19.7%, respectively, of our model. The avoid strategy is not statistically significant.

Our analysis of the news reports suggests that when the direct impacts of narco-terrorism (β = .295***, p < .001) and corruption confronted by firms (β = .202*, p < .01) are higher, the acquiesce strategy is more likely to be adopted. This strategy tends to increase at the end of the administration of former president Felipe Calderón (2006-2012), independent variable year (β = .162***, p < .01). The same trend is observed for the manipulate strategy in relation to higher levels of corruption (β = .251**, p < .001). The difference between the two strategies is that the manipulate strategy is observed at the beginning of the administration of former president Felipe Calderón, independent variable year (β = -.221**, p < .001). The direct impacts of narco-terrorism on firms are not statistically significant as an explanation of the use of the manipulate strategy (β = .147, p < .10). However, the result for this equation shows the same tendency as in the acquiesce strategy.

Our results do not offer a statistically significant explanation for the implementation of any of the three strategies (i.e., acquiesce, avoid, and manipulation) based on indirect impacts. However, we found emerging indications for both direct and indirect impacts of narco-terrorism on firms (see Table 4) by the thematic analysis of the interviews (see Table 6).

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Insert table 6 about here

Table 6: Representative Quotations underlying second-order themes

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For example, direct impacts reported in the press, such as direct extortion, the destruction of firms' infrastructure, or theft, seem to lead firms to invest more in security. An HR manager elaborated on this:

> Some of our firm's vehicles have been stolen or parts of them have been stolen, such as their mirrors … We spent 200,000 pesos [about USD 16,000] to expand our insurance coverage for employees and vehicles… Now our transportation fleet is equipped with global positioning systems. (Firm 19)

We found initial indications of the indirect impacts of narco-terrorism at the employee level. The thematic analysis suggests that employees are afraid to take public transport, work night shifts, or travel in dangerous areas, which result in stress, a lack of motivation to go to work. The following quotes provide a sense of this institutional context:

> I am scared that I will be kidnapped. Therefore, I do not like to go out at night. (Firm 2)
> It [crime and violence] has created a climate of uncertainty. Employees fear for the lives of family members and themselves. In the plant, we have an atmosphere of tension and stress. (Firm 4)

The analysis also suggests that one consequence of the stress and the lack of motivation to go to work is lower productivity among employees. The following interview extract exemplifies this argument:

> The external environment affects our firm's internal work environment and, thus, our employees' productivity. We are therefore trying to implement different strategies in order to avoid productivity problems. (Firm 20)

One impression gained from our field work is that firms struggle with the direct and indirect impacts of narco-terrorism. The informants reflected that the lack of trust seems be escalating not only in relation to formal institutions but also at the civil-society level. Different responses to such developments were identified in relation to HRM policies and practices. These elements are closely related to our last research question: what are the emerging HRM policies and practices in regions, such as Mexico plagued by narco-terrorism, and related crime and violence?, as discussed in the following section.

Job Design

Our thematic analysis suggests that being late to work and/or absenteeism is a problem. However, this problem is "understandable" according to the interviewed managers. One manager described the indirect impacts of narco-terrorism as follows:

> There have been several shootings just outside the plant. On those occasions, we needed to stop the production line. Now employees are afraid to come to work. As a result, we have registered higher levels absenteeism. (Firm 1)

Flexible work schedules seem to be one policy implemented with the aim of motivating employees to go to work. Other policies include changing working hours, closing the office at 18:00, and cancelling night shifts and extra shifts. Flextime appears to be implemented to lower the level of absenteeism related to fear arising from street shootings or *narcobloqueos*. The following quotation provides a notion of the situation:

> We are more alert. For example, I never take the same route from home to the office and back… This takes more time, but it might help to avoid a kidnapping… Also, I always tweet with colleagues and other expats to be up-to-date on narcobloqueos. (Firm 18)

Recruitment and Selection

Our results suggest that the lack of trust is not only related to formal institutions—it is also reflected at the civil-society level. This creates difficulties in the recruitment process, as it is a challenge to attract employees. One HR manager commented:

> We cannot hire employees who live far from the plant, as some of them are afraid to use public transport. (Firm 6)

In response to these recruitment constraints, some firms adopt different tactics in the recruitment process. For example:

> The hiring of a new secretary was done by asking for recommendations. We called customers to get some advice … This was the first step in our recruitment process. (Firm 8)

In addition, our interviews indicate that the recruitment and selection processes needed to be redesigned, as highlighted by an HR manager:

> We are less deserving of trust on people. Therefore, we need to be stricter in the hiring processes. (Firm 2)

Another common pattern is what we refer to as "extreme measures"—the integration of toxicological and addiction tests into the selection process. This response seems to reflect the lack of rule of law, which, in turn, shapes the recruitment and selection processes.

Training and development

The thematic analysis shows that the indirect impacts of narco-terrorism at the employee level include stress, fear, a lack of trust, and lower motivation. However, according to our subjects, some employees use the narco-terrorism factor as an excuse for their absence at work. Our interviews suggest that it is important to develop training programs focused on "hard" skills," and that managers also believe that training programs on ethics and values are a priority. The following quotations serve as examples of these concerns:

> Some employees use the organized crime and violence factor as a way to avoid showing up for work. (Firm 5)
> [We need to] further promote the ethical values and goals of the organization, as well as staff training. (Firm 4)

Together with ethics- and values-related training, the firms incorporate "pragmatic-efficient" responses into their re-designed training and development programs. For example, several firms offer workshops on self-defense and precaution training, and many offer crisis counseling. The thematic analysis also highlights the prevalence of employee participation throughout the design of training programs.

One HR manager (Firm 9) stated that the firm aims to provide unique training and development opportunities in combination with counseling sessions. The latter are available to employees and their family members who have suffered from the consequences of narco-terrorism. The following statement exemplifies this situation:

> We are trying to introduce many initiatives, such workshops and seminars, to encourage employees to come to work… We want to help the staff feel comfortable in the workplace again… to find a way to get the good working environment back. (Firm 9)

Compensation systems

The training and development policies and practices discussed in the previous section are complemented by a variety of benefits offered to employees. Such benefits include higher salaries, and the provision of private security guards and private transportation for employees. In this regard, we identified two patterns. Higher salaries are often offered to those employees in higher positions and those with higher levels of education, as these employees tend to move away from Mexico, typically to the US. On the operational, employee level, we find that private transportation for employees, including a guard on the bus, is appreciated. Overall, the interviews indicate that the organization's show of support for its employees in difficult times is of key importance. The following quotation serves as an illustration:

> We provide unconditional support to our employees, and we try to implement various rewards to improve the working environment within the company. (Firm 4)

Other HR policies and practices

We find that the encouragement of employee participation in brainstorming sessions has resulted in radical changes in terms of HR policies and practices, which we refer to as "extreme measures." The following quotations illustrate such measures:

> [We] remove company logos and avoid wearing uniforms off-site, [offer] flexible hours, and [stay] inform[ed] of employees' hours of arrival and departure. (Firm 11)
>
> Expatriates were sent home. Now they make short visits to the plant between Monday and Friday, and they stay in a hotel close to the airport. (Firm 17)
>
> We implemented a policy that if any employee needs to travel for work-related issues, s/he must notify us that s/he has arrived safely… We try to leave work before 8 p.m.… before it gets dark… In the morning, we start one hour later. (Firm 13)

One recurrent pattern evident in the interviews is that managers encourage employees to participate in brainstorming sessions aimed at developing security policies and practices, and to endorse the organizational values and ethics. Now we present the discussion and implications of our findings.

Discussion

The results of the quantitative content analysis provide an indication of the challenges facing firms operating in narco-terrorism environments. Direct impacts and corruption-related elements seem to be most commonly covered in the print media, and such reports increased during the Mr. Felipe Calderón administration (2006-2012). These news reports appear to provide initial explanations for the strategic responses—especially adoption of an acquiesce strategy— of firms operating in this context. We interpret the acquiesce strategy as surrendering to crime-entrepreneurs' demands by making payments to them to ensure the organization's ability to continue operations. As one report stated:

> Restaurants, bars … "everyone is paying extortion money," said a business man … who has been extorted by drug gangs ... "And if you can't pay both extortion fees and your taxes, you tell the gangs and they sort it out for you". (Emmott 2011)

However, our thematic analysis does not support this assumption. Although our respondents were reluctant to talk about such issues, the thematic analysis supports the quantitative results in relation to the manipulate strategy and provides initial evidence for the avoidance strategy.

Investments in security and the introduction of a flexible management style seem to be meaningful, work-related practices in narco-terrorism settings. At the same time, strict recruitment and selection policies, self-defense training, and the availability

of crisis counseling (see Table 6) are some of the strategic responses that help organizations avoid and manipulate the institutional constraints imposed by narco-terrorism.

Notably, the logic for implementing flextime or benefit schemes in narco-terrorism environments seems to differ from corresponding logics in other institutional contexts (White, Hill, McGovern, Mills and Smeaton 2003). In more stable context, it seems to be a consensus among academics that flextime has a favorable influence on productivity, employees' satisfaction, and decrease absenteeism (Wright and Boswell 2002, p. 260). However, our data suggest that, in Mexico, flextime and/or changes in work schedules are used to motivate employees to stay in their jobs and to lower the rate of absenteeism. In fact, these practices are often implemented in response to employees' fear of travelling to work. Furthermore, job design seems to be supported by recruitment and selection processes, training and development programs, and benefit schemes.

In addition, managers encourage brainstorming sessions regarding the design and implementation of HR-related policies and practices in an active attempt to diminish, alter, or reject the institutional constraints (e.g., Oliver 1991; Pache and Santos 2010) associated with narco-terrorism. This might imply that the emerging HR policies and practices function as key factors in the protection and motivation of employees in such environments. We interpret this emerging pattern as a method for strategically devising HR policies and practices that can positively affect employees. Employers send signals through HR policies and practices that suggest that they care about employees and their families. Furthermore, our findings lead us to suggest that the role of employers in narco-terrorism environments is not limited to understanding and

accepting HRM systems as strategic tools. Rather, employers understand that they can use these systems to alter the institutional environment that they inhabit.

The HR-related policies and practices that we refer to as "extreme measures" suggest that some of the common cultural dimensions of power-distance should be revised (e.g., Hofstede 2001). Typically, the power-distance dimension of employer-employee relationships in Mexico is characterized as orders/instruction giving-receiving. We suggest that the narco-terrorism context modifies these relationships, as both employees and employers might suffer from the resulting institutional constraints. This implies that open communication, together with counseling, pragmatic-efficient training, and benefit schemes, are key in narco-terrorism environments. Open communication seems to be a policy often implemented in more advanced institutional settings. However, as discussed previously, the logic behind the implementation of this policy in Mexico differs. In institutional settings plagued by violence and crime, open communication can serve as a tool for finding alternative solutions. In this regard, it might be useful for addressing the indirect impacts of narco-terrorism attacks, which are random and can affect organizational members at all levels.

Strengths and Limitations

This study presents a novel understanding of the direct and indirect impacts of narco-terrorism on firms, as well as their responses in terms of HRM policies and practices. Our study makes several contributions to our knowledge of the direct and indirect impacts of narco-terrorism on firms. It therefore serves as an important step towards improving the classification of terrorism's effects on firms (Czinkota et al. 2010).

The issue of generalizability is one of the main limitations of our research. The

25 interviews covered here provide only explorative evidence in response to our research questions. Nevertheless, our novel approach, which is based on a mixed-method research strategy, is an appropriate solution for studies of the implications of narco-terrorism, as gaining access to firms can be challenging. This difficulty might reflect one of our findings—the lack of trust arising from the institutional constraints. The quantitative content analysis showed satisfactory intercoder reliability as well as satisfactory internal consistency. The analysis improved our understanding of the struggles of firms operating in narco-terrorism contexts and assisted in the development of our interview protocol.

Future research based on our codebook and the results of our thematic analysis could focus on developing a survey instrument aimed at obtaining data from employees at all organizational levels, which could then be used to test our findings. This might allow for a more robust discussion of our assumptions. Alternatively, in-depth case studies of Mexican and foreign-owned firms could provide richer accounts of HRM policies and practices emerging in narco-terrorism contexts. Moreover, the integration of foreign-owned firms into the sample could allow for the testing of models on expatriate performance, which would contribute to research on terrorism.

Implications for Theory

This research provides tentative evidence of the impacts and consequences of institutional constraints arising from narco-terrorism for firms. Traditional institutional models (Hoskisson, Wright, Filatotchev and Peng 2013) often analyze institutional voids in emerging economies in terms of corruption in formal institutions (Helmke and Levitsky 1996), or they study informal institutions based on dimensions found in Hofstede (2001). In contrast, our results show that institutional arrangements in narco-

terrorism contexts are more complex than those embodied in traditional institutional models. Our findings invite a revision of models based on cultural dimensions (Hofstede 2001), which are often used to implement HRM frameworks in Mexico. For example, the aspirational framework for strategic HRM (Jackson, Randall and Kaifeng 2014), acknowledges the outcomes for external stakeholders, such as society (e.g., legality). However, little evidence is provided on how such frameworks function in terrorism or narco-terrorism contexts.

Given the above perspective, we call for more research on the assumptions developed in more stable institutional contexts, where "best" practices—such as collecting information before making decisions or integrating ICT (Bloom and Reenen 2012)—result in positive financial performance for firms. In addition, highly selective recruitment, information sharing, investments in training, and participation in decision making (Andonova and Zuleta 2007; MacDuffie 1995) are HR practices that are often integrated into high-performance HR systems (Pfeffer and Veiga 1999). These practices are also evident in our study. Moreover, the implementation of flexible work schedules is not completely new in Mexico (e.g., Elvira and Davila 2005). Nevertheless, although Mexican firms seem to implement HR policies and practices that mirror the "best," high-performance HR systems, these practices taken on different connotations in the narco-terrorism context. For example, our results show that managers are understanding with regard to lower productivity or absenteeism among employees. This empathic behavior seems to work in the narco-terrorism context. Thus, the logics of "best" HR policies and practices in such a context might differ in terms of the vertical and horizontal integration of strategic HRM. Human resource professionals' and line managers' understanding of narco-terrorism environments might lead to the implementation of a bundle of HR policies and practices based on different logics than

those found in more stable institutional contexts (e.g., Huselid 1995).

Implications for Practitioners

Our findings suggest that HR practices that are supported by pragmatic-efficient response to narco-terrorism's direct and indirect impacts are relevant. Notably, employee involvement and participation in designing security policies seem to be key factors in strategic HRM. In addition, firms' unconditional support of employees is an important element in implementing pragmatic-efficient responses to narco-terrorism. In such contexts, unconditional support can be also shown through firms' investments. For example, in 2013, LEGO announced that it would invest USD 125 million to expand its manufacturing plant in Monterrey, Mexico (Telediario, 2013). After this expansion, LEGO will have invested a total of USD 500 million in Monterrey since 2008 (Reforma, 2013). LEGO's CEO Jørgen Vig Knudstorp commented on this move:

> We have full confidence that it is possible for us to continue to invest here [Monterrey] and to hire more people. Of course, we are very sorry for the Mexican people with the difficult challenges right now, but we think that exactly in such situation it is very important to show support, and the business can continue. (Torres, 2011)

Trust (e.g., Robinson 1996) is an important aspect in contexts characterized by a lack of trust at the governmental and civil-society levels. This factor is clearly a challenge—the firms in our study are unable to rely on traditional institutions. This is a critical issue in the narco-terrorism context, where firms tend to fill the institutional gaps (e.g., the lack of rule of law) (Davila and Elvira 2012).

Given the above, employers might need to reconsider whether the typical Mexican top-down (Hofstede 2001) design is most appropriate when implementing

management practices that may not match employees' beliefs and expectations. Our qualitative findings offer support for the use of HR policies and practices based on trust, openness, participation, and honesty, among other values. We interpret this as a strategic pattern implemented by HR managers to address the lack of trust in formal institutions and among members of social society owing to the proliferation of crime-entrepreneurs. Investments in pragmatic-efficient responses, such as security and surveillance systems, are meaningful for employees working in narco-terrorism locations. As suggested by Porter and Kramer (2002, p. 59), "productivity depends on having workers who are educated, safe, healthy, decently housed, and motivated by a sense of opportunity." Thus, employees welcome the unconditional support of employers, as they might not have the possibility to quit their jobs or the leave the city. Therefore, we call for future research that tests the relationships proposed in this study.

Conclusions

This study expands the literature on terrorism by identifying the direct and indirect impacts and consequences of narco-terrorism on firms. It highlights firms' strategic responses in terms of HRM to the institutional constraints found in Mexico. We develop HRM-based explanations that seem to apply to firms operating in narco-terrorism environments. This analysis of the Mexican experience serves as a useful contribution to the discussion of the "best" bundle of HR policies and practices that may be applicable in Latin American countries plagued by narco-terrorism, or other forms of organized crime and violence.

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Appendices

Appendix 1: Data Collection Quantitative Content Analysis

We performed a keyword search for newspapers articles that contained the following words: "crime", "violence", "cartels" and "extortion" published between December 1, 2006 and November 30, 2012, using: (1) the database FACTIVA (http://global.factiva.com), and (2) the websites of the most influence Mexican newspapers in terms of readership: *La Jornada, Milenio, El Porvenir, CNNMéxico, La Prensa,* and *Proceso*. The outcome was a total of 4,436 Mexican and international new reports. We analyzed the data set to identify articles that covered the main topic of this research: "narco-terrorism" impacts on firms. We searched for the keywords individually and in combination to understand (1) the organized crime and violence, and, (2) the impacts on firms' HRM and work related policies and practices. This procedure resulted in 2,446 documents.

Out of 2,446 newspaper articles selected, 673 mentioned at least one incident of enforcement of organized crime and violence acts. Of those 673 articles, 204 presented at least one response from firms. We selected the 204 articles for the corpus of the data set based on: (1) media reports that presented organized crime and violence, (2) media reports that mentioned at least one firms' response to such acts in Mexico, and (3) media reports that integrated quotations from managers or owner of the firms illustrating their responses.

Our newspapers database integrates 204 articles from the following countries: USA, 105 articles (52%), Mexico, 53 articles (26%), Spain, 29 articles (14%), England, seven articles (3%), France, six articles (6%), Canada three articles (2%) and, New Zealand one article (1%). The European newspapers were integrated into one subsample. Our intent was to examine the reported direct and indirect impacts of "narco-terrorism" on firms, by block of countries and regions. The final sample was integrated to have the following number of newspaper per region articles: USA (105), Mexico (53) and the European Union (EU) region (42). Canada and New Zealand were not considered in the final sample, given the small number of related newspaper articles found.

Appendix 2: Codebook

Formal Institutional

(1) The report/document mentions or presents characteristics of formal rules in relation to organized crime and violence (e.g., laws, norms, and regulations).
(2) The report/document mentions or presents enforcement mechanisms related to formal rules covering organized crime and violence (e.g., sanctions or punishments).
(3) The report/document mentions or presents examples of political corruption (e.g., bribery). [Negative impact]
(4) The report/document mentions or presents a lack of law enforcement or rule of law. [Negative impact]

Direct & Indirect Impacts

(1) E-mail threat
(2) Phone threat
(3) Face-to-face threat
(4) Robbery or assault in the street or on public transport
(5) Total or partial theft (e.g., vehicle, an firms' material)
(6) Injury due to physical aggression
(7) Fraud or bank-card cloning
(8) Theft or assault at a firm
(9) Extortion (payment: *couta uso suelo*)
(10) Kidnapping
(11) Destruction of firms' property
(12) Murder
(13) Social media

Strategy responses to institutional constraints

Acquiesce

(1) Does the story suggest/present the Habit Tactic, which refers to unconscious or blind adherence to preconscious or taken-for-granted value rules? In other words, does the story suggest that entrepreneurs/firm/people generally accept the cartels' and gangs' demands and/or violence without thinking?

(2) Does the story suggest/present the Imitate Tactic, which is conscious avoidance or voluntary participation (e.g., payment to gangs (derecho piso)).

(3) Does the story suggest/present the Comply Tactic in relation to institutional pressures? In other words, does the news suggest that entrepreneurs/firm/people are pressured by cartels, gangs, and/or violence when attempting to develop the business?

Manipulate

(4) Does the story suggest/present the Co-opt Tactic, in which the firm attempts to neutralize institutional opposition and enhance legitimacy? In other words, does the story indicate that entrepreneurs/firm/people are investing or developing projects in order to develop society and denounce violence in general terms?

(5) Does the story suggest/present the Influence Tactic? In other words, does the story suggest that the entrepreneurs/firm/people are undertaking public demonstrations to demand that the government resolve problems of violence and crime?

(6) Does the story suggest/present the Control Tactic? In other words, does the story indicate that entrepreneurs/firm/people are working with the government with the aim of solving the problems of violence and crime?

Appendix 3: Interview Guide

Illustrative questions (direct impacts of narco-terrorism):

(1) How does the level of organized crime and violence affect the firm's results?

(2) Do you feel that the firm's external environment (organized crime and violence) has affected the firm? If so, please describe this impact.

(3) Do you feel that the level of organized crime and violence affects HRM policies and practices? If so, please explain.

(4) What are the main strategies designed and implemented to respond to organized violence and crime?

(5) When organized violence and crime was highest (between 2009 and 2012), how was HRM affected?

(6) What were (are) the HRM policies and practices implemented to "deal" with organized crime and violence?
(7) Describe how organized crime and violence have affected the firm's work environment.

Illustrative questions (indirect impacts of narco-terrorism):

(1) Describe how organized crime and violence have affected your own life.
(2) Describe how organized crime and violence have affected employee motivation at work.
(3) Describe how organized crime and violence have affected employees' stress levels at work.
(4) Describe how organized crime and violence have affected employees' efficiency at work?

Tables

Table 1. Varimax-Rotated Factor Solution for narco-terrorism impacts

Narco-terrorism impacts	Factors	
	Factor 1 Direct Impact (α=.769)	**Factor 2 Indirect Impact (α=.747)**
Face to face extortion at the firm	**,586**	,443
Total or partial theft of firms' materials or equipment	**,697**	,290
Theft or assault at the firm	**,831**	,127
Destruction of firms' infrastructure	**,821**	,067
Robbery or assault in the street or on public transport	,396	**,640**
Injury due to physical aggression	,273	**,706**
Kidnapping	,177	**,763**
Murder	,000	**,753**

Table 2. Varimax-Rotated Factor Solution for strategic responses to institutional pressures

Tactics	**Factor 1 Avoid (α=.688)**	**Factor 2 Manipulate (α=.831)**	**Factor 3 Acquiesce (α=.817)**
Habit	-,012	,141	**,811**
Imitate	,106	,008	**,911**
Comply	,149	-,003	**,833**
Close down firm	**,694**	,141	,252
Escape to another municipality	**,774**	-,151	,051

Escape to another city	**,723**	,079	,085
Escape to another country	**,828**	-,139	-,083
Co-opt	,068	**,879**	,100
Influence	-,054	**,819**	,056
Control	-,071	**,878**	-,005

Table 3. Multiple Linear Regressions

	Acquiesce	Avoid	Manipulate
Direct Impacts	.295***	.169	.147+
Indirect Impacts	.114	-.004	-.093
Formal Institutions	.070	.044	-.020
Corruption	.202*	.028	.251**
Year	.162*	.058	-.221**
R^2	.244	.035	.197

Note: + p < .10; * p < .05; ** p < .01; *** p < .001

Table 4. Data sources: interview data

Firms	Gender Interviewee	Position	Years in Post	Size (employees)	Years operation	Industry	Country of Origin	Location: City/State
1	Female	Manager	2	3000	1995	Manufacturing	MX	Escobedo/ N.L
2	Male	Manager	2	120	2003	Manufacturing	MX	Monterrey/N.L.
3	Female	RH	8	250	1940	Commerce	MX	Monterrey/N.L.
4	Male	Owner	6	50	2007	Manufacturing	MX	Monterrey/N.L.
5	Male	Manager	2	500	1989	Services	MX	Monterrey/N.L.
6	Female	RH	7	220	2004	Manufacturing	MX	Ciénega de Flores/ N.L.
7	Male	Manager	10	150	1987	Manufacturing	MX	Monterrey/N.L.
8	Male	Manager	1	40	2000	Commerce	MX	Monterrey/N.L.
9	Male	Manager	1	600	1980	Manufacturing	MX	Hermosillo/ Sonora
10	Female	RH	3	30	2003	Services	MX	Guadalupe/ N.L.
11	Male	Manager	12	50	1994	Manufacturing	MX	San Luis Potosí/ S.L.
12	Male	Manager	15	1000	1990	Commerce	MX	Monterrey/N.L.
13	Male	Manager	3	30	1980	Services	MX	Monterrey/N.L.
14	Female	RH	0,5	500	1906	Manufacturing	MX	Monterrey/N.L.
15	Male	RH	1	480	1985	Commerce	MX	Veracruz/VER.
16	Male	RH	3	500	1948	Manufacturing	MX	Monterrey/N.L.

17	Male	Manager	NA	110	1969	Manufacturing	MX	Monterrey/N.L.
18	Male	Director	1	10	2013	Commerce	DK	Mexico City
19	Male	RH	5	1000	1995	Manufacturing	USA	Apodaca/ N.L.
20	Male	Manager	7	280	1974	Manufacturing	MX	Monterrey/N.L.

Abbreviations: MX, Mexico, DK, Denmark, USA, United States, N.L., Nuevo León, VER, Veracruz

Table 5. Data Structure

First Order Categories	Second Order Categories	Aggregate Dimensions
A. Disruption -Production B. Investment-hardware C. Productivity D. Values Chain	1. Consequences of indirect impacts at production relation issues	Consequences of "narco-terrorism"
E. Absenteeism F. Trust G. Turn over H. Stress	2. Consequences of indirect impacts at employees related issues	
I. Flextime J. Work Schedule	3. Job Design	HRM system
K. Re-design Process L. Challenges	4. Recruitment and selection	
M. Re-design process N. Ethics and Values	5. Training and Development	
O. Benefits	6. Compensation and Benefits	

P. Other policies and practices	7. Extreme measures	

Table 6. Representative Quotations underlying second-order themes

Second-Order and First Order-Themes

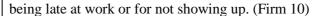|	
1. Indirect impacts on production 　　A. Disruption production 　　B. Investment in hardware 　　C. Productivity 　　D. Value chain **2. Indirect impacts on employees** 　　E. Absenteeism 　　F. Trust 　　G. Turnover 　　H. Stress	A1. Shootings have occurred just outside the plant. On those occasions, we have had to stop the production lines. (Firm 1) A2. Attacks have not affected us in terms of sales but they have affected other processes, as we now do our utmost in every process. We are particularly cautious and vigilant, especially when it comes to delivering supplies to our stores. (Firm 12) B1. All of our vehicles have a GPS system and transit routes connected to our security department so that we can monitor roads and prevent unfortunate events. (Firm 12) B2. …security cameras with closed-circuit television. Now we have guards at all plant-access sites. (Firm 7) C1. Employees lose focus at work. Therefore, their performance has dropped. (Firm 2) C2. Employees are distracted and become less efficient. In addition, they leave much earlier than they should. (Firm 13) D1. Given the type of market in which our firm is active... we have implemented new strategies for logistics for imports and exports. (Firm 8) D2. So far, two of our employees have been assaulted on the street. They suffered no injuries. The aim was only the theft of personal belongings… So we stop delivering our products in "dangerous" areas. (Firm 20) E1. In 2013, we had a 20% rate of absenteeism, which was 70% higher than the previous year. One aspect that is closely related to this issue is that staff members are unable to travel to the plant because they cannot use various means of transport, mainly for security reasons. (Firm 20) E2. Employees are leaving much earlier to avoid driving or taking public transport after 18:00. (Firm 5) F1. We are less confident people. Therefore, the HR department needs to be more demanding when examining candidates for hire. (Firm 2) F2. We are working on trying to convince employees to avoid absenteeism… However, we have major dilemmas if it is true the situation (violence) that the employees claim to be the reason for

	being late at work or for not showing up. (Firm 10)
	G1. As our blue-collar employees are afraid to take public transport at night, we have registered an increase in the number of resignations because employees refuse to work during the night shift. (Firm 1)
	G2. …especially affects the night shifts. Employees do not want to work overtime. They suffer from stress and psychosis, and employee turnover has increased. (Firm 6)
	H1. It has created a climate of uncertainty—employees fear for their families' lives and for their own. We have an atmosphere of tension and stress. (Firm 4)
	H2. Employees who have family members that have suffered "express" kidnapping, for example, are worried and distracted. (Firm 5)

Table 6. Representative Quotations underlying second-order themes (continued)

Second-Order and First Order-Themes

3. Job design
    I. Flextime
    J. Work
    Schedule
4. Recruitment and Selection
    K. Re-design
    process
    L. Challenges
	I1. Given *narcobloqueos*… we *allow* workers to be late or absent in order to avoid putting their lives at risk… We have more flexible schedules… Now our executive-level employees can work from home, for example. (Firm 6)

	I2. I have implemented intensive working hours… from 6:30 to 16:00. (Firm 18)
	J1. Insecurity has led us to change our shifts and work schedules… This means that we are working fewer hours… Night shifts are cancelled. (Firm 16)
	J2. Our staff, must leave the office before 6 p.m. (Firm 8)
	K1. It is currently difficult to find reliable staff… Our process needed high-quality tools, such as interviews, with more in-depth review… We now demand more references; in short, filters to better scan candidates… This is why attracting staff is a challenge… There is a certain level of mistrust. (Firm 16)
	K2. We modified our recruitment scheme… for attracting staff… It is based on recommendations from former employers, employees, clients, and suppliers… We had not previously clearly defined the HR department… Mainly due to the wave of insecurity… we have improved the recruitment and selection processes. (Firm 6)
	L1. It has an impact on recruitment because we cannot hire people who live far from the firm. (Firm 6)
	L2. The recruitment of new, qualified personnel is hard…. as many have moved away from Monterrey… Many prefer to work in other cities. (Firm 5)

Table 6. Representative Quotations underlying second-order themes (continued)

Second-Order and First Order-Themes

5. Training and development
    M. Re-design process
    N. Ethics and Values
6. Compensation and benefits
    O. Benefits
7. Extreme Measures
    P. Other policies and practices
	M1. We know that [violence and crime] is a concern, but we have not yet implemented a training program. We have developed a list of things that should be done and things that should be avoided for foreign employees that come on short visits to Mexico… We are talking with a consultant firm based in the UK about holding a workshop or seminar on security-prevention issues for our executives. (Firm 18)
	M2. It was made by brainstorming with employees at all levels… Together we analyzed the situation, and we proposed workshops and coaching sessions. (Firm 2)
	N1. We have workshops on how to act in a dangerous situation... However, our main focus is on promoting ethical values and organizational goals. Firm 4)
	N2. We schedule safety workshops, which are given by a security company. Also, we are working hard on seminars related to values and integrity, and on promoting loyalty to the firm. (Firm 5)
	O1. We provide a company car for employees who live far from the firm and need to leave the office late [after 18:00]… We also have hired special transportation, mainly for operational-level staff. (Firm 19)
	O2. We have introduced more security at the firm's parking facility and security guards to escort employees, especially women, in the firm's parking area. (Firm 5)
	P1. We interviewed all employees again … to verify their trustworthiness… We also block incoming calls from unknown numbers, and we have stopped delivering and/or providing the firm's products or services in conflict areas. (Firm 5)
	P2. We introduced medical tests for all employees. These tests cover drugs, addictions, and toxicological elements. (Firm 19)