University of HUDDERSFIELD

POLITICAL RISK ASSESSMENT BY MULTINATIONAL FIRMS IN NIGERIA

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ABSTRACT

The study offers an insight into the dynamics of the relationship between political risk and multinational firms in the context of emerging markets. Political Risk Assessment (PRA) importance for multinational firms investing in emerging markets has increased significantly with the growing rate of Foreign Direct Investment (FDI) globally. It is used for managing political risk, and decision-making processes during firms' internationalisation, and has been identified as one of the key determinants of FDI into developing countries. However, only a few empirical studies on PRA have been undertaken in emerging markets. Previous studies have shown that political risk has been evolving and has resulted in a range of consequences that have influenced the type of strategies which firms adopt. It is in recognition of this that the need to identify a country's specific political risk factors and their consequences for multinational firms that this study is undertaken in Nigeria. Despite the flux in the political environment of the country with its population divided along cultural, ethnic, language and religious lines within its different geographical regions, Nigeria has witnessed a continuous inflow of FDI.

This research contributes to the assessment of political risk by critically analysing the determinants and indicators to examine how the consequences of political risk impact upon multinational firms, with a view to understanding the managerial practices associated with managing political risk in Nigeria. Six objectives were identified as follows: to investigate the determinants of political risk; to examine their impacts; to investigate the variables and indicators used to forecast political risk; to investigate the consequences of political risk; to explore practices of PRA in multinational firms and to identify strategies used to manage and mitigate political risk in Nigeria. Likewise, four hypotheses underpinning these objectives were formulated to understand the dynamics of the relationship between political risk and multinational firms. This study empirically used a sequential mixed method strategy to analyse statistically as well as using thematic and content analysis data collected through a multi-method approach from 74 multinational firms in Nigeria. The dataset of the International Country Risk Guide (ICRG) PRA annual rating for Nigeria within the period 2011 to 2015 was also analysed.

The study identifies eight determinants that contribute to the emergence of political risk. It highlighted factors that influence the consequences of political risk on multinational firms which supports the conceptual premise for identifying reasons why firms manage and mitigate political risk in countries, and why some internationalise into specific countries. Empirically, it showed that the impact of political risk varies from one part of a country to another, as do the consequences of their impacts which inform why multinational firms are located more in some parts of the country, and how the consequences of political risk will differ between firms, depending on their location in a country. These findings have implications for practice and showed that firms could improve their conduct of PRA, influence the type of strategies they adopt and how to explore quantitative PRA methodologies when operating in similar emerging markets. This study also showed that some risk indicators used for forecasting political risk appeared major and did not retain the same value within the country. The case of Nigeria showed that the presence of high political risk does not deter firms if the financial and economic risk is low. It reveals also that the practice of PRA differs within firms and that the strategies used to mitigate political risk mostly involve the conduct of PRA and engagement in Corporate Social Responsibility (CSR).

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LIST OF ABBREVIATIONS

ASEAN	Association of Southeast Asian Nations
ASSETS	A firm's total assets in US $ million
BoD	Board of Directors
BERI	Business Environment Risk Intelligence
BM	Brink's Model
Boko Haram	Terrorist Group against Western Education
BOS	Bristol Online Survey
CAC	Corporate Affairs Commission
CEO	Chief Executive Officer
COUNTRY	The number of countries of which a firm has facilities
CRG	Control Risk Group
CSR	Corporate Social Responsibility
ECOWAS	Economic Community of West African States
EMPLOY	A firm's number of employees
EIU	Economist Intelligence Unit
EU	European Union
FCT	Federal Capital Territory
FDI	Foreign Direct Investment
FPI	Foreign Portfolio Investment
GM	General Manager
GDP	Gross Domestic Product
ICT	Information Communication Technology
ICRG	International Country Risk Guide
IFC	International Finance Corporation
IMF	International Monetary Fund
INDUSTRY	A firm's type of industry
IRM	The Institute of Risk Management
ISO	International Organisation for Standardisation
LATFA	Latin America Free Trade Association
NAFTA	North America Free Trade Agreement
NBS	National Bureau of Statistics
NIGERIA	Nigerian Naira 160 = 1 USD, pegged

LIST OF ABBREVIATION

NSE	Nigerian Stock Exchange
MASSOB	Movement for the Actualisation of the Sovereign State of Biafra
	Emancipation of the Niger Delta
MEND	Managing Director
MD	Multinational Investment Guarantee Agency
MIGA	Multinational Firms
MNFs	
OPC	Odua People’s Congress
OPIC	Overseas Private Investment Corporation
P	Level of significance
PIL	Participant Information Letter
PRA	Political Risk Assessment
PRS	Political Risk Services
R	Correlation coefficient
REVENUE	A firm’s revenue from international business activities
SEM	Standard Error of Mean
SD	Standard Deviation
SPSS	Statistical Package for the Social Sciences
UNCTAD	United Nations Conference on Trade and Development
V	Variance
YEARS	A firm’s number of years in international business

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I plead with those whose names could not be stated here to be bear with me. They should note that without their immense contributions to this work it could not have been possible. Please, accept my assurances of the highest regards and best wishes. Finally, I give glory, honour and praises to God for this wonderful opportunity.

DECLARATION

This study is an original work and has not been submitted previously for any academic purpose. All secondary sources are acknowledged.

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CHAPTER ONE

INTRODUCTION

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CHAPTER 1 :

1.1 BACKGROUND

This chapter provides an overview of the present study. This chapter is divided into eight main sections, which are as follows. Section 1.1 presents the context of the research. Section 1.2 indicates the rationale for conducting the research. Section 1.3 states the overarching aim and objectives of the research. Section 1.4 outlines the hypotheses underpinning the research. Section 1.5 briefly introduces the methodology of the research. Section 1.6 clarifies terms to be used in this study. Section 1.7 discusses what kind of contribution this research makes. Finally, Section 1.8 provides a brief summary of the style, format and structure of the research.

Political risk is becoming an increasingly salient issue with regards to the growth of FDI into emerging markets (see Glossary: emerging markets) (Bekaert, Harvey, Lundblad, & Siegel, 2014; Clark & Tunaru, 2001; Hayakawa, Kimura, & Lee, 2013; Jiménez, 2011; UNCTAD, 2014; World Bank, 2014). According to the World Investment and Political Risk 2013 report, “there has been explosive FDI growth since the turn of the century; however political risk has been a major concern for multinational firms operating in developing countries” (WorldBank (2014, p. 5). This is because political risk increases the transaction costs of investing in these markets, thus making it one of the key determinants for multinational firms’ investment into developing countries (see Glossary: developing countries) (Althaus, 2013; Baek & Qian, 2011; Baldacci, Gupta, & Mati, 2011; Brink, 2004; Jiménez, Luis-Rico, & Benito-Osorio, 2014; Keillor, Hauser, & Griffin, 2009).

Recent studies have shown that political risk has been evolving over the past few decades and that different types have emerged during this period. At one time, the main concerns were nationalisation and expropriation. Subsequently, issues such as license cancellation, tax restrictions, changes in investment agreements, delayed profit repatriation, terrorism and protectionism have come to the fore (Baek & Qian, 2011; Birău, Busuioc, & Stoia, 2010; Clark & Tunaru, 2005; Economist Intelligence Unit, 2007; Jiménez et al., 2014; Sottilotta, 2013, 2015; Tölö, 2010; WorldBank, 2013, 2014).

The evolution of political risks has made them increasingly difficult to analyse, as well as comprehend. This has resulted in a range of consequences that have influenced the type of strategies multinational firms adopt for different countries (Ferrari & Rolfini, 2008; Kerner & Lawrence, 2014; Kesternich & Schnitzer, 2010). However, firms have different types of international business involvements, ownership structures and entry modes (Agarwal & Feils, 2007; Kesternich & Schnitzer, 2010; Quer, Claver, & Rienda, 2012). This suggests that multinational firms perceive political risk differently according to their type of international business involvement and entry mode.

Most of the investigations of international business involvements have been concerned with FDI, because the different forms of political risk have more impact on it than on other types of business involvement (Agarwal & Feils, 2007; Bekaert et al., 2014; Filipe, Ferreira, Coelho, & Moura, 2012; Kerner & Lawrence, 2014; Khan & Akbar, 2013; Rios-Morales, Gamberger, Šmuc, & Azuaje, 2009; Sottilotta, 2015; World Bank, 2013, 2014). Therefore, political risk issues will continue to play a major role in determining firms' type of international business as well as their entry modes, and will be one of the key determinants of firms' internationalisation into emerging markets.

FDI provides more investment opportunities and some developing countries are becoming increasingly known as emerging market destinations due to the high returns on investment which can be found there (Bekaert et al., 2014; Clark & Tunaru, 2001; Hayakawa et al., 2013; Ramamurti, 2004; UNCTAD, 2012, 2013, 2014; World Bank, 2013, 2014). However, most developing countries tend to have evolving political climates, with unstable governments and more frequent policy changes, than developed ones (Asiedu, 2002, 2006; Baek & Qian, 2011; Jensen, 2008; Morisset, 2000; Tarzi, 2005). This means that countries have specific political risk factors that have to be taken into consideration (Baldacci et al., 2011; Bekaert et al., 2014; Quer et al., 2012). For this reason, investors use various means to assess each host country's political environment in order to manage and mitigate the consequences of political risk. The consequences of political risk for foreign investors differ from one host country (see Glossary: host country) to another, and likewise within individual parts of some developing countries (Brink, 2004). The cost of doing business increases with the rising probability of the consequences of political risk, creating different scenarios that multinational firms need to critically investigate.

For an assessment to be able to predict business risks in a foreign environment due diligence analysis of these risks will be required (Ascher & Overholt, 1983; Chambers & Jacobs, 2007; Sottilotta, 2015). It is important to use methodologies by which the business can seek information on a particular host country to assess the consequences of political risk on its investment, which can only be achieved through a detailed assessment of political risk. This is because countries have specific political risk-factors that differentiate one from another, likewise multinational firms have specific characteristics that makes them perceive political risk differently (Baldacci et al., 2011; Bekaert et al., 2014; Quer et al., 2012). Therefore, there is a need for political risk assessment (PRA) in a particular host country which will incorporate all the specific political risk-factors to improve foreign investors' operations.

However, until the last decade, research on political risk has received relatively little attention within the context of developing countries. Only a few empirical studies have been conducted in developing countries and most have been conducted in developed countries (Al Khattab, 2006; Al Khattab, Awwad, Anchor, & Davies, 2011; Hashmi & James, 1988; Keillor, Wilkinson, & Owens, 2005; Kobrin, 1982; Oetzel, 2005; Pahud de Mortanges & Allers, 1996; Rice & Mahmoud, 1990; Wyper, 1995). Nigeria, as a developing country and Africa's largest economy, is a major supplier of oil and gas to the world market (NBS, 2012a, 2014; Economist Intelligence Unit, 2007). The diverse nature of this multi-ethnic, multi-cultural and multi-religious country, coupled with different abundant natural resources, is viewed by many as more of a challenge than a strength to its prosperity (Igwara, 2001; Ikpeze, Soludo, & Elekwa, 2004; Jensen & Johnston, 2011; NBS, 2012b; Umoren, 2001). Despite the ever present flux in her political situation, the country has witnessed a continuous inflow of FDI (see Glossary: Foreign Direct Investment) (Imoudu, 2012). This has been growing at an annual rate of 23.4% over the past six years, which represents about 6% of Africa's total FDI and it has impacted positively on her economic development (Adegbite & Ayadi, 2011; Ogunkola & Jerome, 2006; Wafure & Nurudeen, 2010; World Bank, 2013).

It is against this backdrop that this study intends to critically analyse the determinants of how the consequences of political risk impact on multinational firms, with a view to identifying their managerial practices in managing political risk in Nigeria. To achieve this, the study will investigate the determinants of political risk within the context of Nigeria; and examines the consequences of political risk and their indicators on multinational firms in the country; explores the dynamics of their consequences to determine the relationship between political risk and FDI of multinational firms in Nigeria, and identifies the managerial practices used to manage and mitigate political risk. This is with a view to offering insights into the knowledge of the dynamics of the relationship between political risk and multinational firms in Nigeria. Therefore, conducting this research requires the assessment of multinational firms undertaking business, since PRA seeks answers to practical problems while undertaking international business activities by analysing empirical evidence (Al Khattab, 2006; Al Khattab et al., 2011; Anchor, Khattab, & Davies, 2010; Baldacci et al., 2011; Bekaert et al., 2014; Quer et al., 2012; Sottilotta, 2015). It is in these scenarios within the context of multinational firms in Nigeria that this research is focused.

1.2 RATIONALE FOR THE RESEARCH

The rationale for conducting this research is two-fold: the relevance and the challenge of the research topic.

1.2.1 Relevance

The relationship between those who conduct business in another country and those who set the framework for conducting business in that country, especially in developing countries with an evolving political climate and unstable policies, requires conceptualisation. This may help to inform us about why some countries experience rapid economic growth while others regress, and likewise why some maintain stable prices and others have high rates of inflation. This includes why recessions and depressions occur with recurrent periods of falling incomes and rising unemployment in some countries. The frequency and severity of these episodes, which can result in political risk, depends on the emerging market countries' policies (Jiménez et al., 2014; Kerner & Lawrence, 2014; Khan & Akbar, 2013; Mankiw, 2014). It is for this reason that the conduct of PRA is relevant, especially in developing countries where these types of events are likely to be common. Similarly, it is these developing countries (formerly known as the third world), which are increasingly becoming known as emerging markets due to the fact that they possess a lot of economic potential for growth and higher returns on investment than developed markets even though factors and indicators which may cause political risk are prevalent there (Bekaert et al., 2014; Clark & Tunaru, 2001; Hayakawa et al., 2013; Jiménez, 2011; Overholt, 1982; UNCTAD, 2013, 2014; World Bank, 2013, 2014).

It is in this context that Nigeria has become one of the world's emerging market destinations due to its natural resources that are required globally. This makes this research relevant to the present day, especially since the Nigerian government is making major efforts to attract foreign investors. At the same time, it is grappling with security challenges due to issues such as terrorism, unstable policies, political violence, high rates of poverty, high rates of unemployment, religious intolerance, bad governance and poor management of resources (Bienen, 2013; Iarossi & Clarke, 2011; Ikpeze et al., 2004). It is for this reason that the trend towards assessing countries' variations in political risk is relevant for emerging markets (Hawkins, 1996; Hough, 2008). This relevance emphasises the need for further research on this subject matter in the context of an emerging market-specific political risk factors as in previous studies in different contexts and countries (Howell 2002c; Al Khattab et al., 2011; Brink, 2004; Kettis, 2004).

1.2.2 Challenge

Today's political risks may be analysed from different points of view due to the evolution and dynamics of international business in the contemporary world. This is as a result of various events that have taken place in different parts of the world, whose consequences have re-shaped the international business environment. Some of these events, like trans-national terrorism, 'the Arab spring' and other forms of conflict, have resulted in an ever increasing political insecurity in some parts of the world (Bekaert et al., 2014; Clark & Tunaru, 2005; Magstadt, 2014; Sottilotta, 2015). In Africa especially, even after five decades of independence, the African economic and political systems have remained largely stymied over the period (Tordoff, 2002). There are still a significant number of challenges ranging from political to economic, as well as insecurity issues (Asiedu, 2002). These challenges are more often products of circumstances existing within a specific country or sub-region due to their political, social, economic and cultural systems. These challenges include economic, political and religious crises, as well as other forms of conflicts which are still raging in African countries and are still prevalent in Nigeria (Ayoob, 1995; du Toit, 2013; Tordoff, 2002). The impact and consequences of these different forms of challenges on Nigeria's business environment are therefore affecting foreign investors.

There have been studies on Nigeria and of other African countries'risk assessment, which have reported on issues that are either associated with or which have constituted political risk. They contained generic information on political risk analysis reports which were either without substantive evidence or without due diligence, and were often mostly subjective, superficial and unsystematic (Brink, 2004; Fitzpatrick, 1983). Most of these reports are generalised, based on a single event that occurred in the country, and are based on theoretical or hypothetical evidence from conceptual research rather than on empirical or pragmatic research processes. The resultant inability of some multinational firms to fully understand diverse political environments has resulted in across-the-board policies, dichotomising some developing countries as safe or unsafe (Fitzpatrick, 1983, p. 251). It is against this backdrop of these challenges that this research intends to investigate multinational firms operating in Nigeria.

1.3 AIM AND OBJECTIVES OF THE RESEARCH

The aim of this research is to contribute to the assessment of political risk by critically analysing the determinants and indicators to examine how the consequences of political risk impact upon multinational firms, with a view to understanding the managerial practices associated with managing political risk in Nigeria. To achieve the aim of the research, the objectives are as follows:

1) To investigate the determinants of political risk in Nigeria.

2) To investigate the impacts of the determinants of political risk.

3) To investigate the variables and indicators used to forecast political risk in Nigeria.

4) To investigate the consequences of political risk for multinational firms in Nigeria.

5) To explore the practices of PRA in multinational firms in Nigeria.

6) To identify strategies used to manage and mitigate political risk in Nigeria.

1.3.1 Exploring Political Risk in Nigeria

Exploring into the emergence of political risk in Nigeria is in order for the researcher to achieve some of the objectives set out for this study such as identifying the determinants of political risk, examining its impact and measuring or forecasting its consequences.

There are a number of contributing factors leading to the evolution and emergence of political risk in a country which are referred to as the determinants of political risk. Each form of political risk has a number of interrelated determinants that lead to its existence in a particular country (Burmester, 2000; Kobrin, 1982). They cause the different forms of political risk that exist in a country that affects foreign investors in diverse ways. This necessitates identifying the determinants that contribute to each form of political risk in Nigeria. Likewise, it is the presence of these determinants which, influences some of the political decisions or policies made by the government, which could further be attributed to the heterogeneity of political risk in the country. Thus, it is only when these determinants are identified, conceptualised and investigated that their impact can be examined. An in-depth review of existing literatures in Section 3.4 suggests no previous studies have investigated the determinants of political risk in the context of either developed or developing country-specific political risks factors. Consequently, this justifies how the first objective is formulated.

Objectives 1: To investigate the determinants of political risk in Nigeria

The determinants prompting each form of political risk affect investors to various degrees in a particular country. Each of these determinants has its own impact along with a variety of consequences. It is only when the impacts of these determinants are examined that the extent of their effects on foreign investors can be identified. Thereafter, their effects could be valued and measured to determine their cost implications (Brink, 2004; Kesternich & Schnitzer, 2010; McKellar, 2010). Hence, it is only when the impacts of these determinants are examined (to determine the extent of their effects) that their values can be measured through the use of variables and indicators for further analysis. No previous published study has examined the impact of political risk determinants within either the context of a developed or developing country. Therefore, this justifies how the second objective is formulated.

Objectives 2: To examine the impacts of the determinants of political risk in Nigeria

There are risk variables and indicators which can be used to signify the cause of changes that can result in political risk in Nigeria. These risk variables and indicators are used for forecasting changes as a result of any set of circumstances which negatively influence their values in such a manner with attendant consequences on the business objectives of a firm. While some of these risk variables and indicators can easily be valued and measured, others cannot. Identifying the factor-indicators which are used to forecast or measure political risk makes it possible for multinational firms to appreciate the size of the risk as well as the probability that political risk might happen (Ascher & Overholt, 1983; Brink, 2004; Desai, Fritz Foley, & Hines Jr, 2008; Hill, 1997; Novaes & Werlang, 2002). Therefore, it is only when the variables and indicators which are used to measure or forecast political risk in Nigeria are investigated, to calculate and establish the extent of their effect on investment, that the consequences associated with political risk can be ascertained for decision making. A review of existing literature in sub-section 2.5.2.7 and section 3.5 shows that few studies have investigated the variables and indicators within the context of developing countries but none have explored a country-specific profile. Hence, this justifies how the third objective is formulated.

Objectives 3: To investigate the variables and indicators used to forecast political risk in Nigeria

Each individual political environment can lead to different types of political risk with various consequences for multinational firms. These consequences add to the cost of doing business and furthermore the cost increases with an increased probability of political risk, creating different scenarios which multinational firms need to investigate critically. Even in the same country, political risk types can vary from one part of the country to another. Therefore, the need to investigate the consequences of political risk to determine if and how they differ in Nigeria (Althaus, 2013; Brink, 2004; McKellar, 2010). It is only when the consequences of political risk in Nigeria are investigated that the requisite managing and mitigating strategies can be planned, as well as applied, by multinational firms. An in-depth review of existing literature shows that no studies have investigated the consequences of political risk within the context of emerging markets. Consequently, this justifies how the fourth objective is formulated.

Objectives 4: To investigate the consequences of political risk for multinational firms in Nigeria

1.3.2 Practices of Political Risk Assessment in Nigeria

It is the stakeholders in multinational firms who must appreciate the need for the analysis and evaluation of political risk while undertaking business activities (see Glossary: stakeholders) (Al Khattab, 2006; Anchor et al., 2010). A number of studies reviewed in section 2.5.2 show previous studies on managerial practices have been conducted more commonly within the context of developed countries rather than developing countries, such as by Pahud de Mortanges and Allers (1996) for Dutch firms, Hashmi and Guvenli (1992) for US firms, Rice and Mahmoud (1990) for Canadian firms, Hood and Nawaz

(2004) for UK international firms, Demirbag, Gunes, and Mirza (1998) for Turkish firms, Keillor et al. (2005) for US firms and Kettis (2004) for Swedish firms. Only the studies by Al Khattab (2006) for Jordanian firms and Noordin, Harjito, and Hazir (2006) for Malaysian firms were conducted within the context of a developing country. Therefore, it is from this investigation of the practices of PRA within multinational firms in Nigeria that an analysis of firm-specific characteristics can be undertaken for comparison. This justifies how the fifth objective is formulated.

Objectives 5: To explore the practices of PRA in multinational firms in Nigeria

1.3.3 Managing Political Risk in Nigeria

According to Brink (2004), assessing the chances of possible losses can only be possible subsequent to a comprehensive risk assessment. For Fitzpatrick (1983), foretelling the probable consequences for an investing prospector in order to manage and mitigate them is the primary reason for conducting PRA. This can be achieved through political risk management. Managing political risk is a function of the accuracy of the PRA result obtained from a host country using a particular methodology. However, whilst methodologies are parameters to consider, the test of the validity and reliability of the results obtained is critical to achieving a firm specific objective. An understanding of the business systems, legal systems, policies and economic systems, as well as political and cultural systems, would equip foreign investors with managing and mitigating strategies in Nigeria (Desai et al., 2008; Howell, 2002c; Novaes & Werlang, 2002). A review of existing literature in section 2.6 shows that few studies have investigated political risk management strategies within the context of developing countries. Most of the previous studies have not taken country-specific political risk factors into account in determining the managing and mitigating strategies used. Therefore, this study intends to examine the managing and mitigating strategies used by multinational firms in Nigeria. This justifies how the sixth objective is formulated.

Objectives 1: To identify strategies used to manage and mitigate political risk in Nigeria

1.4 RESEARCH HYPOTHESES

To achieve these objectives, four hypotheses are formulated which underpin these objectives (see Glossary: hypothesis).

It only when these variables and indicators used for forecasting political risk in Nigeria are established that their consequences for multinational firms can be ascertained for decision making. Political risk has a number of risk variables and indicators that cause them to exist to various degrees. This suggests that there is a relationship between the types of political risk and these variables and indicators. It is thus important to determine if and when these risk variables and indicators increase the possibility of political risk, as well or vice versa when it decreases. Therefore, there is the need to determine the relationship between risk variables and indicators and types of political risk. In Section 3.5, how this first hypothesis is formulated is further discussed.

Hypothesis 1: There is a positive relationship between risk variables and indicators and types of political risk

Here, we are concerned with establishing a premise for determining how firms' characteristics and their degree of internationalisation influence political risk. This is to delineate the characteristics and the degree of internationalisation of multinational firms in Nigeria for gaining an insight into the underlying dynamics of the direction and strength of their relationships. Therefore, the relationships between the characteristics and determinants of the internationalisation of multinational firms have been considered. In Section 3.7.2, how this second hypothesis is formulated is discussed further.

Hypothesis 2: There is a positive relationship between the characteristics of multinational firms and their determinants of internationalisation

We are also concerned with establishing the other factors which can influence the impact of political risk on multinational firms in Nigeria. This is to offer an insight into the knowledge and the dynamics of the impact of political risk on multinational firms. Hence, it will provide an understanding of how country-specific political risk factors and firm-specific characteristics are interrelated and if they influence the consequences of political risk. In Section 3.7.2, how this third hypothesis is formulated is discussed further.

Hypothesis 3: An increase in political risk will result in a negative impact on firms' revenue

Finally we need to identify other factors which influence the consequences of the impact of political risk by multinational firms in Nigeria. This is to determine the consequences of political risk and its impact on multinational firms. If the consequences of political risk can be established, the requisite managing and mitigating strategies can be planned, as well as applied, by multinational firms. Therefore the consequences of political risk on firms' assets have been considered. In Section 3.7.2, how this fourth hypothesis is formulated is further discussed.

Hypothesis 4: The consequences of political risk will result in a negative impact on firms' assets

Table1.2: Connections between Research Objectives and Hypotheses

<table>
<tr><td>Research objectives</td><td colspan="2">Research hypotheses</td></tr>
<tr><td>Objective 1: to investigate the determinants of political risk in Nigeria</td><td colspan="2"></td></tr>
<tr><td>Objective 2: to investigate the impacts of the determinants of political risk in Nigeria.</td><td>Hypothesis 3: An increase in political risk will result in a negative impact on firms' revenue</td><td rowspan="3">Hypothesis 2: There is a positive relationship among characteristics of multinational firms and their determinants of internationalisation.</td></tr>
<tr><td>Objective 3: to investigate the variables and indicators used to forecast political risk in Nigeria</td><td>Hypothesis 1: There is a positive relationship between risk variables and indicators and types of political risk</td></tr>
<tr><td>Objective 4: to investigate the consequences of political risk on multinational firms in Nigeria.</td><td>Hypothesis 4: The consequences of political risk will result in a negative impact on firms' assets</td></tr>
<tr><td>Objective 5: to explore the practices of PRA in Nigerian multinational firms.</td><td colspan="2"></td></tr>
<tr><td>Objective 6: to identify managing and mitigating strategies for political risk in Nigeria.</td><td colspan="2"></td></tr>
</table>

Source: Author

1.5 RESEARCH METHODOLOGY

The procedures used to conduct this research from the theoretical underpinning to the collection and analyses of the data were accomplished through the use of a multi-methods approach. This integration of research strategies was justified to enable the collection of primary and secondary data with variables which are amenable, as well as not amenable, to empirical measurement and verification. Likewise, it also enabled a sequential explanatory design to be adopted, complementing the small sample size of the population and the results which emerged from the quantitative data in this study. A multi-methods approach was employed to enable possible triangulation of data in order to achieve the study's different purposes (Bryman, 2012; Bryman & Bell, 2015; Creswell, 2013; Davies & Hughes, 2014; Ghauri & Grønhaug, 2010; Morris, 2012: Saunders, Lewis, & Thornhill, 2012).

Due to the distance between the locations of multinational firms operating in Nigeria, questionnaires were administered through an on-line survey. Semi-structured interviews were conducted with a stratified sample of the participants. Statistical techniques were used to analyse quantitative data collected, while thematic and content methods of analysis were used to analyse qualitative data collected. Descriptive statistical analysis has been used to delineate the characteristics and to compare the scores of the underlying variables, while inferential statistics have been used to predict the outcomes (Burns & Burns, 2008; Field, 2013; Wetcher-Hendricks, 2011). To test the hypotheses underpinning this study, inferential statistics, using correlation and regression analysis were used to examine the direction and strength of the interrelationship among the variables, and the impact of differences in the relationship between one or more (predictor/independent) variable(s) on a dependent variable. This study also examined the International Country Risk Guide (ICRG) rating described in section 2.5.2.6 dataset of PRA conducted for Nigeria within the period 2011 to 2015 in order to analyse the results obtained (PRS Group, 2015).

1.6 EXPLANATIONS OF TERMS

The explanations of two terms to be used in this study for the purpose of clarification are as follows:

1.6.1 Consequences

Consequences refer to outcomes or to the effects of something preceding, used typically when it is. The consequences of political risk can be viewed to be unfavourable or favourable. A number of previous studies referred to the consequences of political risk in terms of its impact on firms. Example of these studies were by Al Khattab et al. (2011) for

Jordanian firms, Nawaz and Hood (2005) for UK firms, Kettis (2004) for Swedish firms, Demirbag and Gunes (2000) for Turkish firms, Subramanian et al. (1993) and Keillor et al. (2005) for US firms, Rice and Mahmoud (1990) for Canadian firms and Pahud de Mortanges and Allers (1996) for Dutch firms. For the purpose of consistency with other previous studies on political risk and in line with the literature on risk management, the focus is on reducing the consequences of risks. However, it has been argued that viewing risk with integrally negative implications may be an over-simplification (Nawaz & Hood, 2005). This is because most business managers typically identified risk to be associated with uncertain events which invariably have a negative impact on their business or return on investment. Therefore, in the context of this study the emphasis is on the consequences of political risk to be consistent with most previous studies of political risk.

1.6.2 Forecasting

Forecasting means to predict in advance something that is likely going to happen or work out something that is certainly going to happen (Bunn & Mustafaoglu, 1978; Nel, 2007). Inferring from the definitions of PRA by Al Khattab et al. (2011), Brinks (2004) and Howell (1998), the primary objective of PRA is the projection of risk by linking the present and the future using variables which requires forecasting. According to Brink (2004, p. 27-28) a "forecast includes a probability factor whereas a prediction seems more definite, and it is based on empirical evidence as well as sound rational foundations that requires a process of systematic information gathering formal procedures". This implies that forecasting requires a sequential process of determining the interrelationship between political and socio-economic trends integration with the consequences in supposed courses of action.

However, De la Torre and Neckar (1990) argued that forecasts cannot be used as a basis for action but can adequately be used only for prediction. Forecasts should be able to depict where uncertainties exist while for Howell (1998) a forecast is a linear projection that requires the use of multiple independent variables of political and socio-economic factors. In order to forecast political risk, different techniques were introduced for carrying out the analyses. These are extrapolation, regression, leading indicators and multiple–source forecasting (Ascher & Overholt, 1983). Regression will be used in this study in order to investigate the impact of the consequences of political risk on multinational firms in Nigeria.

1.7 CONTRIBUTION OF THE RESEARCH

The contributions of this study are as follows:

This study contributes to the literature regarding political risk in emerging markets, especially since Nigeria is regarded as one of the world's fastest growing emerging market destinations. The need to understand the political development and other risk factors in the country cannot be overemphasised. Since, the political and economic state of any country is mutually interdependent in the sense that decisions taken by any governments and levels of political stability are parameters that have economic and business consequences. It is, however, pertinent to state that knowledge can only have any meaning if it is consciously applied to solve complex political, economic, social and other problems that undermine the development of any nation. It is in this context, that this attempt is made to gain an insight into the practices of multinational firms in Nigeria, in relation to PRA. To this end, the results of the findings can be evaluated systematically to optimise decision-making for successful investment in the country, as well as stimulate further research into this field.

Likewise, the knowledge of governments of most developing countries and managers of multinational firms would be enhanced in no small measure. They would have a better understanding of the political risks which concern foreign investors, thereby driving governments to develop the right policies toward creating a more conducive business environment. In addition, Nigerian firms intending to operate internationally would have an understanding of PRA techniques, the consequences of the impact of political risk on their organisations and how they can plan corporate mitigating strategies against the risks. Furthermore, it will provide an understanding of how country-specific political risk factors and firm-specific characteristics influence the internationalisation process, the type of international business and entry mode strategies which multinational firms adopt to achieve a profitable investment.

If these determinants of political risk, variables and indicators which are used to forecast political risk and the consequences associated with political risk in Nigeria, as well as the managing and mitigating strategies are investigated, it will be of immense benefit to the Nigerian government and its potential investors. Likewise, the application of one of the PRA rating models using secondary data obtained from Nigeria in the assessment is for more perception to be provided. An insight into Nigeria's business environment would provide investors with knowledge of other places within the country. This is because, even in the same country, forms of political risk vary from one part to the other, as well as the extent of their effects on investments. Consequently, a better understanding of political risk in Nigeria can help managers and investors know where to invest, as well as understand the strategies to manage and mitigate the risk - thus increasing Nigeria's chances of becoming a major market destination for foreign investors, and increasing her Gross Domestic Product (GDP). To this end, this study contribution to knowledge will be considered for both theory and practice in terms of how it could improve firms' PRA conduct, as well as influence their entry strategies into similar emerging markets.

1.8 STYLE, FORMAT AND ORGANISATION OF THE THESIS

This thesis style, format and organisation are in line with the University of Huddersfield's Research Committee Guidelines which govern research writing. This research is organised into seven chapters as shown in Figure 1.1. **Error! Reference source not found.**This hapter is divided into seven main sections to provide a general background concerning this research, such as the rationale, aim and objectives, hypotheses, methodology, contribution, definitions of terms and structure of the thesis.

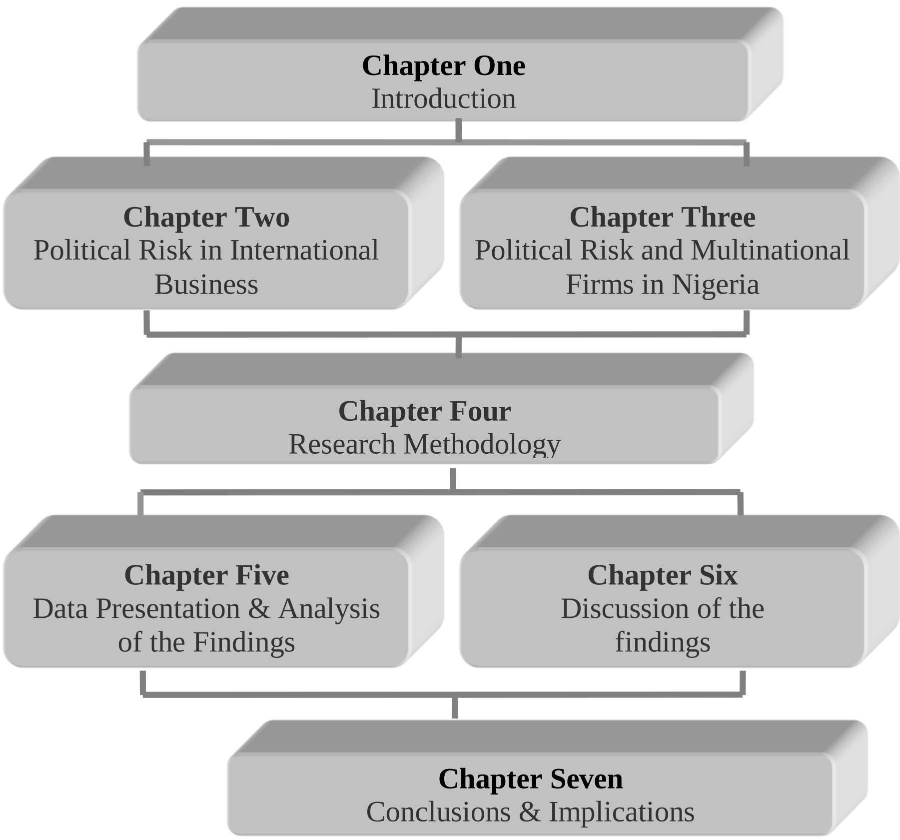

Figure 1.1**:** Structure of the Thesis

Chapter Two: Political Risk in International Business. This chapter aims to review and explore the existing literature for the purpose of theorising and conceptualising key terms which are central to this research. This is with a view to identifying existing gaps in the literature in the areas of convergences or divergences, including creating a concise understanding of the underlying conceptual and theoretical frameworks for later correlation with the analytical framework in order to discuss the findings of the research. This conceptual framework provides a theoretical foundation for the analytical framework. The chapter is organised into six main sections. Section 2.1 introduces the chapter and highlights its scope. Section 2.2 reviews the theoretical framework underpinning the study. Section 2.3 conceptualises and classifies risk in international business. Section 2.4 defines, classifies and reviews political risk by tracing its evolution and to differentiate it from country risk. Section 2.5 examines PRA and surveys its practices, such as assessment techniques, assessment responsibilities, frequency of assessment and sources of information. Others include triggers for conducting assessments, assessments rating models and political risk management practices to identify mitigating strategies. Section 2.6 concludes the chapter with a summary.

Chapter Three: Political Risk and Multinational Firms in Nigeria. This chapter aims to discuss the concepts behind political risk and multinational firms in Nigeria. This discussion is driven by the need to create a conceptual framework that will be used to discuss the findings of the research, in order to address some of the set objectives and hypotheses. The chapter is divided into eight main sections and sub sections to develop the conceptual and theoretical frameworks. Section 3.1 introduces the chapter, with details pertinent to its scope. Section 3.2 briefly discusses Nigeria's profile, both politically and economically. Section 3.3 outlines the evolution of political risk in Nigeria. Section 3.4 explains possible causes of political risk in Nigeria. Section 3.5 enumerates variables and indicators of political risk in Nigeria. Section 3.6 discusses the characteristics of multinational firms in Nigeria. Section 3.7 highlights the determinants of internationalisation and how the hypotheses have been derived to understand the dynamics in the relationship between the consequences of the impact of political risk and multinational firms. Finally, section 3.8 concludes the chapter with a summary.

Chapter Four: Research Methodology. This chapter discusses the procedures used to conduct this study from its theoretical underpinnings to the collection and analysis of data to achieve the research objectives and hypotheses. It describes how the methodological framework used in this research is developed, through which the analytical framework is to be implemented subsequently. The chapter is divided into ten main sections. Section 4:1 introduces the chapter, with details regarding its scope. Section 4:2 describes the aims, objectives and hypothesis formulated for the research. Section 4:3 discusses the research philosophy and how the methodological implications are derived and the research approach justified. Section 4:4 elucidates the multi-method research approach to be used. Section 4:5 details the research methods, design and the strategy adopted. Section 4:6 describes the data collection methods and explores its implications and benefits. Section 4:7 discusses the conduct of the data analysis to justify the statistical techniques as well as thematic and content methods of analysis used. Section 4.8 discusses the ethical issues inherent in this study. Section 4.9 highlights the limitations of the research. Finally section 4:10 summarises the chapter.

Chapter Five: Data Presentation and Analysis of the Findings. This chapter aims to present and analyse the data collected from the participant multinational firms for the purpose of addressing the objectives and hypotheses of the research. The chapter is divided into twelve main sections. Section 5.1 introduces the chapter and highlights of scope. Section 5.2 presents data on the characteristics of Nigerian multinational firms. Section 5.3 presents data on the determinants of internationalisation. Section 5.4 presents data on risk in international business and the semi-structured interviews. Section 5.5 provides data on determinants of political risk. Section 5.6 presents data on the impacts of the determinants of political risk. Section 5.7 deals with the data on the variables and indicators used for forecasting political risk. Section 5.8 provides data on the consequences associated with political risk and also the semi-structured interviews. Section 5.9 presents data on the practices of PRA in multinational firms. Section 5.10 deals with data on the managing and mitigating strategies used in Nigeria. Section 5.11 analyses the dataset of ICRG PRA annual rating report conducted for Nigeria within the period from 2011 to 2015. Section 5.12 concludes the chapter.

Chapter Six: Discussion of the Findings. This chapter aims to discuss and interpret the findings of the research for the purpose of evaluating its objectives and hypotheses respectively. To achieve this, the theoretical, conceptual and analytical frameworks are interrelated in discussing the findings of this research. The chapter is organised into ten main sections. Section 6.1 introduces the chapter and highlights its scope. In section 6.2, the determinants of political risk are discussed within the context of Nigeria. In section 6.3, the risk variables and indicators used for forecasting political risk are discussed. In section 6.4, the relationships between the characteristics and determinants of the internationalisation of multinational firms are discussed. In section 6.5, the impact of political risk on multinational firms is discussed. In section 6.6, the impacts of the determinants of political risk on multinational firms are discussed. In section 6.7, the consequences of political risk for multinational firms are discussed. In section 6.8, the practices of PRA by multinational firms are discussed analytically within the context of the characteristics of multinational firms in Nigeria and ICRG PRA annual rating report dataset for Nigeria within the period 2011 to 2015. In section 6.9, the managing and mitigating strategies used by multinational firms are discussed. Finally, section 6.10 concludes the chapter with a summary.

Chapter Seven: Conclusions and Implications. This chapter concludes the study with a summary of its key findings and its subsequent contribution to the existing body of knowledge in the literature on political risk. This chapter is organised into seven main sections. This chapter concludes the study with a summary of its key findings and its subsequent contribution to the existing body of knowledge in the literature on political risk. This chapter is organised into six main sections. Section 7.1 introduces the chapter and highlights of its scope. Section 7.2 restates the research’s aim, objectives and hypotheses to be achieved. Section 7.3 summarises the key findings of the research. Section 7.4 highlights the study’s contributions to knowledge. Section 7.5 discusses the limitations of the research. In section 7.6, future directions for research are suggested in order to build on the existing literature on PRA in the context of emerging markets. Finally, section 7.7 concludes the study.

CHAPTER TWO

POLITICAL RISK IN INTERNATIONAL BUSINESS

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CHAPTER 2 :

2.1 INTRODUCTION

This chapter aims to review and examine the existing literature for the purpose of understanding key terms that are central to the research. This review was informed by a detailed and systematic evaluation of relevant literature gathered from the University of Huddersfield's library, computer catalogue and digital library. The databases that were used to search for journals and other relevant articles were Summon, Google and other relevant web sites. Other sources used were manuals, magazines, and both published and unpublished books. This is with a view to identify existing gaps in the literature in the areas of convergences or divergences, and additionally to provide a concise understanding of the underlying conceptual and theoretical frameworks for later correlation with the analytical framework in order to accurately discuss the findings of the research.

To achieve this, the present chapter is organised into six main sections. Section 2.1 introduces the chapter and highlights its scope. Section 2.2 reviews the theoretical framework underpinning the study. Section 2.3 conceptualises and classifies risk in international business. Section 2.4 defines, classifies and reviews political risk by tracing its evolution. Section 2.5 examines PRA and surveys its practices, such as assessment techniques, assessment responsibilities, frequency of assessment and sources of information. Others include triggers for conducting assessments, assessments rating models and political risk management practices to identify mitigating strategies. Section 2.6 Section identifies strategies for managing and mitigating political risk. Section 2.7 concludes the chapter with a summary.

2.2 THEORETICAL FRAMEWORK

This section reviews the theoretical framework underpinning this research for the purpose of putting into operation theories that link to this study. Political risk emerged as a discrete field of study in international business without a putative theory setting forth the apparent relationship and underlying principles explaining the responses of multinational firms' toward individual government policies that regulate them in an international business environment (in developed and developing countries) (Grosse & Behrman, 1992; Robock, 1971). Several theories have been attributed to the study of international business such as institutional theory, internationalisation theory (location theory, transaction cost theory, eclectic theory, Uppsala model), international trade theory, international production theory, market imperfection theory (Andersen, 1997; Anderson & Gatignon, 1986; Dunning, 1980; Grosse & Behrman, 1992; Johanson & Vahlne, 1990; John & Rowan, 1977; Stremţan, Mihalache, & Pioraş, 2009; Tayeb, 2000).

Dunning's (1998) eclectic theory attempts to link political risk to transaction cost analysis "by weighing in the cost and benefits of political governance structures and polices, and the likely political hazards in the host country" (Agarwal & Feils, 2007, p. 167) but lacks an explanation regarding how individual multinational firms respond to different government policies which affect their business operations. However, no theory has been developed that has focused cross-national business behaviour on how individual multinational firms respond to different government policies that affect their investments.

Most of the relevant theories have focused on individual firms' behaviour, and perhaps the most suitable for this study is institutional theory for the reason that the nature of political risk is institutional. In the sense that institutions are responsible for making and changing policies in a country that constitutes political risk to multinational firms. Previous studies have attempted to link political risk to institutional theory to explain what influences most firms' decision to internationalise to a desire location Dunning, (1998); Buckley et al. (2007); Busse and Hefeker (2007); Jiménez et al. (2012, 2015); Osabutey and Okoro (2015); Nathan (2008); Quer et al. (2012); Witt and Lewin (2007). Neo-institutional theory has a broad theoretical concept with accentuates on legitimacy, isomorphism and rational myths which focus more on resilient facets of social structure. In the context of this study, the legitimacy aspect of institutional theory posture will be considered due to the fact that multinational firms often attempt to attain legitimacy relative to the individual host country they are operating in (Meyer, 2008; Scott, 2004: Zucker, 1987). The legitimacy perspective of the neo-institutional theory construct can be used to explain how firms make decisions in responding to different institutional regulations as they move from either a developed economy to an emerging one or vice versa (Meyer, 2008; Peng, Wang, & Jiang, 2008; Quer et al., 2012).

This theory is applicable to multinational firms particularly, since they operate in different institutional contexts. Institutional factors are a significant consideration for firms undertaking international business, especially in developing countries where the evidence of their weaknesses are clear (Francis & Zheng, 2009; Klaus, Estrin, Bhaumik, & Peng, 2009; Osabutey & Okoro, 2015). This is because both informal and formal rules influence whether or not a firm should enter a new market considering the cost of doing business in a country (Quer et al., 2012). Invariably, institutional issues influence the behaviour and choice of location of multinational firms. Likewise, it is government institutions in a country who set up the rules and regulations which constitute how organisations should interact in both a formal and an informal setting (Meyer, 2008; Peng et al., 2008; Quer et al., 2012; Witold & Swaminathan, 2008). Consequently, the rules and regulations set by these government institutions are parameters which can determine the differences between a profitable investment and a non-profitable investment. Such investments have cost implications and business consequences such as interest rate, foreign exchange rate, tax and currency regulations in a host country.

In line with institutional theory, firms' choices are based on how they can interact between government institutions and organisations in attempting to attain institutional legitimacy in relation to the rules and regulations of a host country (Cui & Jiang, 2010; Quer et al., 2012; Ramasamy, Yeung, & Laforet, 2012). Firms' decisions for choice of location are often based on institutional regulative perspectives, which integrate the political and legal systems of the host country. They consider if it is receptive or repressive to their type of international business or entry mode strategy. This implies that these systems are factors which can create political risks for firms since any changes made by government institutions to them could impact on firms negatively (Kobrin, 1979; Robock, 1971; Simon, 1984). It is for these reasons that they are included among the risk variables and indicators used for forecasting political risk.

Risk has been conceptualised in different contexts, linking its sources with the perception of the risk in determining its consequences. Internationalisation involves risks; however, individual multinational firms possess a different perception regarding the level of risk which they can accept, which subsequently affects their business operations as a result of changes in governments' policies (Al Khattab, Anchor, & Davies, 2008b; Buckley et al., 2007; Busse & Hefeker, 2007; Knight, 2012; Nathan, 2008; Quer et al., 2012; Sadgrove, 2015; Witt & Lewin, 2007). Since, this study is focused on investigating the determinants and indicators of how the consequences of political risk impact on multinational firms in Nigeria, institutional theory is considered suitable. Consequently, institutional theory will underpin this study, based on the premise that most multinational firms consider how the rules and regulations of individual host government affect their ability to do business in the country.

2.3 CONCEPTUAL CLARIFICATION

Some of the terms central to this research have a wide range of definitions and the operationalisation of some terms are contentious and problematic. It is important, therefore, to provide some conceptual clarifications of these terms by reviewing relevant bodies of literature. It is in this context that the sub-sections below set the stage for the conceptualisation of key terms central to this research in order to provide a better understanding of some fundamental theoretical elements of PRA towards the subsequent analysis and discussion.

2.3.1 Risk Defined

A number of authors have conceptualised risk in different contexts and dimensions to produce an insight into the fundamental theoretical element under focus in their research (Aven & Renn, 2009; Knight, 2012; Sadgrove, 2015; Slovic, 1987, 2000). This is because the word 'risk' is often used interchangeably with other terms such as harm, hazard, threat, danger and uncertainty; thus causing misunderstanding about its applications. It is for this reason that risk is a nominal concept and is therefore difficult to operationalise. Hence, the concept of risk needs to be clarified in terms of its context when it is being used. It can therefore be viewed from two perspectives; it can be considered to offer enhanced opportunities as well as unexpected potential consequences (Aven & Renn, 2009; Knight, 2012; Sadgrove, 2015; Slovic, 1987, 2000). Therefore, the meaning of risk often depends on the perspective in it is used with reference to types. Examples are financial risk, country risk, political risk, and also for the purpose of classification or categorisation, real risk or perceived risk. Subsequent sub-sections will reflect upon this awareness of the distinction between the different types of risk which multinational firms encounter when investing different countries globally.

The concept of risk encompasses any actions or events whose consequences are uncertain in everyday life. It is in this context that Tulloch and Lupton (2003, p. 18) devised a formal definition of risk as being "a neutral phenomenon which may have a good or negative result". Conventionally, 'risk has been defined as the awareness of unwanted negative consequences of an event' and simply understood as a potential problem (Aven & Renn, 2009; Knight, 2012; Sadgrove, 2015; Slovic, 1987, 2000). It involves the chance, probability or possibility of loss (Friedmann & Kim, 1988). However, this negative viewpoint has been challenged in the past as being too restrictive and incompleted, particularly considering it creates opportunities. Nairne (1997, p. 28) supports this view, stating that the "measures of risk, whether quantitative or qualitative, are measures of opportunity". Thus, risk entails a doubtful condition that can have a negative or positive result for accomplishing some objectives.

In line with the above assertions, Valsamakis, Du Toit and Vivian (1992) further define risk 'as the uncertainty surrounding an outcome in a specific situation or an event'. In certain explanations of risk, not only outcomes are prominent but probabilities, and from this viewpoint risk, can be regarded as the possibility that reliably predicts indirect and direct consequences whose potential unfavourable impact will become visible, coming up from particular events (Vertzberger, 1998). The degree of risk is determined by the extent of doubtfulness surrounding a particular event in specific circumstances in which loss is possible (Hough, 2008). From this view point, it has also been argued that risk connotes a degree of uncertainty regarding a specific occurrence and does not connote the degree of probability that it will occur. Therefore, the question is if an event will take place and what the result will be (Valsamakis et al., 1992). It is for this reason that the concept of risk, uncertainty and threat are often used as synonyms for related concepts, where they represent degrees of intensity or impact (Knight, 2012; Slovic, 1987, 2000; Valsamakis et al., 2005)

In the same vein, Hertz and Thomas (1984) referred to risk as lack of knowledge about the consequence in a condition where choices have to be made. However, Vertzberger (1998, p. 20) opined that risk should not necessarily be associated with uncertainty, since 'risk exists even when there is a perfect information of all likely results associated with an occasion and what is known of the probability distribution of its outcome'. Hence, risk simply refers to a probable danger, while uncertainty refers to when a decision-maker has neither the information nor the knowledge on the likelihood of the consequences. Further, while risk is viewed as the potential for unfavourable consequences following a certain course of inaction or action, threats can be seen from the possibility of unfavourable consequences resulting from specific circumstances to which precede some responses to be taken or require an assessment (Bischoff, 2010). To this end, to cover the broad spectrum of situations, Chicken (1996, p. 8) defines risk as a measure of uncertainty about the frequency and consequences of an unacceptable event. Therefore, there is a need for classification of risk toward further narrowing its consequences and effects for an assessment.

2.3.2 Classifications of Risk

The classification of risk depends on the context of the risk and the nature of the risk, as well as other factors which include the environment, its prominence, consequences, certainty, impact, timings, duration and complexity. Other factors include its dimensions, severity, cost implication, controllability and mitigating ability (Aven & Renn, 2009; Bischoff, 2010; Hough, Du Plessis, & Kruys, 2008; Knight, 2012). It is from these factors, that preferences are made regarding a particular type or combination of factors that decision-makers use to determine how, when, where or to what extent the risk can be maintained, mitigated or managed for accountability. Hough et al. (2008) suggest that the context of risk is determined by the intensity and prominence of risk, prior to assessment. Intensity is linked with the innate nature of the risk and its prominence within the perspective of the circumstances involving the risk in a particular environment. It is pertinent to state that risk becomes more prominent if more information is available, thereby giving sufficient room and time for the decision-makers to decide (Hough et al., 2008). This is to provide decision-makers with timely access to all the risks for identification and evaluation toward determining how to achieve successful returns on investment. Therefore, there is a need for multinational firms to have prior knowledge of the types of risk that exist in a particular country before an investment is made.

Vertzberger (1998), in support of this view, further conceptualised risk as when the likelihood of the results are doubtful, but the circumstances itself creates a reasonable prospect that at least some outcomes are unknown and will have adverse consequences for decision makers. As such, risk lies somewhere between certainty and uncertainty. Accordingly, a classification of risk emerges which distinguishes between perceived risk, acceptable risk, and real risk (Hough et al., 2008). Real risk happens whether a decision-maker is aware of it or not, and is the objective or actual risk resulting from behaviours or situations such as fire, flood and earthquake, and global warming among others. On the contrary, perceived risk is a different way experienced level of risk subjectively recognised to a condition or behaviour by a decision-maker in pursuit of a goal, such as country risk, political risk, financial risk and cultural risk. On the other hand, acceptable risk is the level of risk that can be tolerated by a decision-maker. Determining whether the risk is satisfactory for their investment poses considerable challenges to those responsible for accepting the risk (Aven & Renn, 2009; Hough et al., 2008; Knight, 2012).

Risk assessments are required before a risk can be determined to be an acceptable risk, since some risks might not be acceptable, and what is an acceptable risk differs among foreign investors due to factors such as size, capital and experience. This means that large firms with the advantages of economies of scale could utilise this potential to gain a cost advantage by turning a risk into an acceptable risk in a host country, which smaller firms would not be able to make acceptable (Rajamanickam, 2006). Real, perceived, and acceptable risks may be contrasted with one another in terms of losses or gains, insurable or non-insurable and systematic or non-systematic depending on their consequences and effects in a particular country (Al Khattab et al., 2011; Bischoff, 2010). Therefore, it is presumed that multinational firms cannot avoid risk, and only choose between risks when investing in foreign countries.

2.3.3 General Risks in International Business

Generally, risk exists in international business and therefore it is inevitable that international investors will attempt to avoid it. However, there is only a choice among the existing risks when investing in any host country. The classification of risk into real risk, perceived risk, and acceptable risk serves as the basis for categorising the risks faced in international business in this research. Currently, there is no generally accepted typology for classifying risks in international business, but many authors have made attempts to do so (Al Khattab et al., 2011; Nawaz & Hood, 2005). The categorisations of risk which multinational firms face have generated argument due to how they were compartmentalised by different authors into components of four or five based on the rationale behind their objectives and their area of interest (Daniell, 2000; Miller, 1992).

However, for the purpose of this research, the general risks in international business are limited to five components: Political Risk, Country Risk, Cultural Risk, Financial Risk and Natural Risk as shown in Table 2.1.

Table 2.1: Risks in International Business

Serial	Types of Risk	Remarks
1.	Country Risk	Speculative

2.	Financial Risk	Speculative
3.	Cultural Risk	Speculative
4.	Political Risk	Speculative
5.	Natural Risk (e.g earthquake, flood)	Pure

Source: Waring & Glendon (2001)

The classification of general risk in international business into five types as shown in Table 2.1, can be further classified into speculative or pure, depending on the type of result that can to be expected for multinational firms (Waring & Glendon, 2001). A type of risk in international business can be referred to speculative if it can result in gains or losses while in the case of pure if it results in only losses. Since involves venturing into business internationally with the main objective of making gains, this makes it more speculative in nature, because losses may occur due to unforeseen circumstances or activities from a host country. In the case of natural risk it is referred to as pure risk because it can result to no loss or loss for multinational firms operating in the host country. However, other authors have used different criteria to categorise risks in international business (Hill, 2002; Miller, 1992; Nawaz & Hood, 2005; Waring & Glendon, 2001). The justification for this classification is to address the study's first objectives of investigating the determinants of political risk. Therefore, in the context of this study, only types of risk that are speculative in nature such as country risk, cultural risk, and financial risk will be discussed subsequently in the next sub-sections.

2.3.3.1 Country Risk

Most economic analysts use political risk and country risk interchangeably because they generally refer to economic and financial terms, even though they are both speculative in nature because they can both result in gains or losses. However, in their applications they differ considerably. Haque (2008, p. 22) defines country risk as, "the overall political and financial status in a country and the extent to which these conditions may affect the ability of a country to repay its debt". Brink (2004) referred to country risk as sovereign, credit and transfer risks. This suggests the probability that a country will fail to service its foreign loan according to the terms laid down in the initial agreement. Based on the above, financial and economic risks are the major component of country risk. It is for this reason that Hoti and McAleer (2004) state that country risk analysis is used to predict the likelihood of debt repudiation, delays in payment or default by sovereign borrowers.

Country risk focuses more on the financial and economic data of a country, looking at the portfolio investment, while political risk addresses the potential financial losses due to problems arising from macroeconomic and political events within a country (Al Khattab, Aldehayyat, & Stein, 2010; Emil & Lambrechts, 2010; Haque, 2008; Hayakawa et al., 2013). Hoti and McAleer (2004) generally viewed political risk as a non-business risk introduced strictly by political forces. On the contrary, Ghose (1988) argues that political risk is analogous to country risk and lies within the broader framework of it. However, according to Brink (2004), the dissimilarity in comparison to intentional (in)ability and (un)willingness to repay loans is significant but troublesome to differentiate. It is pertinent to state that country risk relies considerably on a country's balance of payments, which changes often due to a number of factors which may be related to policy problems, identifiable through conducting a political risk analysis. This analysis is vital, since it explores the country's government's intentions by forecasting the likely changes that can affect investment, while also assessing the readiness of the government to abide by a laid-down agreement. This is where political risk makes the difference.

It is important to state that the degree of country risk is not attached to that of political risk and vice versa. It is possible for a country to experience high levels of country risk while having a low political risk (Hayakwa et al., 2011). Even though they share some factor-indicators for the purpose of forecasting, risk-factors within country risk could be incorporated as variables in a political risk analysis. However, political risk variables scarcely emerge in country risk reports (Brink, 2004). Consequently, there is a relationship between country risk and political risk, but their applications and usage differ considerably because political risk can result in country risk.

Country risk is essentially concerned with the credit-worthiness of a country prior to accessing foreign loan facilities, while political risk analysis is generally concerned with investment-worthiness of a country prior to investment by foreign investors. Even though political risk and country risk are often used interchangeably, the former is more specific than the latter. With regards to the broader concept of country risk including economic, financial considerations in a specific environment, some aspects are not directly or indirectly related to political decisions. Political risk emanates indirectly or directly from political decisions or events, including some social events in host countries that affect multinational firms' businesses (Bischoff, 2010; Desta, 1985; Hough, 2008). It is therefore apparent that country risk involves more of a business risk, including financial and economic risk factor-indicators, while political risk is more encompassing (including business and non-business risk factor-indicators).

2.3.3.2 Financial Risk

Financial risk one of the general risks in international business that originates from a socially experienced level of risk that is subjectively attributed to a situation essentially involving money. It is categorised as a speculative risk because it can result in gains or losses (Al Khattab et al., 2011; Click, 2005; Dziawgo, 2013; Hough et al., 2008; Kerner & Lawrence, 2014). Almost all international businesses are transacted in monetary value, which often requires processes such as payment, exchange and transfer of funds. Consequently, the risk that emanates from any of these monetary transactions involving payments, exchanges and transfers of funds are termed 'financial risk'.

In view of the aforementioned monetary transaction processes involved in international business activities, some of the financial risks include; currency convertibility risk, foreign exchange risk, transfer risk, interest risk, payment risk and commodity price risk (Al Khattab et al., 2011; Click, 2005; Dziawgo, 2013; Griffin & Pustay, 2013; Hill, 2014; Hough et al., 2008; Kerner & Lawrence, 2014; Peng & Meyer, 2011). Currency convertibility risk is experienced when there is a scarcity of another country's currency or a generally acceptable international currency that is used as a medium of exchange in a host country. It prevents the conversion of the local currency and the transfer of the foreign currency out of the host country, thereby invariably resulting in transfer risk and foreign exchange risk (Stosberg, 2005). According to Black, Hashimzade, and Myles (2012), foreign exchange risk is the rate at which one country's currency can be converted into another country's currency.

The existence of foreign exchange risk is due to the depreciation in the value of the country's currency, which is termed 'devaluation' and conversely its rise is known as 'appreciation', which is mostly determined by international and domestic market forces. However, neither devaluation nor appreciation is without its consequences for international business activities (Black et al., 2012). It is pertinent to mention that most governments review their fiscal policies when any of these related financial risks or indicators affects the country's balance of payment or trade (Al Khattab et al., 2011; Baldacci et al., 2011; Click, 2005; Dziawgo, 2013; Hough et al., 2008; Kerner & Lawrence, 2014; Peng &

Meyer, 2011). It is for these reasons that financial risks are identified among the risk variables which are used for political risk assessment. Consequently, there is the need for multinational firms to consider financial risks among other risks before investing in any host country.

2.3.3.3 Cultural Risk

Cultural risk looks mostly at the values and norms of a host country that differentiate it from other and has consequences if not considered. Most authors across different fields have considered values and norms as the two fundamental components to be used when defining culture (Hill, 2002; Hofstede, 2001; Namenwirth & Weber, 1987). Hofstede (2001) defined values as nonconcrete forms of ideals about what a society considers to be desirable and good. Values comprise attitudes toward democracy, justice, role of women, freedom and amongst others in a society's. Norms was defined by Namenwirth & Weber (1987) as a set of social rules that guides what is be prescribed in a particular situation as a proper behaviour. Norms comprise what a proper dress code in a particular situation should look like, cannibalism, indictments against theft and alcohol to mention a few.

Norms and values differ among as well as within countries; they can be influenced mostly by factors such as education, language and religion (Hofstede, 2001). It is for this reason that these factors are identified among the risk variables are used for political risk assessment. In some countries such as Saudi Arabia, Oman, Bahrain and Pakistan drinking beer example by adults is not acceptable because it viewed as an act that violates religious norms and is punishable, whereas in other countries such the UK, France, Germany, Ghana and China it is acceptable for adults to drink beer. This implies that cultural difference is among the most significant political risk variables to be considered, because foreign firms need to conform to the norms and values of a host country. Issues such as the name of product, payment systems and content of advertisement amongst others have to be adapted in accordance with the norms of the host country. Failures of multinational firms to incorporate it into their decision process during internationalisation have resulted to unforeseen consequences (Al Kattab, 2011: Hill (2002). Nawaz and Hood (2005) argued that there is intrinsic uncertainty accompanying national culture considering the fact that there are multi-cultural countries, there will be problem of culture dynamism to cope with: over time they are rarely static. Countries with sharia laws (Islamic) do often place embargo interest payments; this constraint will affect the cost of doing business with the banking sector in such countries. Therefore, this is makes cultural risk an important consideration in international business since it differs among and within countries.

2.4 POLITICAL RISK

Prior to World War II, only a few firms were engaged in international business due to the different risks associated with it. In the aftermath of World War II, the risk of nationalisation emerged, following host countries' government interferences on multinational firms' corporate existence (Boulos, 2003). These interferences, viewed politically, constitute a risk to multinational firms' investments, and are termed 'political risk' because they emanated from political decisions by host countries' governments and became a major concern in the post-World War II era (Kobrin, 1979; Overholt, 1982; Robock, 1971; Simon, 1984; Wilkin, 2001).

Thereafter, political risk from the host countries on multinational firms' investments took several forms in the international business environment. This is based on the fact that different countries have different business systems, laws, values, religions, currencies, policies, economic systems and political and cultural systems (Akhter & Choudhry, 1993; Brink, 2004; Hill & Jain, 2013; Kobrin, 1982). These differences characterise a complex process in the evolution of political risk in the past few decades, and it was not until the late 1960s when it became entrenched in the USA's foreign policy (Blank, Basek, Kobrin, & LaPalombara, 1980; Kobrin, 1982; Overholt, 1982). Subsequently, political risk became a major issue for multinational firms to decide whether or not to invest in a foreign country.

One of the reasons was that the former colonial system, where the colonial masters of most nations had control over their colonies' resources, had changed and newly emerged independent countries sought a major role in controlling their resources (Boulos, 2003; Clark & Tunaru, 2005). Another reason was that the end of the colonial period coincided with a UN resolution in 1963 on permanent sovereignty over natural resources recognising the "right of all States to freely dispose of their natural wealth and resources in accordance with their national interests as well as in respect of the economic independence of States" (Boulos, 2003, p. 2). It is for these reasons, among others, that Wilkin (2001, p. 2) stated that "multinational firms, for political risk reasons, avoided countries with a history or types of government that might favour nationalisation and sought after to invest only in those countries where the risk of nationalisation was deemed to be relatively low".

In the contemporary world, the political risk of nationalisation is no longer a major issue for multinational firms. There are a number of reasons for this change. Foremost is the globalisation of international finance and the influence of international financial organisations on the world's economies. The roles of the World Bank, the International Monetary Fund (IMF), International Finance Corporation (IFC) and other multi-national organisations tend to considerably decrease a foreign country's exercise of the right to nationalise the business of a foreign owner (Boulos, 2003). Also, due to the recent decrease of the political risk of nationalisation due to the formation of international business organisations by various regional blocs (who take care of the interests of their member countries), such as the North America Free Trade Agreement (NAFTA), Latin America Free Trade Association (LAFTA), European Union (EU), Association of Southeast Nations (ASEAN) and Economic Community of West African States (ECOWAS) among others (Root, 1972; Tayeb, 2000). This has resulted in changes in the global balance of power, from a multi-polar to a bi-polar world consisting of new regional blocs and further reducing the risk of nationalisation to multinational firms' assets (Henisz, Mansfield, & Von Glinow, 2010).

Subsequently, the risk of nationalisation took another form and re-appeared as the risk of expropriation. The risk of expropriation, which was prominent in the 1970s, took several forms. While some were expropriated through outright confiscation of multinational firms' foreign assets, others were expropriated by indiscriminate taxation (WorldBank, 2010). According to the WorldBank (2010, p. 28) report on 2009 world investment and political risk, "the number of foreign expropriation declined drastically in the 1980s, while there were 423 cases in the 1970s the number dropped to 17 during 1980-1987 and to zero between 1987 and 1992". This was as a result of reforms that liberalised the world's economy, making possible the transfer accessibility of foreign exchange via market mechanisms and currency convertibility through the banking sector while capital controls were relaxed. In the 1990s, the regulatory framework for FDI was characterised by increasing openness and a retreat from government interventions (World Bank, 2010).

These developments notwithstanding, Groh and Wich (2012) acknowledged that some countries attract more FDI than others, which was attributed to a number of factors, in which political risk is included. According to the World Investment and Political Risk 2013 report (World Bank (2014, p. 5) "there has been explosive FDI growth since the turn of the century; however political risk has been a major concerned for multinational firms operating in developing countries''. On the contrary, FDI protectionism is a form of political risk that has appeared in some developed countries, which influences the type of entry strategy adopted by multinational firms (Economist Intelligence Unit, 2007; Jiménez, 2011; Kerner & Lawrence, 2014). This implies that political risk remains one of the main obstacles which FDI is facing; hence underpinning the need for its further conceptualisation, theorisation and analysis, respectively.

Political risk is still being contextualised and is deemed as a soft science due to the qualitative nature of its early studies. However, this era characterised the introduction of more quantitative methods for its analysis due to a number of changes experienced in the international business environment (Brink, 2004). These changes include losses incurred from the fall of the Shah during Iran's revolution, the growing popularity of FDI, the rise in conflict during the cold war (see Glossary: cold war), and the changing political spectrum in the aftermath of the cold war, coupled with the recent world's economic recession and the 'Arab Spring', to mention a few (see Glossary: Arab Spring) (Baek & Qian, 2011; Brink, 2004; Clark & Tunaru, 2005; Jiménez et al., 2014; Sottilotta, 2015). Therefore, political risk issues have continued to play a major role today in determining whether or not to invest in a foreign country. Thus, there is a need to investigate how political risk impacts on foreign investors in a particular host country.

The end of the 20th Century and the beginning of a new era in the 21st Century business environment has brought the issues of political risk into focus in a different viewpoint than in earlier days. The business environment of the 21st Century is characterised by the quest for economic growth and entry into emerging markets. In the previous eras, it was characterised by the expedition for territory, an ideological power struggle and a battle for the balance of power. Likewise, there is more market integration and policies that attract foreign investment resulting in business internationalisation unlike before, where nations' goals were based on self-sufficiency (Boulos, 2003; Cleary & Malleret, 2007; Wilkin, 2001). Even though the new issues of current political risk are as critical as the issues of the former era, the 21st Century has marked the prominence of additional risks to multinational firms, such as fraud, corruption, money-laundering, terrorism and protectionism (Baldacci et al., 2011; Bekaert et al., 2014; Economist Intelligence Unit, 2007; Jiménez, 2011; Jiménez et al., 2014; Kerner & Lawrence, 2014; Sottilotta, 2015).

Risks have become more complex and uncertain than during the colonial era due to global business inter-connectivity and economic interdependence among countries (Burmester, 2000; Hood, 2001; Hood & Nawaz, 2004; Poole-Robb & Bailey, 2002). On the other hand, Cleary and Malleret (2007) state that the interconnected nature of global political economy has led to a more intense co-operation and competition among trans-national investors. This has led to a much higher rate of interference by all investors in the global arena (Henisz et al., 2010; Nel, 2007). As a consequence, the present day's political risk environment has become complex and increasingly difficult to analyse, as well as comprehend, due to its diverse facets, thereby causing a range of consequences for multinational firms (Bekaert et al., 2014; Economist Intelligence Unit, 2007; Ferrari & Rolfini, 2008; Jiménez et al., 2014; Kerner & Lawrence, 2014; Kesternich & Schnitzer, 2010; Sottilotta, 2015; UNCTAD, 2014; World Bank, 2014).

2.4.1 Political Risk Defined

Producing a consensus for the definition of 'political risk' has been challenging in the past few decades, because it is linked with concepts such as 'political instability', 'political uncertainty' and 'country risk', which raises further complexity regarding its conceptualisation (Althaus, 2013; Brink, 2004; Fitzpatrick, 1983; Howell, 2002a; Overholt, 1982; Simon, 1984; Sottilotta, 2013). However, a number of authors have attempted to conceptualise and define political risk with diversity which encompasses political events and government interventions. According to Overholt (1982, p. 1) political risk is "the likelihood that a political event could reduce the organisation's assets, disrupt or impede its operations or endanger its access to market". Howell (2002a, p. 4) defines political risk "as the possibility that a political decision or events in a host country will alter the business environment in such a manner that that an investor will run at a loss or not gain as much as expected from an the investment". Some authors refer to political risk as a loss, while others refer to it as uncertainty or unpredictability arising from environmental factors, whereas the former refer to it as discontinuities of political change in the business environment (Fitzpatrick, 1983). Notwithstanding this miscellany, most authors have considered political risk in relation to unwanted consequences occurring within a business environment normally connected with government actions, which affect multinational firms.

However, according to Kobrin (1979), the consequences of an event depends on the circumstances under which it occurs and the type of the investment, as well as the environment. It is for these reasons that Fitzpatrick (1983) proposed that if political risk is viewed as a process variable instead of an event variable, its definition would be improved. This suggests that there is the possibility for the level of political risk to change over time. However, this study considers other factors, both in the process and event variables, in defining political risk. Therefore, political risk could be defined as any changes in the political and business environment as a result of government actions or any condition/event that affects the probability of an investor achieving its business objectives in a host country. This definition implies that political risk does not always emanate from government political decisions because some variables or factors that cause political risk are not associated with political events or government decisions, and instead are inherent in the political environment.

Therefore, political risk is different from political uncertainty and political instability. Political instability refers to unexpected changes in the political environment while political uncertainty refers to doubt regarding how government changes in a political environment. Both are used interchangeably in place of political risk. However, political risk refers to the probability of the occurrence of risk. It is a more objective way of measuring the amount of doubt from political instability and political uncertainty, rather than the former, which captures the subjective nature of instability and uncertainty (Brink, 2004).

According to Brink (2004, p. 21) ‘political risk is a concern in an investment scenario, which should include current information covering areas such as history, politics, culture, religion, economics and international relations, as well as knowledge of the firm’s likely role in the host country’. He further states that the ‘presence of political risk in a host country does not always have to result in a negative impact. There are possibilities of changing it into an advantage as long as an investor is aware of it’ (Brink, 2004, p. 21). The generative agents of political risk are divergent and vary among countries, and likewise their effects on multinational firms (Burmester, 2000; Kobrin, 1982). Even in the same country, political risk types, cost, probability and the degree of its intensity can vary from one part of the country to another; likewise their consequences vary in their impact. This can be attributed to differences in political environments, especially in developing countries with weak regulation institutions, and where ideological, ethnic and religious cleavages are inherent in their environment (Fitzpatrick, 1983). The resultant inability of some multinational firms to fully understand diverse political environments has resulted in across-the-board policies, dichotomising some developing countries as either safe or unsafe (Fitzpatrick 1983, p. 251). Hence, there is a need for firms to understand the different political environments in their processes of internationalisation in developing countries.

Each political environment can lead to different types of political risk, with various consequences for multinational firms. These consequences add to the cost of doing business and this cost increases with an increasing probability of political risk, creating different scenarios that multinational firms need to critically investigate (Althaus, 2013; Baek & Qian, 2011; Baldacci et al., 2011; Brink, 2004; Jiménez et al., 2014; Keillor et al., 2009). For this reason, multinational firms use various means to assess each political environment in order to manage and mitigate political risk. Therefore, there is a need for political risk assessments (PRA) in a particular host country that will incorporate all the risk indicators to profitably enhance foreign investors' operations.

2.4.2 Classification of Political Risk

Political risk has been evolving over the past few decades and different types have emerged. Most recent studies have shown that the main concerns are no longer nationalisation and expropriation. Issues such as license cancellation, tax restrictions, changes in investment agreements, delayed profit repatriation, terrorism and protectionism have come to the fore (Bekaert et al., 2014; Economist Intelligence Unit, 2007; Jiménez et al., 2014; Kerner & Lawrence, 2014; Sottilotta, 2015; World Bank, 2013). According to Oetzel (2005), host government's policy priorities change at times, which favours indigenous firms over other foreign firms. According to Fitzpatrick (1983), there are other factors inherent in some political environments that cause a government's decisions to change from time to time, aside from issues such as weak regulating institutions, ideological, ethnic and religious cleavages. Political risk can be classified according to its source, since not all risks are as a result of changes from host government decisions. Classifying political risk according to sources as delineated in Table 2.1 introduces three sources of political risk, namely: from host-government, host-society and neighbouring countries (Al Khattab, Anchor, & Davies, 2008b; Kobrin, 1979). However, this research included other types of political risk from these sources to be covered within the context of Nigeria as shown in Table 2.1.

Table 2**.**2**:** Classification of Political Risk according to Sources

Serial	Host government	Host society	Neighbouring countries
1	Taxation restrictions	Demonstrations/riots/strikes	Wars
2	Currency inconvertibility/devaluation	Revolutions,	Sanction
3	Contract repudiation	Terrorism	
4	Import or export restrictions	Coups d'état	
5	Ownership/ personnel restrictions	Civil wars	
6	Delayed profit repatriation		
7	License cancellation		
8	Price control		
9	Expropriation/ nationalisation		
10	Investment agreements changes		
11	Changes in rules and regulations		

Source: Developed from (Al-Khattab (2006); Al Khattab et al. (2008b)

To further conceptualise political risk, it is interdisciplinary rather than a singular disciplinary in nature, must be kept in focus. It requires the integration of knowledge from different fields for it to be adequately addressed. The knowledge of an investment situation includes updated information of a country in the areas of economics, history, politics, law, culture, and international relations, as well as information of the investing firm's role in the host country's economy and its consequences on environment and society. However, it must be noted that although political risk possesses negative contributing factors, the risk can be mitigated by adapting to it and working around it, only if an investor knows the risk. As Brink (2004, p. 21) argues, 'if the uncertainties are managed accordingly, the possibility of being able to exploit them becomes a reality'. The "presence of political risk does not thus always have to be negative". There are possibilities of turning them into an advantage as long as the investor is aware of them. To this end, it was therefore suggested that "political risk should be viewed as a discipline that changes over time" (Brink, 2004, p. 21). Certain types of manageable levels of risk analysis can even encourage certain investment endeavours.

Hashmi and Baker (1988) assert that 'political risk analysis should be an essential part of multinational firms business operations'. The flux in the political, social and legal systems, varying power structures in international relations have created a growing demand by most host countries for a larger control over operations of multinational firms have all brought the need to reconsider the traditional method of assessing international investment opportunities. Simon (1984, p. 123) asserts that "market surveys, cash flow and foreign exchange analyses, econometrics, and theories of comparative advantage are not designed to forecast political and social upheavals". Therefore, for this rationale, political risk analysis has developed into one of the fastest growing areas in the study of international business. It is pertinent to differentiate political risk from other kinds of risk like country risk which shares certain determinants.

2.4.3 Political Risk in International Business

Issues that might affect, delay or prevent the operations of political institutions in the implementation of legitimate rule and the performance of other duties to create a conducive business operating environment for foreign investor in a host country are referred to as political risk (Dunning, 1998; Quer et al., 2012; Busse, 2007; Jensen, 2006; Buckley et al., 2007; Witt & Lewin, 2007; Meyer, 2008; Peng, et al., 2008; Cui & Jaing, 2010). It is for these reasons, therefore, that foreign investors carry out assessments to quantify how the changes in the political institutions and events will affect their business interests in any intended host country. For political scientists, political risk is most often referred to as political instability or an uncertainty in public rule, where the discharge of political power becomes unpredictable (Althaus, 2013; Kobrin, 1978). Patterns of governance and the levels of political stability are parameters which can determine the differences between a profitable investment and a non-profitable one in any nation. In support of this view, Grieve-Smith and Michie (2003) and Collinson and Morgan (2009) describe how the political state and the economic state of any country are mutually interdependent, while Overholt (1982) argues that international business scenarios are generally political-economic, since businesses are interested in the economic consequences of political decisions. This shows that there is a relationship between politics and businesses whose recognition requires an enhanced understanding of political risk (Ascher & Overholt, 1983; Howell, 1998). In contrast, this existing relationship requires utilising multi-disciplinary approaches, because the economic, political and social environments are seen as interrelated in reality as well as inseparable in existence. It is for this intriguing reason therefore, that the existing complexity in the environment is generating heterogeneous agents of political risk which researchers are exploring, and additionally means that business operations need to be conducted successfully in these environments.

Consequently, these generative agents of political risk emerge divergently, thereby creating different forms of political risk to exist in different countries with different effects on foreign investors' investments (Burmester, 2000; Kobrin, 1982). Even in the same country, forms of political risk vary from one part of the country to another; likewise the effects of their impacts cause them to be divided into micro risks and macro risks respectively. This is based on their effects, micro risks are firm-specific while macro are general in nature (Brink, 2004; Howell, 2002b; Robock, Simmonds, & Zwick, 1983). Each form of political risk has a number of determinants or factors that cause it to exist to varying degrees, determining the relationship between the factors and their indicators in a particular host country. Some of the factor-indicators which can be used to measure or forecast political risk in a country are inflation rate, interest rates, balance of payments, Gross Domestic Product (GDP) and unemployment among others, whose value can be measured to ascertain the level or the size of the risk, as well as the probability that risk might occur. On the other hand, other factors such as the country's level of illiteracy, the state of unemployment, government legitimacy and political will among others have no value and cannot easily be precisely measured to determine the risk intensity (Brink, 2004; PRS Group, 2009). However, identifying the form that prevails in a particular host country with the specific political risk factor-indicators will help to determine how it will affect investment as well as knowing the correct managing and mitigating measures to apply (Baldacci et al., 2011; Bekaert et al., 2014; Desai et al., 2008; Hill, 1997; Novaes & Werlang, 2002).

It is from these factor-indicators causing political risk that a number of identified variables are calculated and approximated, to determine the cost, degree of complexity and the impact of the risk on foreign investors' business operations in a particular host country (Althaus, 2013; Brink, 2004; McKellar, 2010; PRS Group, 2015; Sottilota, 2013b). According to Kesternich and Schnitzer (2010), "identifying the variables that exist in a particular country determines how investors distinguish the various forms of political risk that exist, and their probability". These forms range from outright or on-going expropriation to unreliable intellectual property rights and discriminatory or confiscatory taxation through bribery and corruption, including restriction of funds, repatriation to home country (see Glossary: home country) as well as terrorism, among others (Poole-Robb & Bailey, 2002). All these variables add to the cost of political risk in any host country and the cost increases with an increasing probability of political risk (Borden & Borden, 2013;

Clark, 1997). Consequently, there is a need to determine the extent to which political risk increases the total cost of operating in a particular host country for decision-making towards other feasible location options.

This all means that investors need to critically investigate various countries by employing empirical measures that will reflect the different forms of political risk, and consequently understand them in their different scenarios (Eaton & Gersovitz, 1983; Hill, 1997; Howell, 2002c). In support of this proclamation, the Political Conference Report (2009, p. 8) at the Center for Emerging Market Enterprises, the Fletcher School of Law and Diplomacy, Tufts University, US, highlighted that “generic approaches cannot be effectively applied to a wide variety of risks which may arise. Foreign investors need to structure customised solutions”. It is also through identifying and understanding the forms of political risk prior to investment that an entry strategy can be negotiated with the host country’s government (Brink, 2004). Therefore, there is a need for foreign investors to identify and understand the different forms of political risk that exist in different political environments towards drafting a systematic framework in order to evaluate the risk and apply the most appropriate strategy to manage or mitigate it accordingly.

It is for these reasons that it is imperative to develop a systematic framework to evaluate the likelihood and impact of individual political events in different locations, which are capable of disrupting business operations of foreign investors. (Ascher & Overholt, 1983; Erol, 1985). To develop a framework for evaluation that will forestall any business risks in a foreign environment requires due diligence analysis of these risks (Ascher & Overholt, 1983; Chambers & Jacobs, 2007). It is important to develop methodologies by which the business can seek information on a particular host country to assess the impact of political risk within that country on its investment, which can only be achieved through a proper assessment. Therefore, there is the need for PRA in a particular host country that will incorporate all the specific political risk-factors to profitably enhance foreign investors operations.

2.5 POLITICAL RISK ASSESSMENT

Firms operating internationally are often faced with challenges of an ever changing political, economic and social environment in the host countries in which they operate. This is because almost all governments change their policies from time to time without considering the effects of such changes on foreign firms. The most remarkable among these changes are the ones that result in political risk which affects foreign firms’ existence and their profitability (Al Khattab et al., 2011; Baas, 2010; Baldacci et al., 2011; Bekaert et al., 2014; Burmester, 2000; Pahud de Mortanges & Allers, 1996). It is for this reason that multinational firms explore means to assess and manage political risk due to changes in the political environment in which they operate. It is in view of this that Kobrin (1978) emphasised the importance of PRA, since political risk is a key determinant of FDI and Hashmi and Guvenli (1992) confirmed the importance of PRA function to US multinational corporations in their business decision-making process. Likewise, Howell (2002c) states that “the point of PRA is to make investment in emerging countries more feasible and more profitable”. The objective of “Political Risk Assessment” is to enumerate the necessary tools that foreign firms’ investing in emerging markets can use to mitigate and manage political risk.

Howell (2002c) and Brink (2004) suggests that it is only through an in-depth assessment of these challenges constituting political risk that an essential decision making tool for investors and policy-makers alike can be designed. Likewise, strategic planning towards guiding against potential losses for potential investors in order to achieve returns on investment at a reduced level of risk can be articulated (see Glossary: strategic planning). Similarly, assessing these risks is relevant; so that an entry strategy and ownership structure into any host country can be determined. According to Howell (2011, p. 23), “the key reason for PRA is the identification and forecast of losses and reasons for unsuccessful investments, in order to mitigate and avoid failure”. PRA as a discipline has been transformed from an original mechanism to identify the political risks and assess the profitability of business operations, to a method that concentrates on managing political risk (Hough et al., 2008).

2.5.1 Political Risk Assessment Defined

A number of authors have attempted to define PRA with a view to managing political risk in international business. Al Khattab et al. (2011, p. 98) defined PRA “as the process of analysing and evaluating political risk while undertaking international business activities”. However, it is also used before undertaking international business activities. PRA is a prerequisite to a successful business operation for multinational firms to consider before investing in a foreign country, so that they can achieve returns on their investment.

Assessing the chances against possible losses can only be probable subsequent to a risk assessment that is conducted comprehensively (Brink, 2004). This means that political risk assessment is a method of foretelling probable consequences for an investing prospector, in order to mitigate the risk (Fitzpatrick, 1983). There is therefore a need for multinational firms to use PRA before and while undertaking international business activities in order to determine the returns on their investment by means of a number of identified variables for the intended host country. This study modified Al Khattab's et al. (2011) definition of PRA 'as the process of analysing and evaluating political risk before or while undertaking international business activities'. This is because PRA is also conducted mostly before undertaking international business activities (Brink, 2004).

2.5.2 Practices of Political Risk Assessment

A review of a range of literature on the practices of PRA suggests that most studies were conducted in the context of developed countries, rather than developing ones. Examples of studies conducted by authors in the context of developed countries were reported by Rice and Mahmoud (1990) for Canadian firms, Stapenhurst (1995) for US firms, Wyper (1995) for UK firms, Pahud de Mortanges and Allers (1996) for Dutch firms, Demirbag et al. (1998) for Turkish firms and Kettis (2004) for Swedish firms. This can be compared with the few studies conducted by authors in the context of developing countries, namely, Noordin et al. (2006) for Malaysian firms, Al Khattab et al. (2011) for Jordanian firms. It is in this view that Frynas and Mellahi (2003) attributed the reason for the lack of adequate information on the practices of PRA in developing countries to the dearth of previous conducted studies. However, according to Adel Al-Khattab et al. (2008b), the practices of PRA depend on managerial concerns among international business investors.

The above suggests that there are best practices of international PRA yet to be identified. It is for this reason that Al Khattab et al. (2008a) suggested that to provide a benchmark for standardisation within multinational firms on the practices of PRA the following questions need to be addressed: the frequency of conduct of the assessment, assessment techniques, sources of information used, what generates or triggers the process and how the results are reported. These questions suggest there are divergent approaches to the practices of PRA within multinational firms, which Al Khattab et al. (2008a) confirmed. These divergences in approach, despite being subjective, were attributed by a number of authors to the characteristics, the demand, the risk profiles and the potential, as well as the investment destinations of most multinational firms (Al Khattab et al., 2011). It is in this view that the triggers for conducting the assessment and frequency of the assessment differ within multinational firms. Equally, it elicits a source for debate among international business students if achieving a benchmark for standardisation in the practices of PRA is desirable or not.

According to Al Khattab et al. (2008a), what triggers the conduct of the assessment may be events or activities, a new investment destination, strategic planning and credit granting, whose attributes differ within multinational firms. Risk Management Standard (2002), Brink (2004) and Minor (2003) advocated the position that the frequency of the conduct of risk assessment should be continuous due to the ever changing business environment of most countries in order to prevent any negative impact on the firm's profitability. However, such a conclusion is dependent on the functions of the specificity to which it can be applied, because generalising their assertion requires a very broad explanation since firms perceive risk to varying degrees due to differences in their sizes, degree of internationalisation, leverage and perceived reward of investment (etc). Some authors suggest the need for more studies on PRA practices in the context of developing countries. It is in this regard that this research explores the practices of PRA within Nigeria's multinational firms. Most studies that have surveyed the managerial practices of PRA covered aspects of practices such as assessment techniques, frequency of assessment, assessment responsibilities, sources of information, triggers for conducting the process, assessment ratings models and methodologies.

2.5.2.1 Political Risk Assessment Techniques

A number of studies have shown that there are currently different methodologies employed in PRA techniques. These techniques can be considered as existing along a spectrum of both qualitative and quantitative strategies, which are distinguished from each other based on their applications, approaches and structures etc (Fitzpatrick, 1983; Pahud de Mortanges & Allers, 1996; Brink, 2004; Al Khattab et al., 2008a; Rummel & Heenan, 1978). Brink (2004) and Kettis (2004) suggest that the current different methodologies are a mixture of subjective and objective approaches require either a qualitative or quantitative method. While the former method relies on individual or collective judgement, the latter is scientific in its approach involving multivariate analysis or quantitative modelling. Yet, Kobrin (1982) proposed that different methodologies should be distinguished on the basis of their degree of systematisation, which involves explicit assessment and implicit assessment which is intricate to replicate, entails mental process.

The use of quantitative methods by multivariate analysis involves analytical procedures that are based on statistical data or mathematical applications and are analysed theoretically (Al Khattab et al., 2008a; Ting, 1988). The objective nature of the quantitative approach decreases bias and the subjectivity compared to the qualitative approach, which involves techniques that rely on individual or collective judgement (Pahud de Mortanges & Allers, 1996). Brink (2004), though disjointed recognising this limitation, proposed that measuring political risk to a large extent necessitates subjectivity, which requires human judgement. Hood and Nawaz (2004) in supporting this assertion state that "its measurement and management frequently tends to be more subjective than objective", meaning that the entire process requires more qualitative approaches than quantitative.

A number of studies have been undertaken using techniques that involve quantitative approaches to the conduct of PRA to accurately forecast political risk, despite the fact that there have not been many attempts to test the reliability of PRA models. Howell and Chaddick (1994) tested the reliability of three of the PRA models (EIU, PRS & BERI) to forecast risk projection within specified periods as well as countries. Nel (2007) revisited the same test, covering different periods and empirically tested to its success. However, their findings confirmed that there existed a high degree of variation among the models when used for the same assessment. Likewise, Hashimi and Baker (1988) and Rice and Mahmoud (1990), using the regression analysis statistical method, determined the relationship between dependent variables and independent variables with the use of a number of measurable risk factor-indicators, like inflation rate or economic growth to indicate the probability of political violence. On the other hand, regression analysis relies on a historical relationship between the variables and both require a technique that involve a quantitative approach (Al Khattab et al., 2008a; Ascher & Overholt, 1983; Cosset & Roy, 1991; Hough et al., 2008; Rice & Mahmoud, 1990).

It is in view of these aforementioned reasons that there are more studies conducted using techniques involving qualitative approaches than quantitative approaches (Al Khattab et al., 2008a; Pahud de Mortanges & Allers, 1996). Pahud de Mortanges and Allers (1996), Rice and Mahmoud (1990) and Al Khattab et al. (2008a) identified five qualitative techniques namely: 1) Delphi Technique;2) Judgement and Intuition of Managers technique; 3) Expert Opinion; 4) Standardised Check-list;5) Scenario Development as shown in Table 2.3.

Table 2.3: Types of Qualitative Political Risk Assessment Techniques

Serial	Types	Application	Advantage(s)	Limitation(s)
1.	Delphi Technique	independent experts	collective brainstorming	group dynamics and long time frame
2.	Judgement and Intuition of Managers technique	proficiency of managers	knowledge and experience	bias and the subjectivity
3.	Expert Opinion	consultants from the area or country	multiple sources of information	Expert dependent
4.	Standardised Check-list	systematically evaluate the items on the list	more structured approach	future events not taken into consideration
5.	Scenario Development	Assessing the implications of possible scenario	flexibility	relies on the prediction

Sources: Jarvis (2008); Al Khattab et al. (2008a); Jain (1990); Levinsohn (2002)

The application of each of these types of assessment techniques differs from one another as well as certain advantage(s) and limitation(s) that further distinguish them as shown in Table 2.3. A further insight into individual assessment techniques is discussed below.

Delphi Technique

The Delphi technique involves the use of inputs from independent experts with knowledge of the political events and processes in the specific setting of the host country. The technique prevents the pitfalls of collective brainstorming, which often works on a consensus where often changes individual assessment due to group dynamics (Jarvis, 2008). Noordin et al. (2006, p. 94) defined the Delphi technique as one that "seeks for the collective opinion of a group of independent consultants on factors affecting the political environment of a country". Likewise, Gupta and Clarke (1996) define the Delphi technique as one which employs a qualitative approach through the collective inputs drawn from the opinion of an individual panel of experts. The opinions of this group of independent consultants on the aspects of the state of the country in terms of political instability, economy, profit remittance, marketability, violence and crime rate, among others is obtained. The opinion of this panel of independent consultants, firstly separately and subsequently by consensus to arrive at the statistical distribution on the mentioned variables affecting the political environment of a country that political risk is assessed for investment decision (Tsai & Su, 2005). It is for this reason that Pahud de Mortanges and Allers (1996) identified a more structured approach. The success of this technique is contingent on the expertise or quality of the consultants employed and their enthusiasm to positively contribute (Burmester, 2000).

Simon (1984) recognised that one of the limitations of this technique is associated with its long time frame to achieve the results of the assessment, as well as the possibility of its obsoleteness. In the same vein, Hussey and Ong (2005) proposed that there are situations where the probabilities to arrive at a decision after the prediction becomes too subjective due to wide consultation, which is not in common use among multinational firms. Likewise the result generated by these experts still requires further interpretation and synthesis suggesting that the results can be unconsciously manipulated by the administrators. To this end, Fitzpatrick (1983) suggests that until the Delphi technique undergoes empirical evaluation and conceptual underpinning that will sufficiently present the support of a credible arguments in the decision making processes of the multinational firms will be unlikely.

Expert Opinion

Expert opinion (known as old hand) is a technique which seeks the views of respective experts or consultants from the area or country of an investor destination. To assess political risk, the technique relies on multiple sources of information from respective experts from the banks, government, foreign investments, academics, politicians and journalists (Al Khattab et al., 2008a). It is different from the judgement and intuition of managers, because it relies on multiple numbers of consultants covering all the areas of interest with a focus on political risk. Hashmi and Baker (1988), Rice and Mahmoud (1990) and Demirbag et al. (1998) acknowledged the success of this technique within US, Canadian and Turkish firms while Subramanian et al, (1993); Pahud de Mortanges and Allers (1996) describe it as the first and the second most widely used technique used within US and Dutch firms.

Judgement and Intuition of Managers

Jain (1990) defines judgement and intuition of manager as a technique that relies instinctively on the proficiency of managers to carry out the assessment by contacting local leaders, officials, as well as business people, to conduct the assessment of political risk based on their knowledge and experience. The bias and the subjectivity of this technique is a limitation, according to Kobrin (1982), but in spite of this hitch, preceding studies revealed that the judgment of managers is widely used among Canadian, Dutch and US firms (Pahud de Mortanges & Allers, 1996; Rice & Mahmoud, 1990; Subramanian et al., 1993) The success of this technique has been highly acclaimed and recorded in countries such as the US, Canada, Turkey and Holland according to Hashmi and Baker (1988): Subramanian et al. (1993); Rice and Mahmoud (1990); Pahud de Mortanges and Allers (1996) and Demirbag et al. (1998).

Standardised Checklist

Standardised checklist is a technique which relies on a prepared template containing necessary itemised information, structured to identify and assess the political risk in an area or country. In view of this, Pahud de Mortanges and Allers (1996) identified the reason of what the political risk checklist is. Investors use it to systematically evaluate the items on the list in order to arrive at a decision of whether to invest or not. Likewise, they further identified it as a more structured approach. Even though the technique seems fast, uncomplicated and inexpensive to use, its limitation is that future events are not taken into consideration (Ting, 1988). Pahud de Mortanges and Allers (1996) and Hashmi and Baker (1988) confirmed that standardised checklist was commonly used by Canadian and Dutch firms.

Scenario Development

Levinsohn (2002) states that the scenario development technique relies on the prediction of the future instead of inferring from the past. Flanagan and Norman (1993), on the other hand, adduced that the flexibility of the technique has increased its recognition compared to other techniques within the Canadian, US, UK and Dutch firms because it has been developed into three different scenarios with one appearing as pessimistic, another as optimistic and the last as the likely result. In support of the assertion, Brink (2004, p.123) states that it is a generally acknowledged technique for identifying key political risks with additional diverse opportunities. Also mentioned were the perspectives of some researchers in the procedures of preparing scenarios, for example: “the listing of business issues, selecting the key influences, the projection of factor outcomes and assessing the implications of possible scenarios”. It is for these reasons that Pahud de Mortanges and Allers (1996) identified it as a structured approach.

2.5.2.2 Frequency of Risk Assessment

The frequency of risk assessment varies among firms and is conducted either on demand, or routinely. In line with Hashmi and Guvenli (1992), a routine process can be on a day-to-day, quarterly or yearly basis depending on individual firms. However, according to Risk Management Standard (2002) (see Glossary: Risk Management Standard) and Minor (2003), risk assessment should be conducted constantly. The rationale for such constant assessment, according to Brink (2004), is the changing business environment, which continuously affects investment opportunities. Similarly, Tsai and Su (2005) suggest that there is the possibility of risks within countries changing on a daily basis, which can impact negatively on a firm’s profitability. Therefore, a continuous risk assessment is required for the most appropriate actions to be taken to improve a firm’s profitability.

A review of the related empirical literature in the context of some countries such as by Rice and Mahmoud (1990) with Canadian firms, Subramanian et al. (1993) with US firms, Wyper (1995) with UK firms, Pahud De Mortanges and Allers (1996) with Dutch firms and Kettis (2004) with Swedish firms suggests that PRA was ‘crisis-oriented’ rather than incessant. There seem to be few studies elucidating this phenomenon; thus, an explanatory effort is needed. One related study which explains the frequency of PRA within a firm’s structure is that of Hashmi and Guvenli (1992), who found that firms with ‘high’ international business involvement were more probable to conduct the process on quarterly or a yearly basis.

2.5.2.3 Assessment Responsibilities

The assessment responsibilities vary among firms and are conducted either internally or externally depending on a number of factors, since multinational firms differ in their structure. A study conducted in the context of Swedish firms by Kettis (2004) suggests that multinational firms differentiate the assessment process as a part function of management, or position the assessment responsibilities at different levels of management. The nomenclatures of management differ among multinational firms. Some refer to the highest level of management such as General Manager (GM), Chief Executive Officer (CEO), the

Board of Directors (BoD) and Managing Director (MD). Others locate their responsibilities to departments within their firms. Some studies in the context of Canadian firms by Rice and Mahmoud (1990), Dutch firms by Pahud De Mortanges and Allers (1996) and Jordanian firms by Al Khattab et al. (2011) found that firms without specialised departments appear to locate their responsibilities to the top level of management. There seem to be no specific explanations why these differences exist in the allocation of responsibilities among multinational firms from previous studies.

2.5.2.4 Sources of Information

Gathering information on the business environments in which the firm operates is one of the key prerequisites for assessing political risk, since information can help a firm to convert uncertainty to risk (Kettis, 2004; Brink, 2004). As a consequence, decision-making can be taken under risk and not under uncertainty. Brink (2004) explained that a risky situation would be one in which it is possible to know the probability of certain political risks impacting on a foreign investment; whereas, an uncertain situation would be one in which probability cannot be taken at all. A review of some studies by Albright (2004), AI Khattab et al. (2011) and Burmester (2000) reveals that in the process of gathering information regarding the political business environment in which a firm operates, a firm can rely on one or more sources of information. These sources can be from a firm's personnel at its headquarters or a firm's personnel abroad, banks operating locally or abroad, other firms operating locally or abroad and media such as television, radio, and newspapers. Other sources include international organisations embassies, business magazines, academics, governmental domestic agencies and external consultants.

A detailed review of the empirical PRA studies conducted in the context of Canadian international firms by Rice and Mahmoud (1990), North America Atlantic international firms by Stapenhurst, (1992a), US international firms by Subramanian et al. (1993), UK international firms by Wyper (1995), Dutch firms by De Mortanges and Allers (1996), Swedish firms by Kettis (2004) and Jordanian firms by AI Khattab et al. (2011) revealed that internal sources, using a firm's personnel, were important sources of information about the business environment. One significant point to emerge from the studies under review with regard to the sources of information used by multinational firms is that most of the previous studies have not taken the firm-specific characteristics into account when analysing the importance of the source of information.

2.5.2.5 Triggers of Political Risk Assessment

The triggers for conducting the process of PRA vary among firms since they operate in different business environments. Some may be triggered by activities or events both outside and inside the host country. A proposal for a new investment of a firm's long range plan is an example of an internal incentive. A potential threat to a firm in a foreign country; for example, war, or regulations affecting the movement of capital changes in taxation are examples of external events that force managers of multinational firms to dedicate more interest on political risk than is normally the case. A review of the previous studies suggests that there are four triggers that can motivate multinational firms to conduct the assessment such as before investing, reinvesting, when a certain problem in the country of interest occurs or during strategic planning process.

A further review of the PRA studies conducted in the context of some developed countries by Rice and Mahmoud (1990) for Canadian firms, Pahud de Mortanges and Allers (1996) for Dutch firms and Kettis (2004) for Swedish firms showed that the risk assessments conducted were usually problem-oriented. This means that the process is more often than not embarked upon 'on demand' as a response to unforeseen events in a host country or when a new investment is proposed in a country. Even though there is an agreement that the assessment process is conducted on demand between within multinational firms, there are some differences between these firms with regard to the trigger for conducting the assessment for Dutch firms, the decision was mostly triggered by initial investment (Pahud de Mortanges and Allers (1996) while for Canadian firms, the decision was mostly triggered by granting credit to foreign customers (Rice and Mahmoud (1990). These differences, however, suggest that the type of trigger may be related to some features of firms. Most studies have considered the assessment triggers in general and no attempt has been made to link the type of triggers to firm-specific features, explaining the propensity of some firms conducting the process on a particular event than the other events is not likely. Therefore, an investigation of the probable relationships between the types of trigger with firm-specific characteristics is needed.

2.5.2.6 Political Risk Assessment Ratings/Models

For the purpose of this research, eight political risk ratings will be discussed briefly. These frameworks are: International Country Risk Guide (ICRG), Business Environment Risk

Intelligence (BERI), Economist Intelligence Unit (EIU), Brink's Model (BM), Political Risk Services (PRS), Control Risk Group (CRG), Euro money and S.J Rundt and Associates Inc. However, four out of the eight were selected to extrapolate risk variables and indicators from them, based on the nature of the risk variables that each represent, considering the objectives of this research. The selected political risk frameworks are: BERI, ICRG, EIU and BM. Each of these selected political risk rating has common attributes with overlapping relevant risk variables. These ratings utilise different approaches and methodologies for conducting PRA. These approaches and methods include: statistical approaches using quantitative methods by multiple regression analysis; the decision tree approach using qualitative methods; the rank ordering approaches using both qualitative and quantitative methods and judgement by experts approach using quantitative methods (Bischoff, 2010; Brink, 2004; Howell, 1998, 2002c, 2011). It is important to provide an insight into these political risk ratings for the purpose of conceptualising their applicability.

The reviewed literature indicates a number of rating organisations used mostly quantitative rather than qualitative methods to conduct PRA. It involves using a scoring guideline with a weighed applicable valued risk variable through mathematical calculation to produce these generic models and rating methodologies to determine the probability of political risk. This is achieved by theoretically linking the acts or events, resulting in business loss by establishing an index, grade or percentage of loss due to political risk. It is achieved by having a list of variables (acts or events) which are political in nature which can result into the respective business loss. According to Howell and Chaddick (1994, p.73) "the modeller would try to envision the circumstances under which events will occur". This is by projecting the circumstances under which these events transpired. The frameworks develop a list of variables of political risk and attach a 'measure of loss' index to represent loss. Most of such indices used are only estimates; therefore they cannot be generalised.

These rating methodologies and models utilise different statistical approaches using quantitative methods by using multiple regression and discriminant analyses. Likewise, the decision tree approach uses qualitative methods, but the rank ordering approach uses both qualitative and the quantitative methods and the judgement by experts approach uses quantitative methods (Howell & Chaddick, 1999; Brink, 2004). A brief insight into these political risk models/ rating methodologies is provided below.

The International Country Risk Guide (ICRG)

The ICRG was developed to provide forecasts for financial, economic and political risk in the year 1980 and in 2001, Political Risk Service (PRS) Group launched an online ICRG rating system version (Howell, 1998: PRS Group, 2015). According to PRS Group (2015) this model has an advantage of allowing users to conduct to an assessment by modifying the model to meet their specific requirements. The rating provides a rating of 22 variables, which are divided into three subcategories: political, economic and financial. A detached index is fashioned for each sub-category. The political risk index is based on 100 points while the financial and economic risk index, have 50 points each. The total points of the three indexes are divided by 2 to produce the weights for insertion in the merged country risk score between 0 – 100 points. Thereafter, the results from 80 – 100 points refer to very low risk and from 0- 49.5points refer to as very high risk (Brink, 2004; PRS Group, 2009, 2015). The political variables are composed of 12 weighted variables and both cover both political and social features as shown in Table 2.4. Four of the weighted variables are calculated based on each three sub-variables, "socioeconomic conditions-12 (unemployment-4, consumer confidence-4 and poverty-4), government stability-12 (legislative strength-4, government unity-4 and popular support -4), investment profile-12 (profits repatriation -4 contract, viability/ expropriation, -4 and payment delays – 4), internal conflict -12 (terrorism/political violence-4, civil war/ coup-4, and civil disorder -4) and external conflict -12 (cross-border conflict -4, war-4, foreign pressures-4)" (PRS Group, 2015). The total point percentage is used to indicate the level of risk in a country: very high (49.9% - 0.0%), high (59.9% - 50%), moderate (69.9%- 60%), low (79.9% - 70%) or very low (100% - 80%). (Howell, 1998, 2002c, 2011; PRS Group, 2009).

The Economist Intelligence Unit (EIU)

The EIU model is one of the ratings developed which comprise political, social, and economic variables. The EIU provides a method for weighing each variable's individual impact and its relative roles to the investor. It further provides a method for combining the risk total index in a manner as a primary indicator of the overall risk to advise a potential investor of useful directions to take in their investments (Howell & Chaddick, 1994). The EIU method was refined and the number of variables reduced while the method chose "six political variables worth a total of 50 points in weight, and four social variables worth 17 points", to construct a total risk index generally referred to as 'political risk' as shown in

Table 2.4 (Economist Intelligence Unit, 2007; Howell, 2011; Howell & Chaddick, 1994; PRS Group, 2009).

The Business Environment Risk Intelligence (BERI)

The BERI model is one of the first ratings to be developed based on a set of quantitative indices and was refined in the year 1975 (Howell, 1998). The BERI framework employs ten variables, which are divided into three categories as shown in Table 2.4. These categories are the Political Risk Index (PRI), with "10 political and social variables, the Operations Risk Index (ORI), with 15 economic, financial, and structural variables, and the R Factor, with an index covering a country's legal framework, foreign debt, foreign currency reserves and foreign exchange". These three ratings are computed to arrive at an average that is known as the Profit Opportunity Risk Index (Howell, 1998, 2002c, 2011).

Brink's Model (BM)

The BM model is one of the models comprising political, social, and economic variables with their respective indicators that reflect the comprehensive business and investment climate in a country. All the risk variables and indicators of both economic and social variables included in the model measure the single construct of political risk; thereby making the model 'unidimensional' as shown in Table 2.4. The framework was developed for measuring, as well as observing, political risk and depends largely on subjective human judgement (Brink, 2004). According to Brink (2004, p. 117) "the weights that are attributed to each risk factor and its indicators are purely subjective and an illustration of the model's built-in adaptability and flexibility, which can be adjusted to suit a client specific model". The BM recommends a balance of user ingenuity assisted with researched information in order to make it a more objective probable estimate of political risk. This implies that it requires the experience and knowledge of its users to conceptualise each risk variable and its indicators (Bischoff, 2010; Brink, 2004).

Table 2.4: Selected Ratings/Model - Variables, Indicators & Weights

Serial	EIU/Points	BERI/Points	ICRG/Points	BM
		Internal causes		
1	Bad Neighbours - 3	Political Fractionalisation - 7	Socioeconomic Conditions - 12	Socioeconomic
2	Authoritarianism - 7	Ethnic Fraction - 7	Investment Profile -12	Corruption
3	Staleness - 5	Restrictive Measures - 7	Government Stability - 12	Military in Politics
4	Corruption - 6	Mentality - 7	Internal Conflict -12	External Conflict
5	Illegitimacy - 9	Social conditions - 7	Corruption - 6	Government Stability

6	Ethnic Tension - 4	Radical Left Government - 7	Military in Politics - 6	Bureaucracy Quality
		External causes		
7	General in Power - 6	Dependant on Major Power - 7	External Conflict -12	Religions in Politics
8	War/Armed Insurrection - 20	Negative Regional Forces - 7	Religions in Politics – 6	Law and Order
		Symptoms(Political Risk)		
9	Urbanisation Pace - 3	Societal Conflict -7	Ethnic Tensions – 6	Ethnic Tensions
10	Islamic Fundamentalism -4	Instability -7	Law and Order – 6	Political Violence
11	EIU/Points		Democratic Accountability - 6	Civil Wars
12	Bad Neighbours - 3		Bureaucracy Quality– 4	Party Development
13	Authoritarianism - 7			

Source: Adapted from Howell (2001) and PRS (2015)

Political Risk Services (PRS)

Political Risk Services (PRS) use historical background, actor biographies and forecast scenarios as well as basic data on economic data and government structure to provide PRA. It establishes the likely levels of "political turmoil and of 11 types of intervention that affect the business climate" (Brink, 2004, p. 61). A consolidated series for all regimes is calculated and converted to a letter grade into three areas of instrument, such as financial transfer, direct investment and export markets (Brink, 2004; Howell, 2002c; PRSGroup, 2015).

Control Risk Group (CRG)

Control Risk Group (CRG) uses Political Risk, Security Risk and Travel Risk to provide macro level risk assessment. "Each is rated on a 5-point Likert-type scale ranging from "Insignificant risk" to "Extreme Risk". Political Risk and Security Risk take into account violent/terrorist groups, crime and border conflict/border war" (Brink, 2004, p. 58). PRS uses the Coplin-O' Leary's model for government decision-making (Brink, 2004; Howell, 2002c).

Euro money

Euromoney (Euro) uses "nine variables, namely: economic data (25%) Political risk (25%) debt indicator (10%) debt in default or rescheduled (10%), credit rating (10%), access to bank finance (5%) access to short-term finance (5%), access to capital markets (5%) and discount on forfeiting (5%) to provide qualitative assessment for countries it covers"

(Brink, 2004, p. 59). The total score is then scaled to 10 lettered categories (AAA to N/R). The PRA is a single indicator created on a 0 – 10 scale derived from country experts, brokers, and banking officials (Brink, 2004, p. 59).

S.J Rundt and Associates Inc

S.J Rundt and Associates Inc "uses three equally weighted composite indicators such as Socio-Political Risk, Domestic Economic Risk and External Account Risk to provide a systematic evaluation of country" (Brink, 2004, p. 61). The average of the composite indicators is used to create an overall country risk source. The Socio-Political risk category assesses 12 variables including stability of the government, social stability and government intervention in the economy with each weighted. The score is assigned on a 1 – 10 scale with 1 representing the best circumstance and 10 the worst (Brink, 2004).

2.5.2.7 Differences and Limitations of the Quantitative Political Risk Assessment Ratings/Models

Table 2.5 above summarises the features that differentiate the nine described rating methodologies and models. This shows the differences that limits their applicability. It is in this view that Brink (2004, p. 47) states that the "model is a simplification of reality, there will always be something missing from the final application regardless of how many times it is planned and redesigned". The limitations in the rating models and methodologies support this assertion. It is evident that most of the rating models and methodologies are for credit rating rather than political risk requirement. Therefore, examining ratings reveals some limitations that negate their potential to adequately produce a result on the assessment of investment climate in a host country.

Table 2.5: Types of Rating Methodologies and Models

Type	**Kind of Rating**	**No. of Countries Rated**	**Political Risk factors Included**	**Industry Specificity**	**From**	**Frequency**
BERI	Mostly credit	50	10	Yes	Index	3 per annum
CRG	Mostly credit	118	3	Yes	5Point likert of scale	Daily electronically
EIU	Mostly credit	100 +	22%	Yes	Letter Grades	4 per annum monthly updates
Euro Money	Mostly credit	180	25%	N	Letter Grade	-
ICRG	Political Risk	140	50%	Yes	Very low to very high	Monthly

PRS	Political Risk	106	YES	Yes	Letter grade	Monthly update complete revisions
BM	Political Risk	-	Yes	Yes	Percentage	-
SJ Rundt	Some Political Risk	-	33%	No	1 (best) to 10 (Worst)	-

Source: Howell (2001) and Brink (2004)

Some of the limitations that were observed in the quantitative methodologies by some previous studies and this study are as follows:

a. The impossibility of including every risk variable that could enhance on the profitability of foreign investment (Brink, 2004).
b. The inapplicability of applying it to a specific multinational firm, in a specific country or part of it to a specific project.
c. The inability of determining the type of losses that can affect a specific firm, since they are of different sizes in terms of value (Howell & Chaddick, 1994).
d. The differences in their design and approvals in almost every case, the operationalisation and rating or measurement of the factors lack transparency (Brink, 2004).
e. The contentious nature of grading systems and the difficulty of interpreting most of the rating models and methodologies (Brink, 2004).
f. The credibility of the data used with the rating models and methodologies.

All these assessment methods and techniques developed for conducting PRA are as wide-ranging as the sources for generating the political risk. Most of the existing methodologies and techniques being used for conducting PRA exist along a spectrum of both qualitative and quantitative methods with a mixture of subjective and objective approaches. They inevitably have both disadvantages and advantages, and there is not likely to be only one excellent methodology. According to Silverman (2011, p. 53), “like theories, methodologies cannot be true or false, only more or less useful". It implies that no methods or techniques used for PRA are more or less useful; rather they depend on the accuracy of the results obtained in the host country. To use any methodology there are parameters to be considered, but the check of the validity and reliability of the outcome obtained is significant to accomplishing a firm specific objective. Moreover, most data obtained from developing countries and used for PRA are rarely without inaccuracies and contradictions.

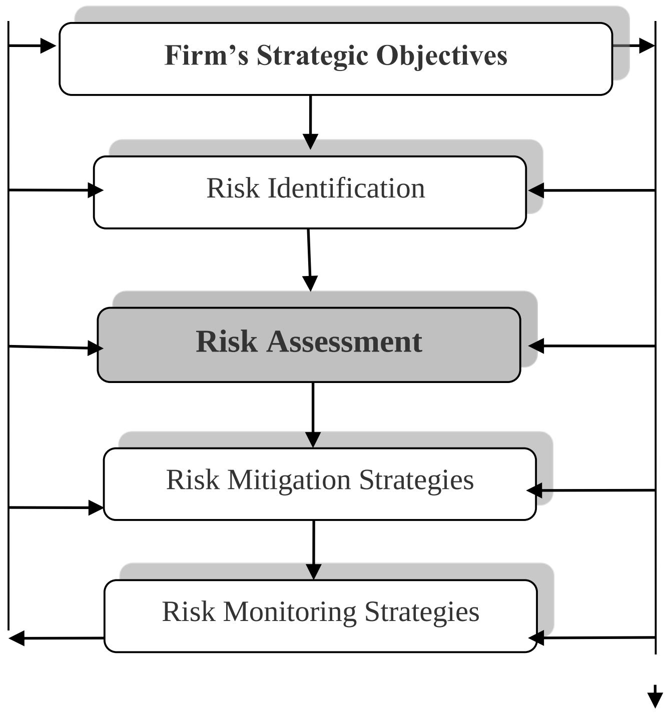
This suggests that successful management and mitigation of political risk is premised on the accuracy of a PRA report on a host country. Therefore, there is a need for a firm to consider the use of an appropriate PRA methodology before internationalising to a host country.

2.5.3 Political Risk Management Practices

Political risk management practices are part of the strategies used to manage and mitigate political risk by multinational firms to be identified by this study. It is for this reason that it will be reviewed for insights into how multinational firms have been able to manage political risk before identifying the strategies which are used. A review of a range of literature on political risk management shows an increased concern by the management of multinational firms' with differences in their practices (Al Khattab et al., 2011; Brink, 2004; Chapman & Ward, 2002; Hood & Nawaz, 2004; Miller, 1992; Lawrance, 2014; Hough et al. 2008). This is based on the fact that the cost of political risk in a host country can increase with an increasing probability of political risk. Bearing this in mind, the management of most multinational firms view the mitigation of political risk, by minimising its impact, as a critical aspect of risk management (Brink, 2004; Chapman & Ward, 2002; Hood & Nawaz, 2004). It is for this reason that PRA provides the framework that forms the basis for determining the probability of the occurrence of political risk, in order to allow mitigation and management. PRA results form the basis for most risk management actions (Nel, 2007). Hough et al. (2008, defined the management of risk is described as a managerial function aimed at protecting the organisation, its staff, assets and profits against any physical and financial consequences of event risk.

The review of previous literature on political risk management has identified four basic steps that can be used for managing political risk to achieve the strategy objective of a multinational firm (Al Khattab et al., 2011; Howell, 2002c; Lawrence, 2014; Hough et al. 2008). The four-step strategy as shown in figure 2.4, the stages of a political risk management process should involve Identification - Assessment - Mitigation - Monitoring a) identifying the political risk that a firm is likely to face in the host country, b) conducting a PRA to measure the exposure of a firm to each political risk identified considering a number of factors to determine if it is within the tolerance of a firm, c) measuring the probability of reducing the effects if the risk happens to be a reality which depends on the nature of a firm using strategy such as insurance or Corporate Social Responsibility (CSR), and d) monitoring the risk by establishing a risk management process for firms such as routines for reporting, evaluating and reviewing within a management structure.

Figure 2.1: Political Risk Management Process



Source: Adapted from Howell (2002c) and AI Khattab (2006)

According to McDaniels and Small (2004, p. 290) there are two requirements to be met to in order to mitigate and manage risk. Firstly to mitigate the risk, "risk managers need sufficient knowledge about the potential impact of the risk source under assessment and the possible consequences of the different decision options to mitigate these risks" (McDaniels & Small, 2004). Secondly, to further manage the risk, they also need "criteria to judge the desirability or undesirability of these consequences so as to determine its value" (ibid). Consequently, this implies that knowledge and the value of the political risk are important components of decision making. This is because risk management involves decisions regarding how to take account of the impact of the risk occurring over the time or on its consequences on current decisions which will accrue over the decades or centuries (McDaniels & Small, 2004).

It is in view of the above that risk management necessitates a mitigating strategy and approaches risk avoidance, risk control and risk recovery toward reducing the adverse impact of risk proportionately. However, it essentially requires adequate planning including proper administration of a risk mitigating strategy in order to possess a more predictable controlled response and an appropriate risk management policy (Chapman & Ward, 2002; Vredenburg & Garcia, 2008). The uncertainty of a risky event, as well as the probability of occurrence or potential impact, is reduced to the minimal by selecting the appropriate risk mitigating strategy. It is in this view that Walewski and Gibson (2003, p. 9) categorised the four mitigation strategies that are generally used into: “a) Avoidance - when it is not tolerable and other lower one are available for choice from several alternatives: b) Retention - when a mindful decision is made to accept the consequences of the risk should it occurs: c) Mitigation - when a process of constantly monitoring and making necessary adjustment. This process requires the development of a risk strategic plan and then monitoring the plan. This mitigation approach is the most commonly used risk management strategy: d) Transfer - when it is shared with others through joint venture, contractual shifting, insurance, bonds and warranties”.

In view of the above, identifying and analysing the severity and type of the potential political risk is a critical function of political risk management. According to Brink (2004, p. 149) “political risk management means the sum of actions foreign investors take to try to keep at acceptable levels the degree or measure of investment risk associated with activities”. To political risk management, one of the best approaches is to anticipate the risk and negotiate ahead of time as part of the entry strategy. This is due to the changing political environment of most countries and the question of honouring previous contracts, particularly when they were negotiated with previous governments. Negotiation of all conceivable areas of pitfalls of an investment agreement, buying insurance and guarantees, maintaining a mutual beneficial relationship with host governments, engaging in CSR and designing risk- reducing operating strategies to use are all elements of mitigating strategies. The investment agreement should spell out specific rights, as well as responsibilities, of both the foreign and the host country’s government on all policies or financial and managerial issues including funds flow, methods of taxation, price controls, requirements for local sourcing, arbitration of disputes and divestment planned, among others

(Lindeberg & Mörndal, 2002). However, Brink (2004) proposed that creating a conducive business environment by the host countries' government contributions to foreign investors' success was a perquisite that attracted more foreign investors for FDI as well to the country.

According to Waters (2015), part of the mitigating strategies of political risk management involves formulating a political risk policy, political risk impact-probability management and obtaining investment insurance and guarantees. Investment insurance and guarantee programmes for risk sharing meant to protect investments of multinational firms operating in other countries, which are provided by the most developed counties. Examples are the Multilateral Investment Guarantee Agency (MIGA) by the World Bank to promote FDI into emerging economies by giving insurance cover as well as resolving any dispute and the Overseas Private Investment Corporation (OPIC) operating in the US which provides insurance and guarantee to US companies investing in less developed friendly countries. OPIC insurance provides cover for risks such as currency inconvertibility risk, expropriation risk from host government, war, revolution or insurrection and civil strife against any form of damage of properties as well as business income risk coverage to provide compensation for loss incurred due to political events that cause damage to the assets of a foreign firm (Lindeberg & Mörndal, 2002).

In addition, foreign firms operating in host countries with an investment agreement still require operating mitigating strategies for political risk management. This is because the investment agreement creates an obligation on the part of both the foreign firm and the host government (Economist Intelligence Unit, 2007; Kerner & Lawrence, 2014; Quer et al., 2012). Therefore, both the foreign firm and the host government need to create between them a mutually beneficial relationship. This relationship is a prerequisite for the success of foreign investors business in any host country (Brink, 2004). It is a risk managing strategy for foreign investors in case of any change in the investment agreement that was previously agreed. The renegotiation process will require less due diligence and consideration on the initial investment agreement due to the existing mutual relationship between the two parties. However, foreign investors, as part of their operating strategies, should maximise local sourcing if possible and carry out CSR by establishing a good relationship with locals and the government (Moen & Lambrechts, 2013). Likewise, it should include utilising the brand name and trade-mark control, market and technology control, as well as obtaining loans from local financial institution as a 'counteractive response' in order to enhance bargaining power or negotiating from a position of strength any time the need arises with the country's host government (Lindeberg & Mörndal, 2002; Pahud de Mortanges & Allers, 1996).

Furthermore, an element of mitigating strategies should include pre-investment strategy in anticipation of blocked funds as a result of fund transfer and remittance restriction or for any other eventualities. The pre-investment strategy should include providing alternative conduits for transfer pricing goods, repatriating funds and services between related units of the foreign firms, lagging and leading payment, using fronting loans, creating unrelated experts and obtaining special compensations. Management of foreign firms should conduct pre-investment analysis in order to minimise such effects. The pre-investment analysis should determine the best mitigating strategy to apply, which depends on the prevailing circumstances and conditions of the host country. Therefore, there is a need for foreign firms to adequately plan and administer the appropriate risk mitigating strategy in order to have a more predictable controlled response to political risk management in any host country.

2.6 STRATEGIES FOR MANAGING AND MITIGATING POLITICAL RISK

To identify strategies for managing and mitigating political risk is to address the sixth objective of this study, a literature review was conducted. The types of strategies used by multinational firms are diverse, and are applied over a wide range depending on the host country. It also has shown that there is no best strategy for managing and mitigating political risk to use by multinational firms. This research identified twelve strategies for managing and mitigating political risk from related literatures, listed below:

a) Conducting routine political risk assessment either by own staff or by external consultants (Al Khattab et al., 2011).
b) Engaging in CSR with host governments/communities as risk- reducing operating strategies (Moen & Lambrechts, 2013).
c) Conducting pre-investment analysis in anticipation of any type of political risk (Lindeberg & Mörndal, 2002).
d) Having a risk culture in place in the firm to shape the risk management system (Chapman & Ward, 2002).
e) Using own firm's political risk management staff team for managing and mitigating risk (Vredenburg & Garcia, 2008).

f) Institutionalising political risk management into the corporate planning of the firm (Al Khattab et al., 2011).
g) Employing investment agreement with the host government as part of an entry strategy (Brink, 2004).
h) Using a diversification strategy by joint venture with local affiliates or with the host country's share stock-holders as a risk reducing measure.   .
i) Using risk rating agencies for managing and mitigating political risk (Brink, 2004).
j) Obtaining investment insurance, guarantees or loans from host countries' banks or government as a means of risk sharing (Waters, 2015).
k) Using a political risk management system with appropriate IT and other systems to support risk management processes (Waters, 2015).
l) Utilising economies of scale for cost advantage to bear the costs of political risk (Brink, 2004).

2.7 SUMMARY OF THE CHAPTER

This chapter reviewed and examined relevant literature for the purpose of conceptualising key terms central to this research. It was with the view to identify existing gaps in literature in the areas of convergences or divergences, and to create a concise understanding of the underlying conceptual and theoretical frameworks for later correlation with the analytical framework to discuss the findings of the research. The existing literature has shown that political risk has emerged as a discrete field of study in international business without a concrete theory showing cross-national business behaviour, and the responses of multinational firms' toward individual government policies that regulate them in an international business environment. This has identified the need to examine country-specific political risk factors, since multinational firms' response to different institutional regulations.

The concept of risk has shown that it needs to be clarified in terms of its context and dimension when it is being used. Risk in international business was viewed from two perspectives, since it can be considered to offer enhanced opportunities as well as unexpected potential consequences. It has been challenging in the past few decades to produce a definition of risk in the context of political risk, because it is linked with concepts such as 'political instability', 'political uncertainty' and 'country risk' in international business. The evolution of political risk was traced, classified according to its sources and it was defined as any changes in the political and business environment as a result of government actions or any condition/event that affects the probability of an investor achieving its business objectives in a host country. It is in recognition of today's political environment being so diverse, dynamic, ever-changing and its interconnectedness which has further proven the significant of PRA to multinational firms. Assessing how firms can operate successfully and profit internationally, despite the presence of political risk, has continued to gain significant attention due to the evolving political environments of most developing countries.

The objective of a "Political Risk Assessment" is to enumerate the necessary tools that multinational firms' investing in emerging markets can use to mitigate and manage political risk. This study adapted the modified Al Khattab et al. (2011) definition of PRA 'as the process of analysing and evaluating political risk before or while undertaking international business activities'. The managerial practices of PRA, such as assessment techniques, frequency of assessment, assessment responsibilities, sources of information, triggers for conducting the process, ratings models/ methodologies of assessments and management mitigating strategies surveyed, showed that practices vary within multinational firms from one context to another. A number of studies reviewed have suggested that there are cross-border differences among these managerial practices of PRA. In spite of these differences, some similarities were noticed; however no explanation was forthcoming with regards to firm-specific characteristics.

Most of the existing methodologies used for conducting political risk assessment exist along a spectrum of both qualitative and quantitative methods, with a mixture of subjective and objective approaches. They inevitably have both advantages and disadvantages, and there is not likely to be only one best methodology. Like 'theories', methodologies cannot be true or false, but only more or less useful depending on the accuracy of the results obtained. However, to use any methodology there are parameters to consider, but the test of the validity and reliability of the results obtained is critical to achieving specific objectives. This suggests that the successful management and mitigation of political risk will be based on the accuracy of the results obtained in a country using any of these political risk based methodologies. Political risk management practices and strategies used for managing and mitigating political were also discussed

CHAPTER THREE

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3.1 INTRODUCTION

This chapter aims to discuss the background to political risk and multinational firms in Nigeria. This discussion is driven by the need to create a conceptual framework that will be used to discuss the findings of the research, in order to address some of the objectives and hypotheses. To achieve this, the chapter is divided into eight main sections and sub sections to develop the conceptual and theoretical frameworks. Section 3.1 introduces the chapter, with details pertinent to its scope. Section 3.2 briefly discusses Nigeria’s profile, both politically and economically. Section 3.3 outlines the evolution of political risk in Nigeria. Section 3.4 explains possible causes of political risk in Nigeria. Section 3.5 enumerates variables and indicators of political risk in Nigeria. Section 3.6 discusses the characteristics of multinational firms in Nigeria. Section 3.7 highlights the determinants of internationalisation and how the hypotheses have been derived to understand the dynamics in the relationship between the consequences of the impact of political risk and multinational firms. Finally, section 3.8 concludes the chapter with a summary.

3.2 NIGERIA’S PROFILE

The Federal Republic of Nigeria is a country located in the West African sub-region of Africa, occupying approximately 923,768 square kilometres of landmass and is a former British colony. It lies between latitudes 04º 16’ 01’’ and 13 º 53’ 01’’ north and between longitudes 002,º 40’ and 014º, 41’ east. Nigeria is bordered to the south by approximately 800 kilometres of the Atlantic Ocean, to the north by the Republic of Niger, to the east by the Republic of Cameroon and to the west by the Republic of Benin (a map showing the geographical location of Nigeria is attached in Appendix 1). In 1914, the southern and northern part of the country was amalgamated. Nigeria is the most populous country in Africa, with a population of 163 million based on National Population Commission’s estimates. Nigeria’s population is largely dominated by three ethnic groups – Hausa-Fulani, Igbo and Yoruba (NBS, 2012a). The the Hausa-Fulani in the north, Igbo in the East and Yoruba are in the west. However, there are over two hundred other ethnic groups consisting of a wide range of population sizes. Among these are: Urhobo, Itsekiri, Bini, Ishan, Isoko, Ijaw, Ukwuani, Idoma, Igala, Igbira, Kanuri, Ibibio, Efik, Ogoni, Oron and others (NBS, 2012a; Orugbani, 2005).

Nigeria became an independent state on 1 October 1960, and became a Federal Republic in 1963. Between 1967 and 1996, several restructuring exercises were conducted to encourage development across the nation. For instance, in 1979, the constitution was amended to it presidential system in a departure from Nigeria's original adoption of a parliamentary system of government. Nigeria became independent in 1960 and the subsequent constitution of 1963 marked the formation of the presidential system of government, which was adopted by the then military government. The military ruled the country from 1966 to 1979 and from 1983 to 1999 (totaling 28 years) before finally handing over power to a democratically elected government. The military involvement in politics has contributed to the present state of Nigeria's politics (Amuwo, 1998; Dudley, 1982; Orugbani, 2005).

Currently, according to NBS, (2012a, p. 5). "Nigeria is a federation of 36 states comprising of a total of 774 Local Government Areas and the Federal Capital Territory (FCT), Abuja. Nigeria's 36 states have been regrouped into six geopolitical zones - North-Central zone, North-East zone, North-West zone, South-East zone, South-South zone and South–West zone". (A map of Nigeria showing the 36 States and six geopolitical zones is attached as Appendix 2). This arrangement is commonly accepted and used by the political class to facilitate a balance in the appointments and nominations within parties and governments to reflect the Federal Character. Since Nigeria has practiced the presidential system of government, which has three arms: executive, legislative and judiciary for the separation of powers at the federal and state levels respectively (Amuwo, 1998; Kalu, 1955). However, the way powers are separated among these arms of government in the country has been a source of debate. It is against this background that political risk in Nigeria will be discussed.

3.3 POLITICAL RISK IN NIGERIA

There is a limited, but rapidly, growing literature regarding political risk in Nigeria. Since the amalgamation of the country in 1914, it has undergone a series of transformations that have shaped and reshaped its political landscape. Subsequently, after her independence in 1960, a number of political and economic reforms were introduced by both the military and democratic governments that had consequences for multinational firms (John, 1997; Umoren, 2001). Political risk started to emerge in the country after 1966 with the staging of a military coup, and then a civil war occurred from 1967 to 1970. Then from 1972, the government introduced a succession of policies that led to the nationalisation of a number of multinational firms, coupled with a number of military interventions in the government, as well as different political and religious crises (Babawale, 2001; Bienen, 2003; Onapajo, 2012; Orugbani, 2005). Presently, the increasing wave of terrorism, high level of corruption, high rate of unemployment, inadequate infrastructure, poor legal system and the unstable situation of the oil rich Niger Delta region have been reported in the country (Aon, 2014; Wafure & Nurudeen, 2010). The country's economy is also growing with an increasing inflow from FDI (WorldBank, 2013).

The country is divided along cultural, ethnic, language and religious lines within her different geographical regions. Religion and ethnicity permeates the cultural, social and political, as well as the economic, life of the citizens (Bienen, 2013; Igwara, 2001; Onapajo, 2012). There are different regional ethnic militia groups that exist across the country, such as the Movement for the Emancipation of the Niger Delta (MEND) in the south, the Movement for the Actualisation of the Sovereign State of Biafra (MASSOB) in the east, the Odua People's Congress (OPC) in the west part and 'Boko Haram' in the north part (Babawale, 2001). 'Boko Haram' is a terrorist group, whose actions have led to the deaths of many, and has resulted in the declaration of a state of emergency in three northern states (Bienen, 2013; Danjibo, 2009). According to Nigerian National Bureau of Statistic (2012b, p. 11), 'despite the growth of the Nigerian economy, ironically, the percentage of Nigerians living in poverty is on the increase'. The report demonstrated that the percentage of the poverty rate of the population increased considerably during the period 1980 to 2010, with the northern part having the highest percentage. In research conducted by the World Bank on the Investment Climate Assessment Report 2012, it was reported that in 26 states, investors in Nigeria lost 10 percent of their revenue due to poor infrastructure, crime, corruption and insecurity (Iarossi & Clarke, 2011). It also reported that 80 percent of firms offer bribes to government officials for one reason or another. Therefore, it is in this setting that the determinants of political risk will be deduced and interrelated to identify their impact on multinational firms.

3.4 CAUSES OF POLITICAL RISK

The causes or features of political risk are contributing variables or factors that can be used to determine the extent of the stability of a political environment, especially in developing countries. The resulting effects of these causes are without consequences in a political environment if they are not considered or checked, adequate or balanced, controlled or improved. One of the criteria that will be used to select the causes of political risk will be based on knowledge of the observed setting of a political environment (Brink, 2004; Rarick, 2000). These causes or factors are associated with economics, socio-economic and social variables, and can cause a political environment to undergo changes intermittently. The resultant changes of these factors can lead to events or conditions that cause unexpected changes in a political environment and/or changes of government actions. These factors are prevalent in most developing countries, because their political and economic systems have largely remained stymied over the period studied (Tordoff, 2002). Likewise, ideological, ethnic and religious cleavages are inherent in the political environments of most African countries. It is based on these premises that these causes of political risk can be derived. Therefore, there is a need to identify these causes of political risk in order to determine their implications for Nigeria.

There are causes or factors that contribute towards the existence of political risk in different forms in most developing countries. These causes are the determinants of political risk and should be viewed as likely to change over time, since the socio-economic and political situation of a country may continue to improve or deteriorate. Most developing countries, such as Nigeria, share common attributes that cause political risk to emerge. These factors can be used to assess the political environment of Nigeria in an attempt to understand the likely political risk that can emerge, so that businesses can adapt and work around them. The existence of these attributes and their attendant consequences causes various forms of risk variables to manifest themselves in the business environment of the country. The conceptualisation of these causes is significant in understanding how these risk variables and indicators emerge in the business environment, as well as understanding how risk can be mitigated or managed. Consequently, to conduct PRA in Nigeria, there is the need to identify causes or features of political risk. It appears that no previous studies have used these factors and attributes to explain this problem, based on an understanding of the observed setting of a given political environment, nor have they studied how political risk (and risk variables and indicators) emerge. These causes include religion, value system, per capita income, ethnicity, bureaucratic quality, political structure, military intervention / government change and constitutional pitfalls. These causes shall be briefly highlighted and later investigated to determine their respective impacts or consequences in relation to international investment in Nigeria.

3.4.1 Religion

Religion has been a significant factor in the political evolution of most developing countries, especially in countries where there are several religions. There are developing countries whose laws are based on the religion of the state, with a resultant effect on certain businesses. Nigeria is multi-religious with history of religious conflicts especially in the northern part of the country (Kendhammer, 2013; Onapajo, 2012; Uzoma, 2004). Religion permeates the cultural, social, political and economic life of the people, making them to be divided along religious lines. Likewise, the mixture of religion and politics is prevalent for economic gain and political power in the country. The desire of a religious group to express its own identity prompts religious sentiment, which has been one of the most common sources of conflict in the country (Falola, 1998; Kukah, 1993). There seem to be no previous studies that have taken the religion of a developing country-specific characteristic into account to explain how it causes political risk. However, several studies conducted on Nigeria have shown that the country has witnessed a number of religious conflicts especially in the northern part of the country (Aleyomi, 2012; Bello & Fawole, 2011; Kendhammer, 2013; Kukah, 1993; Meagher, 2013; Oguntola-Laguda, 2008; Onapajo, 2012; Salawu & Hassan, 2011; Suberu, 2009; Uzoma, 2004). Consequently, religion is considered one of the likely causes of political risk in Nigeria.

3.4.2 Value System

The value system determines what is proscribed in a society. Every society presumes that the attributes of values it has enunciated for its members are eternal principles, which are immutable and timeless. The value system classifies certain acts and patterns of behaviour in a society, in accordance with its own ethical considerations. These classifications form the ethics and morals of the society in question (Aluko, 2002; Okigbo, 1993). However, certain circumstances may lead to the degeneration of these classifications by the society, due to poor leadership, corruption and poverty, among other issues which are highly witnessed in Nigeria. The quality and lack of values, such as integrity, honesty, hard work, moderation and humility, puts every other principle of conduct into risk in the country. It is for this reason that a high rate of corruption has been reported in the country (Agbiboa, 2013b; Alenoghena & Evans, 2015; Ochulo, Metuonu, & Asuo, 2011; Ogaboh, Agba, & Coker, 2010; Smith, 2010; Uma & Eboh, 2013). The degeneration of these values has the consequence of creating a systemic failure that has a resultant effect on the operation of the business environment in the country. It appears that no previous studies have taken the value system of a developing country-specific characteristic into account to explain how political risk emerges. However, a number of studies on Nigeria have reported how poor value system has resulted in a high rate of corruption which is affecting doing business in the country (Agbiboa, 2013b; Alenoghena & Evans, 2015; Aluko, 2002; Bakare, 2011; Ochulo et al., 2011; Ogaboh et al., 2010; Okigbo, 1993; Okoosi-Simbine, 2011; Smith, 2010; Uma & Eboh, 2013). It is therefore, for these reasons that value system in Nigeria is suggested as one of the feasible causes of political risk in the country.

3.4.3 Ethnicity

The existence of multi-ethnic groups is a potential major source of political risk. The competing demands for state resources, as well as political power, often create tension and agitation among the different ethnic groups (Igwara, 2001; Nnoli, 1978; Rarick, 2000). These situations are common causes in most developing countries, where the interests of some ethnic groups are not taken into consideration. With regards to the presence of multi-ethnic groups in Nigeria, there have been issues of inter-ethnic rivalry due to economic and political differences and interests. They have has been responsible for some of the conflicts between the minority and majority ethnic groups which have been witnessed in the country (Ajayi, 2014; Ebegbulem, 2011; Oladiran, 2013; Salawu & Hassan, 2011). It appears that no previous studies have taken the ethnicity of a developing country-specific characteristic into account to explain how political risk emerges. However, a number of studies on Nigeria have shown that ethnic issues have resulted to some of the conflicts that have happened in the country (Ajayi, 2014; Anugwom, 2000; Ebegbulem, 2011; Igwara, 2001; Kalu, 2004; Nnoli, 1978; Oladiran, 2013; Osaghae, 1998; Salawu & Hassan, 2011; Ukiwo, 2003). Hence, it is against this backdrop that ethnicity can be considered as one of the possible causes of political risk in Nigeria.

3.4.4 Per capita Income

Per capita income is indicative of the living conditions of an average citizen in a given country. The per capita income can be high or low depending on the minimum wage, as well as productivity of the economy and its impact on the average citizen of that country (Ake, 1985b; John, 1997; Olaloku, 1979). A low per capita income indicates that most of the people are living in poverty, which increases the crime rate in a country. In Nigeria, concerns of low per capita income have been reported. It was stated by the Nigerian National Bureau of Statistics that the percentage of the poverty rate of the population has increased considerably (NBS, 2012b, p. 11). It is responsible for some of the social problems, crimes and political unrest that have been witnessed in the country (Anyanwu, 2010; Okoroafor & Nwaeze, 2013; Olofin, Adejumo, & Sanusi, 2015; Uma, Eboh, Obidike & Ogwuru, 2013). Several studies on Nigeria have shown that there is a high poverty rate in the country (Akinbobola & Saibu, 2004; Anyanwu, 2010; Appleton, McKay, & Alayande, 2008; NBS, 2012b; Okoroafor & Nwaeze, 2013; Olofin et al., 2015; Uma et al., 2013). Thus, it is for these reasons that per capita income is suggested to be one of the probable causes of political risk in Nigeria.

3.4.5 Bureaucratic Quality

The quality of the bureaucracy determines the strength of the institutions and the frequency of changes in the country in terms of revision of policies and making new policies, which is especially true when there is a change in government or leadership in any government organisations. There have been cases of political interference in bureaucratic decision making which consequences have affected the quality of governance in Nigeria (Aluko & Adesopo, 2004; Arowolo, 2010; Okotoni, 2001). There are situations where excessive bureaucracy exists, creating a long process of doing business and other unethical practices that increase business costs due to corrupt practices in a country (Aluko & Adesopo, 2004; Arowolo, 2010; Lawal & Tobi, 2006; Okotoni, 2001). This often results in negative consequences for multinational firms doing business in the country. It appears that no previous studies have taken the quality of bureaucracy of a developing country-specific characteristic into account to explain how political risk emerges. There have been attempts by some studies on Nigeria to explain how bureaucratic quality issues have been one the challenges in the country (Aluko & Adesopo, 2004; Arowolo, 2010; Eme & Ugwu, 2011; Epelle, 2011; Lawal & Tobi, 2006; Okotoni, 2001; Onyekwelu, Okpalibekwe, & Dike, 2015). Consequently, it is against this background that the quality of bureaucracy due to weak government institutions is likely to be one of the causes of political risk in Nigeria.

3.4.6 Political Structure

The political setting of a country determines its political stability. A perceived structural defect and institutional deformity affects the collective identity of its people. In some developing countries, the structure is threatened by a dissatisfied group in society due to lack of representation in the government of the country. The political structure spelt out in the constitution of the country covers a wide range of competing values, ideas, interest, persons and resources. This also translates as who gets what, when and how. Most developing countries still have political structures that are weak and defective, as well as which marginalise some groups (Amuwo, 1998; Kalu, 1995; Falola & Heaton, 2008). However, a number of studies on Nigeria have shown that her political structure is one of the challenges of the country (Amuwo, 1998; Dudley, 1966, 2013; Falola & Heaton, 2008; Joseph, 2014; Kalu, 1955; 2008; Sklar, 1965). It appears that no previous studies have taken the political structure of a developing country-specific characteristic into account to explain how political risk emerges. Some of the political instabilities that have been experienced in the country are as a result of her political structure. Hence, it is in view of this that the political structure of Nigeria is suggested to be one of potential causes of political risk.

3.4.7 Military Interventions/Unstable Government Change

The rate of unstable government changes and military intervention in the affairs of governance thereby creating political instability are witnessed more in developing countries than in developed ones. The history of the military in politics is one of the attributes of political risk in most developing countries. Changes in government have significant implications for the business environment due to policy changes that often accompany changes in government (Sottilotta, 2015). The eventual military take-over from an elected government changes the policies of the former government. The tendency for the military to intervene in the affairs of governance is a source of political risk in some developing countries, especially where there is a history of military intervention. Nigeria witnessed military interventions and unstable government change for about twenty eight years from 1966 to 1979 and from 1983 to 1999. The military involvement in politics contributed to the present state of Nigeria’s politics (Amuwo, 1998; Dudley, 1982; Orugbani, 2005). There seems to be no previous studies that have taken the military intervention/unstable government change of a developing country-specific characteristic into account to explain how it causes political risk. A number of studies on Nigeria have shown that the past military involvement in governance is without consequences for the country (Amuwo, 1998; Dudley, 1982; Ikpe, 2000; Odetola, 1978; Ogaba Agbese, 1996; Orugbani, 2005). Consequently, it is for this reason that the country has a history of military interventions and unstable government that it is hinted to be one of the probable causes of political risk in Nigeria.

3.4.8 Constitutional Pitfalls

The constitution of a country provides the foundation, as well as the mechanism, for the distribution of power, authority and incentives of citizenship. It plays an important role in the political stability of a country (Tushnet, 2012). The failure of most developing countries to ensure that their constitutions and other statutory laws adapt to the realities of their circumstances is responsible for some of the conflicts they have experienced. History has shown that the provisions of a country's constitution have a role to play in how its citizens are governed and how the rule of law is to be applied (Kalu, 2008, 2004; Obasanjo, 1989; Okigbo, 1993). There have been agitations for a constitutional review in Nigeria, premised on the grounds that the present amended one was drafted by previous military governments and it does not adequately address the aspirations of the citizenry. Some of the contentious issues and conflicts that have been experienced in the country have been attributed to constitutional pitfalls (Kalu, 2004; Obasanjo, 1989; Ogowewo, 2000). There seem to be no previous political risk studies that have taken the constitutional pitfalls of a developing country-specific characteristic into account to explain how it causes political risk. Though a number of studies on Nigeria have shown that the country has experienced some challenges as a result of her constitution, that was drafted mainly by preceding military governments before this democratic era (Ilesanmi, 2001; Kalu, 2004; Obasanjo, 1989; Ogowewo, 2000; Oviasuyi, Idada, & Isiraojie, 2010; Read, 1979; Yakubu, 2000). It is therefore in view of this, that constitutional pitfalls is suggested to be one of feasible causes of political risk in Nigeria.

3.5 POLITICAL RISK VARIABLES AND INDICATORS

A variable is any measurable concept that can take a role with more than one value in a research situation and plays the nature of the value it assumes. It can be a dependent or independent variable, depending on the nature it assumes in causing other variables to occur, or depending on the changes it can cause to other variables. Therefore, a variable makes it possible to bring an observed problem to a measurable or testable level during research (Fagbohungbe, 1993). It is in view of this that variables arising from political risk were derived and are termed as ‘risk variables’ to assume a measurable value in determining political risk. One of the criteria for selecting the risk variables for PRA is based on knowledge of the observed problem to be measured, which provides information that represents the risk to be measured and assumes more than one value (Bjelland, 2012; Brink, 2004). The reason for assuming more than one value is because political risk is not based on politics alone, but also in economics, socio-economic, social and environmental factors; and these factors are continually undergoing changes. The resultant changes lead to events whose discrete occurrences are transforming the environment. This, therefore, necessitates detailed identification of the types of risk variables that exist in Nigeria.

The variables used to signify changes that could result in political risk in a country are referred to as risk indicators. These risk indicators include any set of circumstances which influence the occurrence of a political risk event. Each type of political risk has one or more indicators that cause it to exist in various forms or degrees. However, according to Brink (2004, p. 77) it is “not always easy to find risk indicators that retain the same meaning from country to country”. This necessitates a rationale for determining the relationship between the factors and their indicators in any host country. It is these risk indicators that cause political risk that a number of variables that have been identified are weighed, scored and calculated to determine the degree of complexity of the risk. Through this, the risks which foreign investors’ face in a host country can be approximated (Brink, 2004).

The choice of political risk indicators is based on the interrelatedness of political, social and economic phenomena in Nigeria. This suggests that political risk indicators do not originate from only political events, but also from socio-cultural, socio-economic and socio-political characteristics and the historical trends of any country. However, some risk indicators can easily be measured to know their values, such as inflation rate, GDP, interest rates and unemployment amongst others, while others are not easily measurable; for instance, level of illiteracy, government legitimacy and political will. This difference causes a problem in analysis, matching empirical measurement with theoretical measurement to determine the probability of a political risk. It is pertinent to state that in most developing countries, these values cannot easily be measured to determine risk intensity (Brink, 2004). It is the existence of these risks indicators and their attendant consequences that cause various a number of variables and indicators of political risk to manifest in the business environment. Therefore, there is a need to identify the risk indicators that prevail in a particular host country in order to determine the extent of the effect of political risk.

According to Kesternich and Schnitzer (2010) "identifying the variables that exist in a particular country enables multinational firms to distinguish the prototypes of political risk that exist and their probability". Most of the risk variables and indicators in the PRA ratings appear generic as described in sub-section 2.5.2.6. Although some may appear as 'major' they are by no means less important than others, depending on the country in which they are used for PRA. It is pertinent to state that the PRA ratings have overlapping risk variables and indicators in common. Therefore, investigating the significant risk variables and indicators that are applicable in the context of political risk in Nigeria is one of the objectives of this study.

3.5.1 Political Risk Variables

The selected PRA ratings described in sub-section 2.5.2.6 have overlapping relevant risk variables that this study has identified to be used in a Nigeria-specific context. This is based on number of earlier studies (Brink, 2004; Howell, 2002c; PRSGroup, 2015;Economist Intelligence Unit, 2007; Howell & Chaddick, 1994). To address one of the objectives of this study, political risk variables will be discussed below to identify those that can be used for forecasting political risk in a Nigeria-specific context.

3.5.1.1 Corruption

Corruption is one of the risk variables recognised by almost all the PRA ratings and its implications have been reported in a number studies on Nigeria (Agbiboa, 2013b; Alenoghena & Evans, 2015; Aluko, 2002; Bakare, 2011; Ochulo et al., 2011). Corruption distorts the financial and economic environment; thereby reducing the competency of government, as well as business, by enabling individual to assume positions of power through other means, rather than in their ability. It introduces an inherent instability into the political process. It involves demands for specific payment and bribes, making it difficult to conduct business effectively. Its popularity often leads to the breakdown of law and order, rendering the country ungovernable, which can lead to a justification for change or cause a desire to overthrow the government. Therefore, corruption as a political risk variable will make it possible to determine if its level is high or low to forecast its consequences for multinational firms in Nigeria. (Ogaboh et al., 2010; Okigbo, 1993; Okoosi-Simbine, 2011; Smith, 2010; Uma & Eboh, 2013).

3.5.1.2 Democratic Accountability

Democratic accountability is one of the risk variables included in most of the PRA ratings and its concerns have has been reported in some studies on Nigeria (Agbiboa, 2013b; Alenoghena, & Evans, 2015; Uma & Eboh, 2013; Eguae-Obazee, 2014). Democratic accountability is attributed as the measure of responsiveness of the government to the people it governs. It introduces an inherent instability into the democratic setting, because the government becomes generally receptive. The less accountable the government is, the more likely it stands to fail or fall. Hence, democratic accountability as a political risk variable makes it probable to predict its consequences for multinational firms operating in Nigeria (Agbiboa, 2013b; Alenoghena, & Evans, 2015; Okoosi-Simbine, 2011; Uma & Eboh, 2013; Eguae-Obazee, 2014).

3.5.1.3 Ethnic and Political Tensions/ Conflicts/ Ideological Cleavages

Ethnic and political tension is one of the risk variables recognised by most of the PRA ratings and its concerns have been reported by some studies on Nigeria (Ajayi, 2014; Bello & Fawole, 2011; Ebegbulem, 2011; Kalu, 2004; Oladiran, 2013; Salawu & Hassan, 2011). These tensions and divisions in society are well known predicators of political turmoil, which can result in political risk. This can create different types of tensions that can affect the ability of government to carry out meaningful development in a country (Igwara, 2001). Consequently, ethnic and political tension/conflicts as a political risk variable will make it possible to forecast its consequences for multinational firms in Nigeria (Anugwom, 2000; Ebegbulem, 2011; Kalu, 2004; Nnoli, 1978; Oladiran, 2013; Osaghae, 1998; Ukiwo, 2003).

3.5.1.4 Quality of Bureaucracy

Bureaucratic quality is one of risk the variables recognised by most of the PRA ratings and its challenges have been reported by some studies on Nigeria (Eme & Ugwu, 2011; Epelle, 2011; Okotoni, 2001; Onyekwelu et al., 2015)**.** The quality of bureaucracy refers to how strong institutions of government are, in terms of consistency and sustainability of its policies as one government changes to the other. Bureaucratic quality determines the frequency of changes in policies and interruptions in government services. The rates of these changes in fiscal and monetary policies have an adverse effect on foreign investors (Brink, 2004; Howell, 1998). Therefore, bureaucratic quality as a political risk variable will make it possible to forecast its consequences for multinational firms in Nigeria (Aluko & Adesopo, 2004; Arowolo, 2010; Epelle, 2011; Lawal & Tobi, 2006; Okotoni, 2001).

3.5.1.5 Military Intervention in Governance

Military intervention in governance is one of the risk variables recognised by most of the PRA ratings and its implications have been reported by some studies on Nigeria (Amuwo, 1998; Dudley, 1982; Ikpe, 2000; Ogaba Agbese, 1996; Orugbani, 2005). The military in politics is attributed to the tendency of the threat of an eventual military take-over from an elected government to change its policies or cause it to be replaced by another government with more amenable wishes. In a situation where the government cannot function properly, it makes it difficult for foreign investors to operate. EIU, BERI, ICRG and BM included it among its risk variable (Brink, 2004; Howell, 1998). Hence, military intervention as a political risk variable makes it probable to predict its consequences for multinational firms operating in Nigeria (Dudley, 1982; Ikpe, 2000; Odetola, 1978; Orugbani, 2005).

3.5.1.6 Religious Fundamentalism/Religion in Politics/Terrorism

Religion is one of the risk variables recognised by most of the PRA ratings and its consequences have been reported by a number of studies on Nigeria (Aleyomi, 2012; Bello & Fawole, 2011; Kendhammer, 2013; Meagher, 2013; Omede & Omede, 2015; Onapajo, 2012). State and/or politically inspired religious fundamentalism and related terrorism can result in political risk in a country. They are variables that indicate the level of potential insecurity and violent acts targeted against civilians for political or religious objectives. Most frameworks include this variable in their analyses. Nigeria has witnessed a number of religious conflicts in the past, especially in the north part of the country. Consequently, religion as a political risk variable will make it possible to forecast its consequences for multinational firms in Nigeria (Bello & Fawole, 2011; Kukah, 1993; Meagher, 2013; Oguntola-Laguda, 2008; Omede & Omede, 2015; Onapajo, 2012; Salawu & Hassan, 2011; Suberu, 2009; Uzoma, 2004).

3.5.1.7 Socio-economic Conditions

Socio-economic conditions is one of the risk variables recognised by most of the PRA ratings and its implications have been reported by several studies on Nigeria (Anyanwu, 2010; NBS, 2012b, 2015; Okoroafor & Nwaeze, 2013; Olofin et al., 2015; Uma et al., 2013). Socio-economic condition determines the rate of unemployment, crime rate, illiteracy rate, interest rate and state of infrastructure among others. It measures the quality of life of the people and determines the people's satisfaction with the government (Brink, 2004; Howell, 1998). Therefore, the better the socio-economic conditions of the citizens of a country, the lower the crime rate and the more likely it is that the government's policies can be sustained for a longer period. On the contrary, poor conditions of citizenry can impact negatively on the government and cause it to make changes in its policies. Therefore, socio-economic condition as a political risk variable will make it possible to forecast its consequences for multinational firms in Nigeria (Akinbobola & Saibu, 2004; Appleton et al., 2008; NBS, 2012b, 2015).

3.5.1.8 War and Armed Insurrection

War and armed insurrection is one of the risk variables recognised by most of the PRA ratings and its impacts have been reported by studies on Nigeria (Agbiboa, 2013a;Babatunde, 2013;Badmus, 2010; Bischoff & Lambrechts, 2010). War and armed insurrection can have major consequences on investment of firms in a country. This often leads to the destruction of business facilities and the disruption of the economic activities. It is one of the variables of political risk that has the greatest impact on firms. Nigeria, has witnessed armed insurrections by the Niger Delta militias, Boko Haram terrorist group and other groups in the past. Hence, war and armed insurrection as a political risk variable makes it probable to predict its consequences for multinational firms operating in Nigeria (Agbiboa, 2013a; Babatunde, 2013; Badmus, 2010; Bischoff & Lambrechts, 2010; Hazen, 2009).

3.5.1.9 Monetary and Fiscal Policies

Monetary and fiscal policy is one of the risk variables recognised by most of the PRA ratings and its challenges have been reported by a number of studies on Nigeria (Abata, Kehinde, & Bolarinwa, 2012; Audu, 2012; Ezeabasil, Mojekwu, & Herbert, 2012; Ogbole, Amadi, & Essi, 2011). Monetary and fiscal policy is attributed to the ability of the government to form policies which will create wealth and maintain a strong financial base to meet its future financial obligations. This includes policies that will boost the economy, GDP, interest rates, monetary stability and the inflation rate among others (Brink, 2004). The failure of the government to form the best policy that will lead to economic growth has the tendency to cause instability in its monetary and fiscal policy, which causes high inflation or depreciation of its currency (Abata et al., 2012; Ajisafe & Folorunso, 2002; Audu, 2012; Babalola & Aminu, 2011; Ezeabasil et al., 2012; Ogbole et al., 2011).

3.5.2 Political Risk Indicators

This study has identified, from the political risk variables, indicators that are to be used for forecasting political risk in the context of Nigeria. Some of them can be measured, estimated or predicted based on their rate or frequency of occurrence. A number of political risk indicators identified to be investigated in the context of Nigeria are shown in Table 3.1 below (see Glossary: political risk indicators).

Table 3.1: Political Risk Indicators

Serial	**International country Risk Guide ICRGs**	**Business Environment Risk Intelligence (BERI)**	**Economist Intelligence Unit (EIU)**	**Brink's Model BM**
Sub-heading	**Socioeconomic Conditions**	**Internal causes**	**General**	**Socioeconomic**
1	Unemployment Rate	Political Fractionalisation	Bad Neighbours	Corruption
2	Poverty Rate	Ethnic Fractionalisation	Authoritarianism	Military in Politics
3	Physical Infrastructure	Level of Marginalisation	Government Policy	
4	Illiteracy Rate	Distribution of Resources	Government Budget	
5	Crime Rate	Social conditions	Corruption	

6	Corruption level	Public Accountability	Illegitimacy	Government Stability
7	Population Growth	Opposition Government	Ethnic Tension	Bureaucracy Quality
Sub-heading	**Financial Profile**	**External causes**	**General**	**External Conflict**
8	Inflation Rate	Negative Regional Forces	Fiscal Prudence	Religions in Politics
9	Interest Rate/Banking system	hostile power Dependent	General in Power	Law and Order
10	Economic Growth/GDP		Armed Insurrection	Ethnic Tensions
11	Balance of Payments			
	Political Profile			
12	Religions in Politics	Societal Conflict	Urbanisation Pace	Political Violence
13	Ethnic Tensions	Instability	Religious Intolerance	Civil Wars
14	Judicial system	Militia Groups	Terrorism Rate	Party Development
15	Democratic Accountability			
16	Bureaucracy Quality			Democratic Process
17	Military in Politics			

Source: Howell (2001) and PRS (2015)

Political risk has a number of risk variables and indicators that cause them to exist to various degrees. This suggests that there is a relationship between the types of political risk and these variables and indicators. If the variables and indicators used for forecasting political risk in Nigeria are identified, their consequences for multinational firms can be ascertained for decision making. It is thus important to determine if and when these risk variables and indicators increase the possibility of political risk as well or vice versa when it decreases. Therefore, there is a need to determine the relationship between risk variables and indicators and types of political risk in Nigeria. Based on this premise, a hypothesis is formulated in the context of Nigeria.

H1: There is a positive relationship between risk variables and indicators and types of political risk

3.6 MULTINATIONAL FIRMS IN NIGERIA

To address the fifth objective and second hypothesis, this section discusses multinational firms in Nigeria in order to determine their characteristics and their relationships between their determinants of internationalisation. The term ‘international business’ is used to describe all types of business activities that are carried out by firms or governments, between two or more countries in the same region, or across different regions beyond their political boundaries. This means expanding the activities of a domestic business involvement in another country or countries to exploit new opportunities for profitability. It implies that domestic business is an extension of international business, which can be conducted by exporting, Foreign Portfolio Investment (FPI) or FDI. Similarly, international business could take the form of owning a subsidiary firm fully, or by joint venture, licensing/franchising or management/manufacturing contract (Czinkota, Ronkainen, Moffett, Marinova & Marinov, 2009; Hill, 2014; Hill & Jain, 2013; Rugman & Collinson, 2012; Tayeb, 2000). International business differs from domestic business, in that operating across borders involves contending with domestic, foreign and international forces in these business environments. It is among these domestic forces affecting international business that political risk exists, which differs from country to country (Czinkota et al., 2009; John et al., 2008; Tayeb, 2000). Even domestic firms are not entirely free from foreign and international environmental influences, due to competition, technological advancement and labour expertise, especially from multinational corporations or enterprises (MNCs) or (MNEs). Therefore, firms whose business activities are located or in which operate in two or more countries are referred to as multinational firms.

Although there is a dearth of literature on multinational firms in Nigeria, multinational firms have been investing in Nigeria even before the country gained independence in 1960. The Nigerian investment climate was under foreign control, because foreign investors dominated the ownership and management of firms in the country. A number of MNCs such as Shell, John Holt, Patterson Zocohonis (PZ) and the Swiss Union Trading Company (UTC), Societe Commercial de I'Quest African (CFAO) and Barclays Bank (and others) have invested in Nigeria. However, in the past, it was only the government who was involved in the internationalisation of business in Nigeria. The government conducted international trade by exporting crude oil and agricultural products such as groundnuts, cocoa, and cotton to other countries (Ake, 1985a, 1985b).

It was not until 1972 that this trend changed, when the Nigerian government promulgated an enterprise promotion act with two schedules. This act was called the Indigenisation Policy Act, and was aimed at promoting local participation in the economy (Ake, 1985b; John, 1997). This act was later amended to three schedules in 1977, and further revised in 1981. The promulgation of the act led to the nationalisation of some foreign firms in the banking and oil sectors, with the Federal Government acquiring 40 to 60 percent shares.

Subsequently, the Act was reviewed due to improper implementation, poor management and strategy, low investor knowledge, fragmented share liquidity structure and politicisation. To encourage foreign capital inflow, the government further amended the act in 1989, with the exemption of the banking, insurance, petroleum and mining sectors while other businesses not contained in the list of scheduled business were now open for 100% of Nigerian or foreign participation (Ake, 1985b; John, 1997; Olaloku, 1979). These nationalisation polices affected the ownership and the control of multinational firms in various ways; however, some oil firms with political influence were partially favoured by the government (Frynas & Mellahi, 2003). Hence, it resulted in a drop in the number of foreign investors coming into the country.

Subsequently, this led to the introduction of a privatisation policy, with the establishment of the Bureau for Public Enterprise (BPE) in 1994 by the federal government. This was done to relinquish and limit the government and its agencies' involvement in the management of the enterprises (whether wholly or partly owned) by deregulation through the CAP 369, Laws of the Federal Republic of Nigeria (Ake, 1985a, 1985b). This was to create a self-sustaining culture with goods and services which reflected real values, as well as to encourage more foreign investors into the country. This led to the promulgation of the Companies and Allied Matters Act in 1990 by the Federal government and the establishment of the Corporate Affairs Commission, who were charged with registering, regulating and supervising the formation and incorporation or the winding-up of companies doing any form of business in Nigeria (Ake, 1985b; John, 1997). However, despite these policy interruptions, the number of multinational firms coming into the country has been on the increase. This is because the Nigerian government has been reforming its policies to offer incentives to encourage more foreign investors into the country. (The list of selected multinational firms in Nigeria is at Appendix 3).

3.6.1 Characteristics of Multinational Firms in Nigeria

Multinational firms are usually entities that operate in two or more countries with their headquarters in one country - mostly where they originated from before expanding business activities to other nations. The headquarters is known as its operation base from where other affiliates in other countries are controlled. They have certain features that are used to characterise them based on their type of investment (business involvements), type of industry, size (in terms of assets and number of employees), mode of entry, and their level of internationalisation in terms of number of operating countries and number of years operating (Cantwell, Dunning, & Lundan, 2010). These characteristics are used to distinguish each other and in the different countries in which they operate. Most previous studies have used different types of criteria to characterise multinational firms in diverse contexts (Dunning & Mucchielli, 2003; Hill & Jain, 2013; AI Khattab et al., 2011). Four classifications to be used as criteria in this study to characterise multinational firms in Nigeria are their type of business international business, entry mode, type of industry, and size (in terms of assets and number of employees).

3.6.1.1 Type of International Business Involvement

Previous studies have shown that multinational firms have different types of international business involvements (investments), which they can be involved in during international business. They can be engaged in exporting, importing, FDI or portfolio investment (Andersen, 1993; Clark, Pugh, & Mallory, 1997; Griffin & Pustay, 2013; Hill, 2014; Rugman & Collinson, 2012; Tayeb, 2000).

3.6.1.2 Entry Mode

A number of studies have identified different modes of entry by which multinational firms conduct business, such as by owning a subsidiary firm, by joint venture, by licensing or franchising, contract management or manufacturing and or by having a branch/office (Anderson & Gatignon, 1986; Czinkota et al., 2009; Griffin & Pustay, 2013; Harrison, Dalkiran, & Elsey, 2000; Hill, 2014; Tayeb, 2000).

3.6.1.3 Type of Industry

Multinational firms' business activities cut across a number of types of industries, such as manufacturing, petroleum and gas, banking, insurance and construction. Others include communication, mining, transportation and agriculture. However, this research has characterised multinational firms in Nigeria into six types of industries; namely manufacturing, petroleum and gas, banking, insurance, construction and communication.

3.6.1.4 Firm Size

A firm's size can be measured by its assets or number of employees. This variable was implemented by many of the empirical studies on political risk conducted in the context of US firms, including Hashmi and Guvenli (1992), Subramanian et al. (1993) and Keillor et al. (2005). For this research, firms are grouped according to each asset size and number of employees, into three equal categories, representing small-sized, medium-sized and large-sized firms.

3.7 MULTINATIONAL FIRMS' INTERNATIONALISATION

Firms' internationalisation is defined as "the process by which a firm enters a foreign market" (Rugman & Collinson, 2012, p. 14) through different modes of entry. Apart from the expansionist tendency of most firms into foreign markets for the purposes of recapitalising and exploring new opportunities for profitability (in line with most global business enterprises' objectives) a number of other factors can also influence firms' internationalisation in other countries. These include firms' market-specific knowledge, as well as their generalised knowledge of operating internationally (Clark et al., 1997; Johanson & Vahlne, 1990). Considering the aforementioned views, Johanson and Vahlne (1990) put forward the Uppsala Model, which suggests that the process of internationalisation is consequent upon a firms' first-hand knowledge in a particular market's specific knowledge. However, Millington and Bayliss (1990) argued that market-specific knowledge available to firms is not just the source of information for internationalisation. This is because firms develop extra networks of institutional arrangements as they keep operating in foreign markets, which helps to increase their internationalisation processes. This therefore suggests that the awareness to internationalise is mostly driven by a general knowledge of operating internationally.

In the process of internationalising, there are different types of international business such as FDI, foreign portfolio investment and exporting which offer different modes of entry. However, firms can choose among the different entry modes into foreign markets, such as by owning a subsidiary, joint venture, exporting, licensing or franchising based on their institutional arrangements and resources available for their comparative advantage (Andersen, 1993, 1997). Firms' decision on the best entry mode strategy depends on a wide range of factors, considering the cost and benefits of each mode of entry, ownership structure and most importantly their perception of risk and how it can be mitigated (Clark, 1997; Clark & Tunaru, 2001; Hill & Jain, 2013; Tayeb, 2000). In the context of political risk, Dunning (1998) suggests that the choice between FDI and exporting will depend on factors such as internationalisation advantage (transaction cost theory), location advantage (international trade theory), and ownership advantage (resource advantage theory) (Agarwal & Feils, 2007). He further stated in the eclectic theory that a firm should have all these advantages in order to be successful in FDI.

For strategic reasons, firms who are increasingly resource-based move towards the direction of emerging markets, basing their organisational structure on increasing market knowledge and commitment (Agarwal & Feils, 2007). Therefore, as firms enter different foreign markets, their involvement in international business increases; thereby increasing their degree of internationalisation.

A number of variables are used as criteria to measure a firm's degree of internationalisation, such as number of years, generated revenue and number of countries' covered (Al Khattab et al., 2011; Pahud de Mortanges & Allers, 1996; Rice & Mahmoud, 1990; Wyper, 1995). It is assumed and expected that as these determinants of internationalisation increase, the degree of internationalisation also increases simultaneously. This is applicable for firms whose type of international business is either by FDI or exporting. Consequently, this implies a positive relationship among the determinants of the degree of internationalisation. However, it is pertinent to state that the characteristic of most FDI firms in terms of their size (assets or number of employees) does not necessarily reflect their degree of internationalisation due to differences in the nature of businesses and modes of entry.

3.7.1 Firm's Degree of Internationalisation

A firm's degree of business internationalisation can be determined through the use of variables that have criteria to provide the required measurement. Consequently, some of the criteria used to determine a firm's degree of internationalisation is adopted from previous researchers (Al Khattab et al., 2011; Hashmi & Baker, 1988; Keillor et al., 2005; Oetzel, 2005; Pahud de Mortanges & Allers; Rice & Mahmoud; Wyper, 1995). The variables to be used as criteria to measure a firm's degree of internationalisation include:

number of years, generated revenue and number of countries covered in international business.

3.7.1.1 Number of Years in International Business

Number of years in international business is one of the variables that can be used to determine a firm's degree of business internationalisation (Keillor et al., 2005; Oetzel, 2005; Pahud de Mortanges & Allers; Wyper, 1995). This suggests that the more the years firms have been operating in international business, the greater the degree of internationalisation. Likewise, the number of years in international business measures the extent of international experience. However, previous studies have used a different number of years to classify firms into those that are low, medium and highly internationalised (Green, 2005; Keillor et al., 2005; Pahud de Mortanges & Allers; Wyper, 1995). This classification is used to determine their levels of experience and perception of political risk. It is for this reason that the number of years will be used as a variable in this study to understand the relationship between political risk and multinational firms.

Revenue generated from international business activities is also one of the variables that can be used to determine a firm's degree of business internationalisation (Hashmi & Baker, 1988; Kobrin, 1982; Oetzel, 2005; Pahud de Mortanges & Allers 1996; Rice & Mahmoud). Firms were classified according to the percentage of revenue generated in international business in studies by Hashmi and Baker (1988) for US firms, Rice and Mahmoud (1990) for Canadian firms and Pahud de Mortanges and Allers (1996) for Dutch firms. These show that the more revenue generated by firms involved in international business the greater their degree of internationalisation. Some literatures have shown that firms are categorised into low, medium and highly internationalised according to the percentage of revenue they generate from their businesses (Hashmi & Baker, 1988; Kobrin, 1982; Rice & Mahmoud). This categorisation is adopted to determine their behaviour in terms of how they respond to and assess political risk. However, Green (2005) highlighted that irrespective of the revenue generated by firms, today's international political environment needs detailed assessment. It is in this context that this variable will be used to understand the relationship between political risk and multinational firms.

3.7.1.2 Number of Countries' Coverage in International Business

Number of countries' coverage in international business is also is one of the variables that can be used to determine a firm's degree of internationalisation (Blank, Basek, Kobrin, & LaPalombara, 1980; Kobrin, 1982; Rice & Mahmoud, 1990). This variable measures the diversity of a firm's environment. This implies that the greater the number of countries in which firms operate, the greater the degree of internationalisation. Previous political risk studies by Kobrin (1982), Rice & Mahmoud (1990) and Blank et al. (1980) have classified firms into low (in less than five countries), medium (in over five but less than ten countries) and highly internationalised (in more than ten countries). This classification can be used to determine their ability to understand different international political environments through which their knowledge increases on how to manage and mitigate political risk. It is in this perspective that this variable will be used to understand the relationship between political risk and multinational firms.

3.7.2 Correlation among Determinants and Characteristics

To correlate among the variables is significant in determining a firm's degree of internationalisation. A previous study by Al Khattab et al. (2011) used three variables to correlate among the determinants. This study introduced two additional variables for correlation among the determinants. Firms whose mode and form of international business is by FDI owning fully a subsidiary have large total assets as well as a large number of employees and operate in more countries than those whose own is by exporting or portfolio capital investment by joint venture or manufacturing contract with small total assets. In the same vein, firms involved in FDI owning fully a subsidiary operating in more countries than others generate more revenue and acquire more experience in international business activities. From the foregoing, these determinants are neither of equal importance nor independent of one another. This suggests the correlation among the variables is a function of one as an intervening variable.

Here, we are concerned with establishing a premise for determining how firms' characteristics and their degree of internationalisation influence political risk. This is to delineate the characteristics and the degree of internationalisation of multinational firms in Nigeria for gaining an insight into the underlying dynamics of the direction and strength of their relationships. Therefore, the relationships between the characteristics and determinants of internationalisation of multinational firms have been considered. As a sequel to this premise, a hypothesis is formulated in the context of Nigeria:

H2: There is a positive relationship between the characteristics of multinational firms and determinants of internationalisation

There are two schools of thought on a firm's degree of internationalisation, based on FDI by owning subsidiary that can be discussed. The first school of thought suggests that as a firm's degree of internationalisation increases, its exposure to political risk increases, and at the same time its perception of political risk lowers (Kobrin, 1982; Oetzel, 2005). This means that the greater the degree of a firm's internationalisation the lower its perception of political risk. The second school of thought suggests that a firm with a lower degree of internationalisation has lower exposure to political risk, and at the same time its perception of political risk is high. This means that the lower a firm's degree of internationalisation, the greater its perception of political risk. Most firms with a high degree of internationalisation have the tendency to able to operate in riskier markets, since they can manage and mitigate political risk based on their knowledge of the market more easily than firms with lower a degree of internationalisation (Al Khattab et al., 2008a; Iankova & Katz, 2003; Pahud de Mortanges & Allers, 1996). However, it is pertinent to state that firms have various institutional arrangements with different leverage which enable them to operate even in the presence of some types of political risk, weighing up that the consequences will have less of an impact. Their perceptions of political risk vary based on the differences among countries' governmental policies, which influence their perceived reward (return on investment).

It can be assumed that the consequences of political risk have an impact on the profitability of a firm, since it increases costs, thereby reducing revenue generated. Therefore, the higher the political risk in a host country, the lower the revenue a firm will generate from internationalisation. Likewise, it can be assumed that if the consequences of political risk have an impact on the profitability of a firm, it will reduce a firm's assets thereby reducing its degree of internationalisation.

3.7.2.1 Revenue Generated in International Business

If political risks have an impact on firms, they should have a negative impact on firms' revenue generated from international business. This is because the revenue generated from international business activities is one of the variables that can be used to determine a firm's degree of business internationalisation. Therefore, the revenue generated can be impacted also by an increase in political risk in a particular international political environment. The percentage of the revenue generated is a key factor that be used to determine if a business can be sustainable in a host country. Apart from a reduction in sales, an increase in political risk can also impact on the revenue generated. This study is also concerned with establishing factors that can influence the impact of political risk on multinational firms' revenue. It is to provide an understanding of how country-specific political risk factors and firm-specific characteristics are interrelated and if they influence the impact of political risk on the revenue generated by firms. Therefore, this implies that as political risk increases, firms' revenue generated decreases or vice versa. Following this premise, a hypothesis is formulated in the context of Nigeria.

H3: An increase in political risk will result in a negative impact on firms' revenue generated.

Firms' assets can be impacted upon by an increase in political risk in a particular international political environment. A firm's asset is central to determine its survival in a host country. If political risk has consequences on firms undertaking international business, it will have an impact on their assets. Therefore, there is the need to identify other factors which influence the consequences of the impact of political risk by multinational firms in Nigeria. This is to determine the consequences of political risk and its impact on multinational firms. If the consequences of political risk were investigated and established, the requisite managing and mitigating strategies can be planned, as well as applied, by multinational firms. Therefore the consequences of political risk on firms' assets have been considered. This implies that as the consequences of political risk increases, firms' assets decreases and vice versa. As a sequel to this premise, a hypothesis is formulated in the context of Nigeria.

H4: The consequences of political risk will result in a negative impact on firms' assets.

3.8 SUMMARY OF THE CHAPTER

Political risk and business internationalisation in Nigeria has been discussed theoretically in this chapter. This was done to address some of the objectives and hypotheses and for later correlation with the analytical framework to discuss the findings of the research. A profile of Nigeria shows that there is a limited, but rapidly growing, literature about political risk in Nigeria. It has shown that the country is divided along cultural, ethnic, language and religious lines within its different geographical regions, with a flux in its political environment.

The causes or factors contributing to political risk have been discussed with a view to identifying the determinants of political risk in Nigeria. It appeared that no previous studies have used these factors based on an understanding of the observed setting of country-specific political environment characteristics to explain how political risk emerges. Each form of political risk has a number of interrelated determinants that leads to its existence. The risk variables and indicators that can be used to signify the cause of changes that result in political risk were identified and discussed from rating models and methodologies used for PRA. It is from these risk variables and indicators that the value of political risk is approximated during PRA to determine the degree of its complexity for multinational firms.

Multinational firms' evolution in Nigeria was traced, and were discussed on how they are to be characterised based on their type of international business (investment) involvement, type of industry, entry mode and size in terms of assets and number of employees. Firms' internationalisation process and variables used as determinants to measure a firm's degree of internationalisation, such as number of years, generated revenue and number of countries' coverage in international business were examined. Accordingly, the correlation among determinants and characteristics has been hypothesised, as well as related to political risk and a firm's size in terms of its total assets. This was to determine if a firm's degree of internationalisation influences its perception of political risk and if a firm's size influences the impact of the consequences of political risk. This study is also concerned with establishing factors that can influence the impact of political risk on multinational firms' revenue. It is also aimed at providing an understanding of how country-specific political risk factors and firm-specific characteristics are interrelated and if they influence the impact of political risk on the revenue generated by firms. It was based on this premise that hypotheses were formulated. This chapter has provided a theoretical foundation upon which some of the research objectives and hypotheses are tested.

CHAPTER FOUR

RESEARCH METHODOLOGY

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4.1 INTRODUCTION

This chapter will discuss the procedures used in conducting this study from the theoretical underpinning to the collection and analysis of data to achieve the research objectives and hypotheses. The chapter is divided into nine main sections. Section 4:1 introduces the chapter, with details regarding its scope. Section 4:2 describes the aims, objectives and hypothesis formulated for the research. Section 4:3 discusses the research philosophy and how the methodological implications are derived and the research approach justified. Section 4:4 elucidates the multi-method research approach to be used. Section 4:4 details the research methods, design and the strategy adopted. Section 4:5 describes the data collection methods and explores its implications and benefits. Section 4:6 discusses the conduct of the data analysis to justify the statistical techniques as well as thematic and content methods of analysis used. Section 4.7 discusses the ethical issues inherent in this study. Section 4.8 highlights the limitations of the research. Finally section 4:9 summarises the chapter.

4.2 RESEARCH AIM, OBJECTIVES AND HYPOTHESES

The aim of this research is to contribute to the assessment of political risk by identifying the determinants and indicators to examine how the consequences of political risk impact upon multinational firms, with a view to understanding the managerial practices associated with managing political risk in Nigeria. To achieve the aim of the research, the six objectives developed are:

Objective 1: to investigate the determinants of political risk in Nigeria.

Objective 2: to investigate the variables and indicators used to forecast political risk in Nigeria.

Objective 3: to investigate the impacts of the determinants of political risk in Nigeria.

Objective 4: to investigate the consequences of political risk on multinational firms in Nigeria.

Objective 5: to explore the practices of PRA in Nigerian multinational firms.

Objective 6: to identify managing and mitigating strategies for political risk in Nigeria.

To achieve these objectives, four hypotheses are formulated:

Hypothesis 1: There is a positive relationship between risk variables and indicators and types of political risk.

Hypothesis 2: There is a positive relationship among characteristics of multinational firms and their determinants of internationalisation.

Hypothesis 3: An increase in political risk will result in a negative impact on firms' revenue.

Hypothesis 4: The consequences of political risk will result in a negative impact on firms' assets.

4.3 RESEARCH PHILOSOPHY

The way researchers reflect on the process of the development of knowledge is referred to as the research philosophy. This involves studying basic principles and concepts in order to understand the implications and interrelationships of the way the world is viewed in the development of knowledge in the research process (Gordon, 2002; Saunders et al., 2012). Research philosophy is a significant consideration that influences the choice of research methodology used in conducting of this study. It represented the outlook and methods by which the investigation, and the data interpretation of this study was conducted in order address the research objectives (Burrell & Morgan, 2008; Flower, 2009). Critical reflections on the ontological and epistemological positions as well as other issues relevant to philosophical approaches were reviewed. These philosophical positions describe perceptions, assumptions, beliefs and the nature of reality in the way the world is viewed, and further influences the way this was undertaken to the eventual attainment of knowledge (Burrell & Morgan, 2008; Flower, 2009).

4.3.1 Ontological and Epistemological Issues

Ontological issues consider assumptions on the nature of reality, whether it is an objective reality that really exists, or it is a subjective reality, created in the mind of a researcher (Burrell & Morgan, 2008; Flower, 2009). On the other hand, epistemological issues consider views about the most appropriate way of investigating the nature of the world in order to develop knowledge and how it should be represented and described (Easterby-

Smith, Thorpe, & Jackson, 2012). There is an inter-dependent relationship between ontological issues and epistemological issues and how one both informs and depends upon the other in this study. However, if certain ontological assumptions are held by a researcher, it may influence the epistemological options or the conclusions that can be drawn from these options (Flower, 2009). Consequently, the philosophical assumptions made in this study have a substantial impact on the choice of methodology that was used in the conduct of this investigation (Blaikie, 2009; Blumberg et al., 2011).

However, an investigation can be approached by either one of this research philosophical assumption concerning the nature of the social world (Burrell & Morgan, 2008; Flower, 2009). Some of the assumptions made are ontological in nature, reflecting on the very fundamental nature of the phenomena to be investigated. The question whether the ‘reality’ to be investigated is external to the researcher which implies that it is objective nature. In another assumption of an epistemological nature about how one might begin to understand the world and communicate this as knowledge to follow human beings. This assumption entails ideas, for example, about what forms of knowledge can be obtained, and how one can ascertain what is regarded as ‘true’ and ‘false’. The dichotomy of ‘true’ and ‘false’ itself pre-supposes a certain epistemological stance. This is proclaimed from the position of the nature of knowledge itself, which can be identified as being hard, real or communicated in substantial form, or the ‘knowledge’ is softer, and more subjective and based on experience and the insight of a unique and essentially personal nature”. This epistemological assumption reflects two different views of the nature of knowledge about what can be gained and/or what can be experienced (Burrell & Morgan, 2008; Flower, 2009).Therefore, it depends on whether or not a researcher subscribes to either objective or subjective reality of the social world, due to individual understanding focusing on different issues and approaching them in different ways’ thereby influencing their methodological perspectives (Burrell & Morgan, 2008; Flower, 2009). There is also the possibility that these two philosophical assumptions can be held together either equally or with one assumption having pre-eminence over the other. In the context of this study, the researcher combined these two philosophical assumptions in the conduct of this investigation.

4.3.2 Positivism and Interpretivism

There are two divergent philosophical positions, positivism and interpretivism, which help to further explain different philosophical approaches in research. These philosophical positions have generated a number of debates supporting different approaches in the conduct of research. Positivism advocates that the use of quantitative techniques which are applicable in deductive reasoning, while interpretivism advocates the use of qualitative techniques which are applicable in inductive reasoning (Blaikie, 2009; Blumberg et al., 2011; Creswell, 2013; Neuman, 2014). These philosophical approaches have been viewed as coherent. However, researchers barely ever assent to any particular position consistently in the conduct of research. These two philosophical positions contain different assumptions and methodological implications with regards to how they interpret the social world and how social science investigation should be conducted (Blaikie, 2009; Blumberg et al., 2011; Creswell, 2013; Neuman, 2014). However, it is possible for these two philosophical positions, different assumptions and methodological implications to be combined together with regards to how social world is to be interpreted as well as how an investigation is to be conducted by a researcher. In instance when they are combined, it is also possible for one of this assumptions and methodological implications to have pre-eminence over the other.

4.3.2.1 Interpretivism

According to Saunders et al. (2012, p. 17) the interpretivist philosophical position, on the contrary, “holds the view that the social world cannot be understood by applying research principles adopted from natural sciences and proposes that social sciences require different research philosophy”. An interpretivist philosophical position is characterised by a focus on the meanings that research subjects attach to social phenomena. In researching social sciences, this philosophy views ‘reality’ not as objective or exterior, but rather as socially constructed and given meaning by people. Interpretivist researchers attempt to understand what is happening and the reason why it is happening. Such research is often particularly concerned with the context in which events were taking place. The interpretivist philosophical position focuses on the way people experience social phenomena, and the researcher is more interested in the study of the behaviour and value of people in a certain context (Leedy & Ormrod, 2005). According to Leedy and Ormrod (2005), researchers adopting the interpretivist philosophy are more likely to work with lengthy qualitative data, with a cautiously designated sample of participants. Consequently, research involving a small number of samples is more appropriate than that of a large number, in a positivist position.

In line with the above assertions, therefore, an interpretivist's basic belief is that the world is socially constructed and subjective, and the observer is part of what is observed. The researcher should focus on meanings by trying to understand what is happening by looking at the totality of each situation, and developing ideas through inducting from data. Preferred methods include using multiple methods to establish different views of phenomena and investigating small samples in-depth or over-time (Blumberg et al., 2011; Bryman, 2012; Collis et al., 2003; Easterby-Smith et al., 2012; Saunders et al., 2012).

4.3.2.2 Positivism

The positivist philosophical position is that the social world exists externally and that it should be viewed objectively, rather than by being inferred subjectively (Blaikie, 2009; Blumberg et al., 2011). According to Gill, Johnson and Clark (2010) and Collis and Hussey (2013), this philosophical approach is characterised by distinguishing determinants: it is deductive (theory tested by observation); it describes underlying relationships between variables; it often uses quantitative data; it allows the testing of hypotheses; and it utilises a structured methodology to enable replication. Consequently, from a positivist viewpoint, it is presumed that 'the social world is observed by collecting objective facts, which consists of simple elements to which it can be reduced' (Gordon, 2002; Saunders et al., 2012). This implies that researchers' taking a positivist position look out for an explanation to comprehend a phenomenon and deliberately neglect other aspects (Gordon, 2002; Saunders et al., 2012).

In line with the above assertions, therefore, a positivist's basic belief is that the world is external and objective and the observer is independent. Researchers should focus on facts by looking for causality to reduce phenomena to their simplest elements and formulate hypotheses and then test them. Preferred methods include ability to operationalise concepts, so they can be measured and take on large samples (Blumberg et al., 2011; Bryman, 2012; Collis et al., 2003; Easterby-Smith et al., 2012; Saunders et al., 2012). The two philosophical positions were combined; however the positivist approach has pre-eminence over the interpretivist position from the researcher's point of view. It is for this reason that a mixed methods approach was adopted in this study.

4.4 RESEARCH APPROACH

Deductive and inductive are the two primary approaches to research. These approaches can be interrelated to the two research philosophies. The deductive approach is more related to a positivist research philosophy, whereas the inductive approach is related to an interpretivist research philosophy (Saunders et al., 2012). A deductive approach is more often linked to quantitative data, and provides answers to questions about relationships among variables to be measured for the purpose of predicting, controlling and explaining phenomena. On the other hand, a researcher using an inductive approach is more likely to work with qualitative data in order to provide answers to questions about the multifaceted nature of a phenomenon, with the intention of understanding and describing phenomena from a participant's point of view. Therefore, each of these approaches has a different aim. The deductive approach is used to generalise the data, while the inductive approach is used to generate a theory or explore or discover new ideas (Creswel, 2014; Teddlie & Tashakkori, 2010; Saunders et al., 2012).

There are three realistic criteria that can be used by a researcher for choosing a research approach, which are the nature of the research topic, the time available for the researcher and the extent to which the researcher is prepared to indulge in risk (Creswell, 2013). Therefore, with the literature of political, conceptual and theoretical frameworks, as well as hypotheses developed, this study lends itself more to a deductive approach than to an inductive approach (Sekaran, 2006). A deductive approach can be a lower-risk strategy, though there are risks, such as the response rate to questionnaires (Cooper, Schindler, & Sun, 2006). Therefore, based on the above, this study will be conducted using both deductive and inductive approaches.

4.5 RESEARCH METHODS

The consideration of a research method to use depends on the appropriateness of the method for a particular research project. The research method to be used is based on an informed understanding of the suitability of the method for particular research. However, the nature of the research problem is central to the choice of an appropriate research method (Bryman, 2012; Davies & Hughes, 2014; Zikmund, Babin, Carr, & Griffin, 2012). The use of a research method makes it possible for researchers to focus their thoughts and actions on their inquiry as objectively as possible in order to maximise the likelihood of rational conclusions. A research method is used to provide distinct insight into a topic under investigation, through the process of data collection (Kothari, 2004; Saunders et al., 2012). A research method is designed to provide discrete perspectives that will facilitate the researcher through the process of data collection, in order to provide insights into a topic under investigation (Kothari, 2004; Saunders et al., 2012).

There are basically two types of research methods in use in social science studies: namely quantitative and qualitative research methods. The research methods can be used independently or combined to achieve certain research objectives, depending on the nature of the research in context (Tashakkori & Teddlie, 2010). Considered separately, each method is more suitable for certain types of social research than others. Studies concerning the determinants of each paradigm have consistently emerged, so that each research method provides a distinctive perspective (Bryman, 2012; Creswell, 2013; Ndiyo, 2005; Neuman, 2014). However, it is up to the researcher to choose specific methodologies that will enhance a clear understanding of the topic under investigation. Consequently, considering the turn of events in this study, a quantitative research method is being complemented by a qualitative research method. This implies that a mixed research method is being adopted. The relevance and the strategy of mixed methods adopted will be discussed first. Thereafter, since the study is more inclined to a quantitative research method, its nature, relevance, strengths and limitations will be discussed at greater length. However, the nature of a qualitative research method will be highlighted for insights subsequently.

4.5.1 Mixed Research Methodology

The use of mixed methods research has makes it possible to integrate both quantitative and qualitative research approaches for the purposing of achieving different studies' objectives and to address unpredictable research problems. It emerged in social science research as an option to the dichotomy existing between the two well-known research methods (Tashakkori & Teddlie, 2010). Using mixed methods enables a researcher to combine the strengths of both quantitative and qualitative methods to bear for better insights into the relationships and behaviours between or among variables under investigation. It also gives room for a kind of flexibility with regards to how the two different methods can be used either in tandem, parallel or sequence to complement each other with one either having an upper hand or equally applied. (Bryman, 2012; Bryman & Bell, 2015; Creswell, 2013; Davies & Hughes, 2014; Ghauri & Grønhaug, 2010; Saunders et al., 2012). Therefore, the use of mixed methods in this study would complement the strengths and neutralise the weaknesses of both quantitative and qualitative research methods respectively.

The use of mixed methods enables the combination of different approaches such as descriptive explanatory and exploratory researches to be achieved for complementary or triangulation purposes. This is especially true when a study involves a relatively new area so that ideas can be generated, theories can be developed or hypotheses can be tested. For instance, most importantly to ascertain reasons behind why some events happened, to explain situations or and to understand the relationships between underlying variables in a study. This has justified the use of a multi-methods approach integrating a survey strategy (Bryman, 2012;Bryman & Bell, 2015;Davies & Hughes, 2014;Ghauri & Grønhaug, 2010; Saunders et al., 2012). Consequently, the overall strength of this study is greater than when only quantitative or qualitative research methods have been used alone. This study adopted a sequential mixed methods strategy in the sense that quantitative data were collected and analysed before the qualitative data were collected to enable possible triangulation of data in order to achieve the study's different purposes (Creswell, 2013).

4.5.2 Quantitative Research Methodology

Quantitative research is a distinctive research strategy, which is described as requiring the collection of numerical data, and likewise exhibiting the view of a relationship between theory and research as deductive and a predilection for a natural science approach, and (of positivism in particular) as having an objectivist conception of social reality (Bryman, 2012, p.160). It is designed to provide a way of investigating phenomena that is amenable to numerical measurement and verification. It is designed to deal with the investigation of variables that can be assigned figures or values, which can be empirically observed and verified (Ndiyo, 2005). Quantitative methodology deals with quantities and relationships between variables. It enables the researcher to manipulate numbers that represent empirical facts in order to test hypotheses. The underlying assumption is that human behaviour and variables can be measured using numbers which when subjected to statistical manipulation will reveal the determinants of social behaviour (Blumberg et al., 2011; Bryman, 2012; Morris, 2012: Saunders et al., 2012).

4.5.2.1 Nature of Quantitative Research Methodology

Epistemological concerns with the quantitative research method demonstrates that the method is a derivative of the positivist philosophical approach, in which the social world exists outwardly and that it should be viewed objectively, rather than by being deduced subjectively (Blumberg et al., 2011; Bryman, 2012; Collis et al., 2003; Easterby-Smith et al., 2012; Morris, 2012: Saunders et al., 2012). According to Gill and Johnson (2010) and Collis and Hussey (2013), this philosophical position is typified by distinctive determinants: it is deductive (a theory tested by observation); it describes underlying relationships between variables; it often uses quantitative data; it allows the testing of hypotheses; and it utilises a structured methodology to enable replication. Consequently, according to Saunders et al. (2012, p. 214) from a positivist point of view, it is assumed that "the social world is viewed by collecting objective facts and consists of simple elements to which it can be reduced".

The above requires that researchers taking a positivist approach look out for a justification to understand a phenomenon and intentionally ignore other determinants (Saunders et al., 2012). It means that a positivist fundamental conviction is one that the world is external and objective and the spectator is independent. The researcher's focal points are on specifics; by observing for causality; reducing phenomena to its simplest essentials and devising hypotheses and then testing them. Ideal methods include the capacity to operationalise concepts so they can be measured and the ability to take on large samples (Blumberg et al., 2011; Bryman, 2012; Collis et al., 2003; Easterby-Smith et al., 2012; Saunders et al., 2012). Consequently, positivists argue that social science researchers should centre their efforts only on issues that are pragmatic, measured and verified, and on formulating theories that are based on verifiable evidence (Blumberg et al., 2011; Holden & Lynch, 2004; Hughes & Sharrock, 2004).

The quantitative research method is referred to as a scientific method that investigates phenomena that are amendable to empirical measurement and verification. In this method variables are measured in numbers and the relationship between variables are in quantity terms. It follows a linear research pattern, emphasising the measurement of variables and testing of hypotheses to establish casual linkages among variables (Bryman & Bell, 2015; Ndiyo, 2005; Saunders et al., 2012). It is a method used for collecting data from a target population, which allows for large-scale representation of a data set. It analyses data with an appropriate statistical procedure, which is independent of the value judgement of the researcher. The aim of such quantitative analysis is theory testing, which is generally deductive and originally based on the assumption that reality is mind independent and has generalisability as its goal (Blumberg et al., 2011; Holden & Lynch, 2004; Hughes & Sharrock, 2004; Morris, 2012: Saunders et al., 2012).

4.5.2.2 Strengths of Quantitative Research Methods

The quantitative research method involves the manipulation of figures that represent empirical facts in order to test an abstract hypothesis with variables constructed. The underlying assumption in this method is that variables can be measured by numbers, which can be manipulated according to some statistics and variables of some determinants of social life. This method follows a linear research path emphasising the measurement of variables and testing of hypotheses to establish causal linkages among variables (Bryman & Bell, 2015; Ndiyo, 2005; Morris, 2012: Saunders et al., 2012). This method permits the use of standard data collection techniques. It also requires the analysis of data with appropriate statistical procedures, which are independent of the value judgement of the researcher. The aim of such quantitative analysis is theory testing, which is generally deductive in its approach and originally based on the assumption that reality is mind independent and has generalisability in its goal (Bryman & Bell, 2015; Ndiyo, 2005; Saunders et al., 2012; Wetcher-Hendrick, 2011). Other strengths of quantitative research methods include:

a) The existence of regularity of social realities that can be discovered in such a way that one can make explanations and predictions.
b) Insistence on the observation and verification of empirical phenomena, which is amenable to theory construction.
c) The adoption of appropriate techniques that permit quantification, to be utilised in the collection and analysis of data.
d) Insistence on measurement and quantification, which focuses on a variable that can be measured and quantified.

e) The principle of value – neutrality in judgement, making the distinction between facts and values, where scientific research must be value free. This implies that issues that are not amendable to empirical observation, measurement, verification and quantification, should not be the focus of scientific research (Kothari, 2004; Ndiyo, 2005).

f) Systematisation of knowledge - the systematic approach that is emphasised here implies that the researcher must be theory-oriented and theory-directed. Since value-theory does not advance knowledge through explanation and prediction, the causal theory that is far from speculation and introspection should remain the focus of research by social scientists (Bryman & Bell, 2015; Ndiyo, 2005; Saunders et al., 2012; Wetcher-Hendrick, 2011).

4.5.3 Qualitative Research Methodology

Qualitative research methods use approaches that require mainly less structured forms of data collection such as observations, documents, interviews, description and explanations. It is more suitable for handling social phenomena than quantitative methods, since it affords the researcher the opportunity of getting further insights from participants. Likewise, it is useful in the validation, evaluation and in the implementation stages of research as well as for enhancing the endpoint of a study (Bryman, 2012; Bryman & Bell, 2015; Creswell, 2013; Davies & Hughes, 2014; Ghauri & Grønhaug, 2010; Saunders et al., 2012). This makes it possible for a researcher to unveil any complexities that could have gone undetected. Qualitative data can also play an important role in suggesting possible relationships, causes, effects and dynamics of events in an environment which is highly applicable to political risk issues. It is for one of these reasons that the qualitative assessment techniques of political risk have been used among most multinational firms as reported by previous studies (Al Khattab et al., 2011; Kettis, 2004: Brinks, 2004).

However, qualitative methodology is criticised because it basically relies on the reasoning style of the researcher and the level of rigour might contain insufficient presentation of evidence for alternative interpretations or generalisation. Likewise, inadequate validity and reliability is a problem because of the subjective nature of the data (Bryman, 2012; Bryman & Bell, 2015; Creswell, 2013; Davies & Hughes, 2014; Ghauri & Grønhaug, 2010; Saunders et al., 2012). Since, in this study, qualitative data were to complement the quantitative data, these limitations will be insignificant. The use of qualitative data to complement quantitative data is in line with other previous political risk studies (AI Khattab et al., 2011; Oetzel, 2005; Tsai & Su, 2005).

4.6 DATA COLLECTION METHODS

Normally, data can be collected through either primary or secondary sources. The primary data collection method involves the use of questionnaires, interviews and observations. These methods, as suggested by Neuman (2014) and Davies and Hughes (2014), must be implicit approaches in both quantitative and qualitative research methods. The advantage of the quantitative approach to data collection is that it is possible to use predetermined instruments, such as a questionnaire, to provide statistical data. On the other hand, a qualitative approach is used in interviews or observations. The secondary method of data collection involves data gathered from all sources which are available with regards to the research problem. Using the typology proposed by Saunders et al. (2012), secondary data can be categorised as documentary versus survey. Documentary data includes written work (e.g. journals, books, reports) and non-written work (e.g. CD-ROMs, television programmes), while survey data is data collected by questionnaires which have been analysed previously (Bryman, 2012; Bryman & Bell, 2015; Crewell, 2013; Davies & Hughes, 2014; Ghauri & Gronhaug, 2010; Saunders et al., 2012). The secondary data used in this research were obtained from Nigerian National Bureau of Statistics (NBS) and the internet using data from ICRG and PRS websites on Nigeria's political, social and macroeconomic variables. Therefore, in this study, the primary method of data collection involved the use of a questionnaire and was complemented with the use of a semi-structured interview to achieve the objectives of the research.

Prior to the primary method of data collection, letters were written to two organisations in Nigeria from the University of Huddersfield's Business School to request data on international firms operating in the country. One of the letters was written to the Corporate Affairs Commission (CAC), Abuja, an organisation responsible for legally registering all firms operating in Nigeria. Consequently, it owns a database of all multinational firms that are registered to operate in Nigeria. The other letter was written to the Nigerian Stock Exchange (NSE) organisation, who is responsible for listing all public firms registered in the country's capital market (copies of the letters written to CAC and NSE are attached as appendices 3a and 3b). Both organisations acknowledged the letters and replied with a list of the firms requested, including their contact addresses and emails (copies of the acknowledgement letters from CAC and NSE are attached as appendices 5a and 5b).

4.6.1 Administered Questionnaires

The choice of the use of a questionnaire method in preference to other survey techniques is a matter of considering the advantages and disadvantages it offers a researcher against those of an interview method. However, most important is the nature of the research problem to be investigated. Although both the interview and questionnaire make use of question-based approaches, there are important differences between the two methods. According to Fink (2012), a questionnaire is a list of questions designed to collect specific information. Similarly, Gillham (2011) also defined a questionnaire as a research instrument consisting of a series of questions for the purpose of gathering information from participants. This study uses a research design that enables data to be collected through the use of a questionnaire which has been delivered via the internet and is structured to address the research problem.

The general aim of this research is to examine the determinants and indicators of how the consequences of political risk impact on multinational firms, with a view to identifying their managerial practices in managing political risk in Nigeria. It is with regard to political risk and to explain the relationship between variables. The questionnaire could provide information relatively quickly, given that the sample firms chosen are representative, and that the findings could be generalised to all firms. To complement the short fall in the sample size of the population, semi-structured interviews were conducted. However, the use of the questionnaire method falls in line with most of the earlier political risk studies, which were mostly self-administered. Examples include: Al Khattab et al. (2011); Pahud De Mortanges and Allers (1996); Kobrin et al. (1980); Kennedy (1988); Rice and Mahmoud (1990); Stapenhurst (1992a); Subramanian et al. (1993); Wyper (1995); Demirbag and Gunes (2000); Hood and Nawaz (2004).

There are three types of administered questionnaires: namely on-line questionnaires, postal (mail) questionnaires and delivery and collection questionnaires (Saunders et al., 2012). Considering the advantages and disadvantages of these three types, the on-line questionnaire was chosen as the primary data collection method for this research, rather than the self-administered questionnaire considering the huge logistic requirement and cost implications. The on-line survey questionnaire was used because the firms are located some distance apart across the country; and additionally, the email addresses of the firms are accessible and were included in the database. Likewise, most of the participants (multinational firms) had internet web-site addresses for the purpose of advertising and communicating electronically. However, before launching the survey online, letters were posted to firms, and emails were sent to inform them ahead of time about details of the study.

4.6.2 Population of the Study

The population of the study consists of an entire group of people (participants), things, or events of interest that a researcher needs to investigate (Sekaran, 2006). The population for this study consists of multinational firms in Nigeria, of whom the entire number was to be targeted. The databases used for identifying the 247 firms who were involved in international business in Nigeria were gathered from the Nigerian Stock Exchange in Lagos and the Corporate Affairs Commission in Abuja. A further re-examination on a firm-by-firm basis during a pilot study helped with this identification process. Only 150 firms were identified finally as multinational firms based on their contact addresses and emails (a copy of the list of identified multinational firms' in Nigeria is attached as appendix 6). In this list, 59 firms with international names indicated that they were no longer involved in international business. However, they had some form of foreign affiliations supporting their operations, because they had been nationalised by the Nigerian government in the 1970s. Out of the remaining 91 firms, a total of 74 multinational firms in Nigeria across different types participated in the survey.

The questionnaires were specifically directed toward the management of the multinational firms at their headquarters in Nigeria. At first, emails were sent accompanied by a covering letter informing the firms that an on-line questionnaire would be used and would be required to be filled in by any of the management staff, unless there were particular personnel responsible for such a process. In addition, the responsibility to assess political risk may be assigned informally to some personnel or there might be multiple centres of PRA in a single firm. This approach falls in line with many of the earlier political risk studies (Blank et al., 1980; Keillor et al., 2005).

4.6.3 Developing and Designing the Questionnaire

There are guidelines that can be used for the process of designing a questionnaire (Gillham, 2011). The process of designing and developing the questionnaire has been divided into five phases.

4.6.3.1 Planning What to Measure

In the first phase (planning what to measure) a number of steps were taken. The research objectives and hypotheses, as well as the nature of its problems, were considered to determine if they could be addressed quantitatively or qualitatively. It was decided subsequently that the research objectives could be achieved quantitatively. Thereafter, a wide review of political risk literature was conducted before further inquiries were undertaken at the early stage of the research. This first phase set the stage for designing the questions.

4.6.3.2 Designing the Questions

There are two types of questions which can be used to design a questionnaire: open-ended (unstructured) and closed-ended (structured) questions. The advantages of the open-ended questions are that they give participants the option to answer freely and gives the researcher the opportunity to probe participants, while the disadvantages are that open-ended questions are very time-consuming and demand more effort from participants. The advantages of closed-ended questions are that they require less time and responses are easier to compare, since they have been predetermined, while the disadvantage is that closed-ended questions do not allow probing responses (Fink, 2012; Gillham, 2011).

Using closed-ended questions to obtain data, four types of scales were used: nominal, ordinal, interval and ratio (see Glossary: Scales of measurement). The use of a particular scale depends on the research objectives and the nature of the data required (Fink, 2012; Gillham, 2011). The nominal scale was used to obtain information about participants and their firms. The aim of using the nominal scale was to categorise the participants according to questions which were related to demographic data, such as type of international business involvement, entry mode, type of industry and size (in terms of assets and number of employees). An ordinal scale was employed to analyse some demographic data, such as the degree of internationalisation. An interval scale was used to measure managerial practices of political risk, such as such as assessment techniques, frequency of assessment, assessment responsibilities, sources of information, and triggers for conducting the process. In order to obtain such data, rating scales (Likert and numerical scales) were used for the following three reasons. They allow the researcher to have a variety of statistical techniques to conduct regression and correlation analysis. It is easy for the participants to use and the response categories allow for the expression of the intensity of their feelings with regard to the topic. It does not confuse the participants with having many choices on its continuum scale. A five-point Likert scale was employed in order to explore the managerial practices of PRA regarding different issues, where 1 represents ‘strongly disagree’ and 5 is ‘strongly agree’. The use of different scales enables values to be measured accurately and applies wider statistical techniques than those techniques available for ordinal variables.

Sekaran (2006) suggested guidelines for designing a questionnaire. The following is a list of some principal points that were taken into account in designing the questionnaire. The number of questions was kept at as low as possible; keeping only those that had significant value to the study. The questions were made simple, short and direct using familiar language, in which jargon terms was avoided which did not affect the content and the intended meaning of the questions. Offensive questions, double-barrelled questions and leading questions were also avoided.

4.6.3.3 Sequencing and Layout Decisions

Questionnaires are often divided into sections or parts. The first section is normally for classification purposes, such as required details about the participants. The other sections typically possess questions relating to the subject matter of the investigation. The answers usually given by the participants in the other section are analysed according to the information in the first section.

In accordance with guidelines suggested by Sekaran (2006), the following issues were taken into account in the sequencing and the layout of the decisions phase. The sequence of questions was arranged in a way that leads the participant from general to more specific questions. This sequence, in turn, can ensure the participant’s cooperation and make the questionnaire as easy as possible for them to complete. The layout was developed to be convenient for the participants and for the researcher who had analysed the data. Moreover, special attention was given to emphasise confidentiality and anonymity.

4.6.3.4 Pilot Study

Prior to using a questionnaire to collect data, it should be pilot tested (Fink (2012) Gillham (2011). The purpose of such a pilot test is to refine the questionnaire so that participants will have no problems in answering the questions, and there will be no problems in recording the data (Saunders et al. (2012). The pilot study was conducted first. At each stage, pre-testing the design of the questionnaire includes flow of the questionnaire, its length, its questions and the participant's interest and attention Fink (2012). In the first stage, as suggested by Gillham (2011), the first draft of the questionnaire was distributed to the researcher's PhD colleagues within the University of Huddersfield's Business School. Thereafter, the researcher followed their constructive suggestions in terms of the number of questions and clarity of questions. In the second stage the second draft of the questionnaire was sent to the researcher's supervisor. Thereafter, it was transferred to the Bristol Online Survey (BOS) system and sent to three firms and three persons, one at NSE, Shell SPDC and a private risk consultant in Nigeria. These individuals and organisations were asked to identify any ideas or areas in the questionnaire that needed to be improved, re-framed or corrected.

4.6.4 Contents of the Questionnaire

In line with the research objectives, the questionnaire was structured in seven sections. At the beginning of the questionnaire, a brief synopsis to introduce participants to the study was written before the first section. The first section was used for classification purposes. It contained typical questions relating to the subject matter of the investigation about the participants which are required in order to present firm-specific characteristics. The information involved the firm's type of industry, the firm's type of international business involvement, the firm's mode of entry and the firm's size (in terms of assets and number of employees). Others included the firm's degree of internationalisation (in terms of the number of years in international business, revenue generated by international business activities, number of countries where a firm operates and the firm's ownership. The second section was focused on risk in international business, to find out how concerned a firm is with the types of risk in terms of their consequences. In addition, it dealt with how concerned a firm is with each type of political risk in terms of their consequences. The third section was concerned with practices of PRA, in order to survey a firm's managerial practices of PRA, such as their assessment responsibilities (personnel responsible for conducting the assessment and who they reported to), frequency of assessment, triggers for conducting the process, sources of information, assessment techniques and ratings/models of assessments. The fourth section was concerned with the determinants of political risk, where firms indicated the level of each determinant which was considered to be contributing feature to political risk in Nigeria. The fifth section focused on the risk variables and indicators used for forecasting political risk in Nigeria, firms were asked to indicate the level of each risk variable to be considered for forecasting political risk. The sixth section was about the consequences associated with political risk in Nigeria, where a firm was to indicate the level of consequences associated with each form of political risk on its business in Nigeria. Finally, the seventh section was focused on the strategies used for managing and mitigating political risk, where a firm was to indicate if it uses any of the strategies listed for political risk management. The survey closed with an open ended question for participants to suggest any political risk management strategy which it was using that was listed (a copy of the online-administered questionnaire is attached as Appendix 8).

4.6.5 Survey Methods

There are a number of interrelated methods that are used in studies involving quantitative research. A survey is one of a number of distinctive quantitative research methods that will be used in this study. The survey method is a process used for extracting information from a targeted population through the use of observations, questionnaires and/or subjecting the data that has been obtained to statistical analysis for the purpose of drawing conclusions. In its applications, the survey method enables gathering limited data from a relatively large number of cases. It gathers information about variables, rather than information about individuals. This information can be gathered using different types of survey techniques. For example: a cross-sectional survey or a longitudinal survey. The survey method is used for the measurement of knowledge, attitudes and the values of samples drawn from a population of interest (Kothari, 2004; Ndiyo, 2005).

Furthermore, the survey method is the most commonly used quantitative method in social research. Surveys are best used for topics where the investigator asks questions in order to learn about reported information, attitudes or behaviour. Surveys can be used not only for describing existing conditions, but also for comparing these conditions with predetermined criteria (Creswell, 2013; Zikmund et al., 2012). Surveys do more than merely uncover data. They interpret, synthesise and integrate data and point to implications and interrelationships. They enable a researcher to display ingenuity in their interpretation of the data and in their understanding of their strengths and weaknesses, their interrelationships, their apparent antecedents, and especially their implications (Bryman & Bell, 2015; Ndiyo, 2005; Morris, 2012: Saunders et al., 2012; Wetcher-Hendrick, 2011). Therefore, the survey method can be used to study relationships or test hypotheses. The main criterion for choosing a particular strategy, as suggested by Collis and Hussey (2005), is the research approach adopted in undertaking the research which, in turn, depends on the research objectives. By way of illustration, adopting the deductive approach leads a researcher to employ a survey strategy. A survey involves the structured collection of data from a sizeable population (Saunders et al., 2012). In contrast, adopting the inductive approach leads the researcher to employ the strategies of the case study, grounded theory, ethnography and action research.

A survey method is consistent with this research approach in that it is usually associated with the deductive approach and is the most popular and commonly used strategy in business or management research (Sekaran, 2006). Since there is a need to address the research objectives and test the hypotheses in order to verify the relationship between the variables, the study is constructed in a way which is not applicable to phenomenological strategies. The present method is in line with many earlier studies on the subject by Al Khattab et al. (2011); Blank et al. (1980); Hood and Nawaz (2004); Kobrin (1982); Rice and Mahmoud (1990); Stapenhurst (1992a); Pahud De Mortanges and Allers (1996) and Stapenhurst (1992b).

The four advantages of using a survey method are:

a. The collection of data using a survey method can be standardised to facilitate statistical analysis (Saunders et al., 2012).

b. The survey method permits for the collection of a larger amount of data in a highly economical way from a sizeable population (Leedy and Ormrod, 2005).

c. The survey method permits a significant degree of control over the research process to be undertaken easily (Sekaran, 2006).

d. In using a survey method, it is possible for a sample from a large population to be chosen and can be generalised to provide an understanding more about the population (Saunders et al., 2012).

4.6.6 Online Survey

The use of the internet for a survey as a valuable medium for collecting data is fast growing with advances in Information Communication Technology (ICT). Its usage offers a number of opportunities, as well as possessing certain challenges, since its potential is still being explored, especially in developing countries. It offers advantages such as high speed of delivery, faster response rate, lower cost and wider geographical reach. Others include ease of data access, design flexibility, ease of data analysis, confidentiality and anonymity. The disadvantages include multiple responses, low response rate, non-coverage error, lack of generalisability and the question of validity and reliability. Notwithstanding these foreseen drawbacks, a multi-approach was used to overcome some of these challenges involved, first through corresponding through mails (letters) to all the participants, then telephone calls and emails to double check whether or not firms would participate. Likewise, the online survey computer programme used was set to prevent multi response by a participant.

In building the online survey, information in the pre-designed questionnaire was transferred to the Bristol Online Survey (BOS). This is a service that runs over the internet requiring a browser application which is offered by the University of Bristol for presenting, developing and analysing online survey questionnaires. The University of Huddersfield has a site licence to use the BOS service. Therefore, to use the website for this study, authorisation and registration were required. To build a survey with BOS, three stages are involved before it can be launched. First, the framework to be used for the survey has to be established before questions are then added, and subsequently the survey options are set, before the survey is finally launched.

The framework used for the survey was created based on the questionnaire that had been designed. There are four types of questions which can be created using the BOS. Examples are: multiple choice and multiple response types, free text type and grid type. Each question from the questionnaire was transferred into the question boxes. Each type of choice has a brief description with guidance about how to enter text when building the question. From the survey options icon, the URL for the survey was set from start to finish dates. Finally, the survey was launched, and thereafter a copy of the URL address was sent to each participant's email address with a covering letter from the University of Huddersfield, Business School endorsed by the researcher's supervisor (a copy of the covering letter from the University of Huddersfield's Business School is attached as Appendix 9). The results obtained at the end of the survey were exported directly into SPSS for analysis.

4.6.7 Response and Participation Rate

The databases used for identifying the 247 firms which were involved in international business in Nigeria were gathered from the NSE in Lagos and the CAC in Abuja. A further re-examination on a firm-by-firm basis during a pilot study helped in the identification process. Only 150 firms were identified finally as being involved in international business, out of which 59 firms with international names and some form of foreign affiliations supporting their operations indicated that they were not involved in international business, because they had been nationalised by the then Nigerian government in the 1970s. A total of 74 multinational firms in Nigeria across different types of firms participated in an on-line survey, providing a participation rate of 49.3%. In the descriptive statistical analysis of the characteristics of the Nigerian multinational firms, the variables used as criteria were as follows: type of industry; type of international business involvement; entry mode and firm size (assets and number of employees).

However, according to the Neuman (2014) formula to calculate response rate, the total participation rate, as shown in the equations below, is 49.3%. Saunders et al. (2012, p. 157), on the other hand, suggest excluding ineligible, as well as unreachable, participants to obtain an 'active' response rate. Applying Saunders et al.'s (2012, p. 157) formula, the active response rate is 81.3%. Both the total response rate and the active response rate, however, are 'high' and 'adequate' to carry out the data analysis, as suggested by Saunders et al. (2012, p. 284).

$$Total\ participation\ rate = \frac{Total\ number of\ responses - 74}{Total\ number in\ sample - 150}$$

$$= 49.3\%$$

$$Total\ response\ rate = \frac{Total\ number of\ responses}{Total\ number in\ sample - Ineligible}$$

$$= \frac{74}{150 - 59} = \quad 81.3\,\%$$

4.6.8 Semi-Structured Interviews

Some types of research problems or a researcher's objectives influence the use of interview as a method of data collection in a study. An interview can be structured, unstructured or semi-structured and can be made to be formal or informal as well as standard or non-standard (Creswell, 2013; Easterby-Smith et al., 2012; Saunders et al., 2012). Each category can be used for different reasons depending on the nature of the study which could either be descriptive or exploratory or both. In this study, the use semi-structured interviews adopted were as a result of the small sample of the questionnaire data collected and also to probe its emerged result. This gave the researcher the opportunity to further validate some of the results of the quantitative data.

4.6.8.1 Sampling

To select a sample in this instance, the researcher considered the participants within the six types of industry to determine an appropriate sample size, a sampling frame and sampling technique to be used. There are four categories of probability sampling techniques that can be used namely random, cluster, systematic and stratified. A stratified technique was used, which requires the researcher setting a criterion on how the sampling frame is to be divided and how it is be selected from each strata to be used was adopted. Unlike in most quantitative studies, where sampling logic is required, qualitative ones are mostly subjective and the researcher has the latitude to set his own criteria (Bryman, 2012; Saunders et al., 2012; Yin, 2014).

Since it was mainly to complement the small sample size and explore the results that emerged from the quantitative data collected, a semi-structured interview was conducted with a stratified sample of the participants in this study. However, each strata size was not be proportionate to the overall sample. Given that multinational firms in Nigeria are characterised into six types of industry (banking, manufacturing, insurance, petroleum & gas, communication and construction), the researcher selected one firm from each type with some assumptions in order to explore the results which have emerged from the quantitative data. The assumption is that firm characteristics can be used as criteria to determine their type of experience and attributes which can influence their behaviour on political risk issues. The use of this small sample size is in line with some political risk studies for example by (Al Khattab et al., 2011; Oetzel, 2005; Tsai & Su, 2005).

4.6.8.1 Interview Questions and Themes

Unlike in most studies, where a researcher is informed based the research questions to be investigated and subsequent reviewed literature or generated conceptual framework how the interviewed questions for the study are to be structured (Huberman, & Miles, 2002; Miles & Huberman, 1994). In the context of this study, since a sequential mixed methods strategy was adopted for the purpose of further probing the emerged results from the quantitative data that were collected and analysed, a different approach was adopted. The quantitative data analysed informed that there is no consequences of political risk on most of the multinational firms. The research needed to investigate further 'why' with the high rate of political risk reported by the secondary data collected. The interview questions were related to the fourth research objectives to further investigate the consequences of political risk in Nigeria. How the research objective, interview and questions are connected are shown in Table 4.1.

Table 4.1: Interview Questions and Themes Link to Fourth Research Objective

Serial	Research Objective	Interview Themes	Interview Questions
1	Objective 4; to investigate the consequences of political risk in Nigeria	Concern about political risk	What are your firm's concerns about political risk issues in Nigeria?
2		Types of political risk	What are the types of political risk issues mostly concern their firms in the country?
3		Consequences of political risk	Are the consequences of political risk significant for your firms?
4		Factors influencing the impact of political risk	What factors influence the impact of Political risk on your firms?
5		Perceptions of political risk	What about your firm's perceptions of political risk in the country?

Source: Author

4.6.8.2 Procedure of Interview

The questions asked during the semi-structured interviews were based on the questions that needed to be probed from the results of the quantitative data and the criteria used to select each sample. To book an appointment for the interviews, twelve participant firms were contacted by phone. Only six firms consented to being interviewed and a list of interview questions was dispatched to them a week ahead of the scheduled date. The details of the firms that participated in the interview are shown in Table 4.2. None of these firms agreed that the interview could be tape recorded; therefore the researcher resorted to note-taking. The interview went in the order of the questions; however the researcher used the opportunity to explore other leading questions that arouse. All the interviews were held at the participant firms' headquarters offices in Lagos, Nigeria. Each interview lasted about 45minutes on average. The procedure involved assuring each interviewee that the data collected would be used for academic purposes only and that participation was voluntarily was also emphasised. (A copy of the semi-structured interview questionnaire is attached as Appendix 10).

Table 4.2**:** Details of the Firms Interviewed

Label	Type of industry	Interviewees	Job Responsibility	Frequency of Interviewing
A	Banking	A Director Risk Manager	Head of the Risk Management team Responsible for developing risk policy framework	01 01
B	Manufacturing	Senior Manger	Heading the Risk Management team	01
C	Communication	Operation manager Financial Manager Sales manager	CEO, oversees all departments In-charge of financial dealing In-charge of marketing	01
D	Insurance	CEO Risk manager Financial Manager	Head of the Risk Management team Responsible for developing risk policy framework In-charge of financial dealing	01
E	Petroleum & Gas	General Manager	Oversees all departments Develop risk policy In-charge of financial dealing	01 01 01
F	Construction	Senior Manager	Head of the Risk Management team	01

Source: Author

4.6.9 Political Risk Assessment Rating

ICRG, one of the selected PRA ratings described in section 2.5.2.6 dataset of annual assessment conducted for Nigeria within the period 2011 to 2015 was analysed. It is identified to contain the most comprehensive number of political risk variables used in the context of this study. The political risk index is based on 100 points and is composed of 12 weighted risk variables and both cover both political and social features as shown in Table 2.2. Four of the weighted variables are calculated based on each three sub-variables, "socioeconomic conditions-12 (unemployment-4, consumer confidence-4 and poverty-4), government stability-12 (legislative strength-4, government unity-4 and popular support -4), investment profile-12 (profits repatriation -4 contract, viability/ expropriation, -4 and payment delays – 4), internal conflict -12 (terrorism/political violence-4, civil war/ coup-

4, and civil disorder -4) and external conflict -12 (cross-border conflict -4, war-4, foreign pressures-4)". "The total point percentage is used to indicate the level of risk in a country: very high (49.9% - 0.0%), high (59.9% - 50%), moderate (69.9%- 60%), low (79.9% - 70%) or very low (100% - 80%)". (Howell, 1998, 2002c; PRSGroup, 2009). The dataset annual report used was obtained from ICRG, published on the PRS Group website (NBS, 2015; PRSGroup, 2015). The use of the ICRG rating model to conduct assessments for both developing and developed countries is in line with other previous political risk studies for example by Osabutey and Okoro (2015), Hayakawa et al. (2013), Baek and Qian (2011), Busse and Hefeker (2007), Howell (2007) and Asiedu (2006).

4.6.10 Validity and Reliability

The validity and reliability of data is required to ensure that the instrument used for the research provides accurate and adequate measurement for the study. Validity and reliability enable the researcher to verify that the study findings represent and reflect the research problem been investigated. Validity is the aptitude to measure that which is supposed to be measured. Ensuring the validity of a research instrument is achieved through making what is being measured accurate and specific with the ability for consistency in the results obtained. The reliability of a research instrument is to certify that factors such as sensitivity, precision, resolution and replicability of instrument for accuracy and consistency of the research findings (Bryman, 2012; Bryman & Bell, 2015; Crewell, 2013; Davies & Hughes, 2014; Ghauri & Gronhaug, 2010; Saunders et al., 2012).

Piloting the questionnaire was a measure used to pre-test the instrument in order to ensure the validity and reliability of the data collected. Prior to using a questionnaire to collect data, the pilot study was conducted in three stages and at three levels: colleagues; lecturers and experts; target firms. This procedure sought to help establish content validity. Likewise, the use of Cronbach's alpha was computed, and if it was smaller than 0.7, the item with the smallest item-to-total correlation was removed until the requirement of alpha being at least 0.7 was met to ensure reliability (Burns & Burns, 2008; Field, 2013).

An extensive literature review was undertaken to define and clarify the questions used in the questionnaire. To ensure the validity and reliability of the data by the design of the questionnaire for data collection, the survey items were divided between the questionnaires in order to obtain information from the participants who were multinational firms in

Nigeria. By implication these firms have operated international businesses in a number of countries. In addition, the questionnaire was designed in such a way that the first section was used for classification purposes, and required details about the participant firms to ensure that they met the description of the characteristics of a multinational firm. Likewise, other sections typically possessed the questions relating to the subject matter of the investigation.

To ensure the validity and reliability of the interviews, the credibility, transferability, dependability and conformability were used as reasonable criteria for determining the qualitative data collected. Each one of the criteria was used at each stage to address the other qualitative data collected validity and reliability (Creswell, 2013b: Golafshani, 2003). The researcher ensured that accepted procedures were followed and detailed records were maintained for each of the firms interviewed to ensure the credibility of the data collected. To ensure transferability with regard to the results obtained to be transferred to another setting or contexts. Adequate details of the interview procedures used were provided for each specific case. To ensure dependability, an assumption in qualitative research was considered that if there is a change in context, it is expected that the data would also change (Golafshani, 2003). In the context of this study, the sampling techniques used can provide the required specific exploratory data to compliment the quantitative data already collected. The data analysis used was to ensure the robustness and dependability of this study's finding. To ensure conformability, proper documentation and rechecking of the data collected was ensured and how it was to be analysed was provided (Creswell, 2013b).

4.6.11 Generalisability of Research Findings

Generalisability is raised as a data quality issue with regards to the use of a questionnaire. Generalisability (sometimes referred to as external validity), as defined by Sekaran (2006), is the extent to which the research findings are generalisable; whether or not these findings may be equally applicable to other study settings. Generalisability depends on the selection of a representative sample which, in turn, is related to accuracy and precision, in which accuracy refers to the degree to which bias is absent from the sample, while precision reflects the extent to which the characteristics of a sample are similar to that of the population (Blumberg et al. (2011). With regards to the use of a questionnaire to meet the accuracy requirement, the questionnaire targeted the entire population. This sampling technique ensured that the sample was not biased. The sample, thus, was representative of the population and findings can be generalised to the entire population.

4.7 METHOD OF DATA ANALYSIS

This section explains how the method of data analysis was conducted for the purpose of obtaining the meaning of the data collected. It is important that the procedure of the analysis is clarified so as to ensure the process to be adopted provides meaning from the data. An analysis of data involves a number of closely related procedures, which are performed for the purpose of summarising the data collected. Thereafter, the researcher must organise and present the data in such a manner that it can be interpreted to provide insight into the objectives and hypotheses of the research. Analysis can be categorised as descriptive or inferential and can involve one or more variable in order to study either the distribution or the relationships (Kothari, 2004; Martin & Bridgmon, 2012; Morris, 2012: Wetcher-Hendrick, 2011). In this research, since the numerical information is available and the data are of a variable nature, statistical techniques of data analysis were applied.

4.7.1 Statistical Techniques

The choice of the appropriate statistical techniques is influenced by a number of factors, the nature and size of data generated, hypothesis or research proposition being tested, and the design of the study itself. The assumption of the statistical test in question in the present research determines the type of statistical techniques that are used in the analysis. Researchers can generate four broad categories of data (i.e ordinal, nominal, ratio and interval). These different types of data (or levels of measurement as they are also referred to) require a particular set of statistical procedures and techniques of analysis which are permissible under certain scientific and mathematical rules (Kothari, 2004; Martin & Bridgmon, 2012; Morris, 2012: Wetcher-Hendrick, 2011). Therefore, the two statistical techniques used in this study are descriptive and inferential statistics.

4.7.2 Descriptive Statistics

The main function of the descriptive statistics tool is to summarise and describe data in such a way that its characteristics, similarities, variations and trends can be better understood. Data that are analysed using descriptive statistical tools can be presented in the form of tables, charts and graphs to show their major attributes. For example, the use of histograms, polygons, line graphs, bar charts, Lorenz curves, pie charts and flow charts are popular in the presentation of descriptive types of data. Depending on what the researcher is aiming toward, descriptive tools that can be used are ratio, proportion, percentage, mean, median, mode, mean deviation, standard deviation, coefficient of variation and chi-square. However chi-square can serve both descriptive and inferential functions. It also shows the strength of the association between two variables (Kothari, 2004; Martin & Bridgmon, 2012; Morris, 2012: Ndiyo, 2005; Wetcher-Hendrick, 2011).

4.7.3 Inferential Statistics

Inferential statistics are tools that use probability theory to test hypotheses and allow inferences to be made from a sample of the population. There are also helpful for making predictions and generalisations about the entire population on a sample of cases drawn from it. This major function of data interpretation enables the researcher to compare groups of data to determine the probability that differences between them are based on clear facts, thereby providing evidence for judging the validity of a hypothesis or inferences (Kothari, 2004; Martin & Bridgmon, 2012; Ndiyo, 2005; Wetcher-Hendrick, 2011).

On the other hand, inferential analysis is carried out with the help of other statistical tools that can reveal whether or not one can make an inference from a sample of a population to establish a causal relationship between variables and make predictions. This represents a higher level of analysis beyond just descriptive analysis. Inferential statistics help to confirm whether results from descriptive analysis are due to incidental factors or due to an actual relationship (Kothari, 2004; Martin & Bridgmon, 2012; Morris, 2012: Ndiyo, 2005; Wetcher-Hendrick, 2011).

Statistical tests are generally classified into two: parametric statistics and non-parametric statistics. According to Martin and Bridgmon (2012), Wetcher-Hendricks (2011) and Ndiyo (2005), parametric statistics are used where the following assumptions hold:

a) The groups in the samples are randomly drawn from the target population.

b) The data to be analysed are at least at the interval level of measurement.

c) Population is normally distributed; i.e variables within the population are adequately spread.

d) Population variances are equal - equality of variance can be rough by looking at standard deviation of both samples and these will be nearly the same thing.

e) Measurement is at the interval.

Researchers want to achieve more than simply describe. For instance, they may want to test a hypothesis to understand whether or not a sample's results hold true in a population and whether or not the differences in the results are significant enough to indicate that relationship really exists. In other words, inferential statistics are a precise way of demonstrating how confident a researcher can be when making inferences from the result of a sample population. There are many types of inferential statistical techniques that can be used depending on the nature of the data (Kothari, 2004; Martin & Bridgmon, 2012; Ndiyo, 2005; Wetcher-Hendrick, 2011).

4.7.4 Regression Analysis

Regression analysis is also an important tool in inferential statistics. Linear regression is used to test if a predictor or an independent variable will have an impact on a dependent variable while multiple regression is used to test if the independent variables will impact on the dependent variable. Regression analysis is also used for analysing interval or ratio data, like Pearson's product-moment correlation measure. The results from a regression analysis demonstrate two important functions. First of all, they reveal how a set of independent variables explain a dependent variable. The outcomes of regression analysis can be used to explain which factors exercise greater weight or influence on the dependent variable, with or without support (Kothari, 2004; Martin & Bridgmon, 2012; Morris, 2012: Ndiyo, 2005; Wetcher-Hendrick, 2011). The other important function of results from a multiple regression analysis is that they show not only the direction of a relationship, but also the extent or size of the effect of each independent variable on the dependent variable. The coefficient is very important in regression analysis. It shows, in each case, the extent to which variables are associated (Kothari, 2004; Martin & Bridgmon, 2012; Morris, 2012: Ndiyo, 2005; Wetcher-Hendrick, 2011).

4.7.5 Statistical Significance

Statistical significance (p-level) refers to the likelihood that the degree of difference or association being tested would only occur by chance alone (Field, 2013). Whether the study significance level is small enough, usually less than 0.05 or 0.01, then in that case the null hypothesis is considered rejected. For example, if statistical significance (p-level) is 0.05, this means that the degree of difference or association being tested would only occur by chance alone, five times out of a hundred (Burns & Burns, 2008; Field, 2013). In this research, statistical significance p-level ≤ 0.05, is suggested by previous studies such as by Saunders et al. (2012) and Hair et al. (2003) is the accepted level when using the Statistical Package for the Social Sciences (Field, 2013).

4.7.6 Content Analysis

Content analysis was used for analysing the secondary data on the ICRG PRA annual rating conducted for Nigeria by examining the dataset to identify relevant information within the period 2011 to 2015. It was aimed at gaining more insights about political risk that have been reported on Nigeria and to compare with the results that emerged from the primary quantitative data analysis. Content analysis is one of the methods that can be used to analyse quantitative or qualitative data in either a deductive or an inductive manner. This form of data analysis assigns importance to identified extant text information from examining a document that will provide new insights or knowledge (Barringer, Jones, & Neubaum, 2005; Charmaz, 2006; Krippendorff, 2012). It offers an advantage that allows researchers to use their discretion in selecting relevant information or themes from data with valid inferences to their context that can be used for conducting an analysis (Barringer, et al., 2005; Krippendorff, 2012).

In the context of this study a deductive content analysis was used which process was carried out in three phases (Barringer, et al., 2005). It started with a preparation phase where relevant information was selected and sense was made from the ICRG PRA rating dataset within the period 2011 to 2015. Next was the organising phase where an analysis matrix was developed with the selected information to compare the different year's political risk report for the period. Finally, it was concluded with the reporting phase of the results of the analysis obtained. The use of this form of analysis is in line with other previous political risk studies conducted by Osabutey and Okoro (2015) and Busse & Hefeker (2007).

4.7.7 Thematic Analysis

Thematic analysis is one of the qualitative data analysis methods that gives an advantage in the flexibility of its applications (Braun, Clarke, & Terry, 2015; Guest, MacQueen, & Namey, 2011). It is a form of data analysis assigns importance to identified themes or its frequency of occurrence using codes from qualitative primary data (Braun et al., 2015: Guest et al., 2011). It allow researchers to use their discretion in selecting themes or information that are relevant for conducting analysis from either primary or secondary qualitative data.

Thematic analysis was conducted in three stages namely; the descriptive coding, interpretive coding and conceptualisation (King & Horrocks, 2011). The initial coding also known as descriptive coding entails manually and carefully identifying one or two keywords or themes from the piece of each of the six interview text for later identification after the first reading. Thereafter, the keywords identified were grouped to produce interpretive codes, those that shared common keywords or themes. The conceptualisation of the coding was the final stage which involves developing a conceptual categorisation for the researcher to be able to find feasible patterns that could be used to explain each identified theme (Huberman and Miles, 1994; King & Horrocks, 2011). The use of thematic analysis is in line with other previous political risk studies conducted; for example those by AI Khattab et al. (2011) and Busse & Hefeker (2007).

4.8 ETHICAL ISSUES

Prior to the data collection for this study, and in accordance with the University of Huddersfield’s Ethics Policy and Procedures regarding the conduct of research, ethics approval is required before the commencement of data collection. Ethics has been defined by several studies “as the application of moral rules and professional code of conduct in the collection, analysis, reporting and publication of research studies” (Comstock, 2013; Gibbs, 2012; Steneck, 2007). The research ethics committee was put in place to review any proposed study that involves human participants. It is for this reason that an application was forwarded to the Business School Ethics Committee. Approval was received from the Business School Ethics Committee before the commencement of the research. The reviewers' recommendations were outright approval (copies of the Reviewers Proforma are attached as Appendices 11a and 11b).

The ethical issues innate in this research to ensure good practice in its conduct are that adequate information is given to the participants using the Participant Information Letter (PIL) (a copy of the PIL is attached as Appendix 12). Participation in this study was voluntarily, with the understanding that participants could withdraw at any time they wished, and their consent was obtained accordingly before commencement of the research. With regards to the issues of confidentiality and anonymity, the participants were informed that the data would be strictly confidential and the data would be used for academic purposes only.

4.9 LIMITATIONS OF THE STUDY

A number of methodological impediments, not within the researcher's control, were observed. It is important to consider the limitations of the research in order to consider if their implications contribute towards the overall success of the study. The two limitations in the conduct of this research are:

1) The study was constrained due to fact that 59 firms with international names who would have participated in the survey had been nationalised by the Nigerian government in the 1970s, thereby reducing the sample size.

2) The use of an online survey for data collection poses certain challenges, since its potential is still being explored, especially in developing countries such as Nigeria, with a low level of electric power infrastructural development.

4.10 SUMMARY OF THE CHAPTER

This chapter discussed the procedures used in conducting this study; from the theoretical underpinning to the collection and analysis of data to achieve the objectives and hypotheses of research that were formulated to achieve the study's aim. The chapter described how the research's methodological framework was developed. Philosophical positions that influenced the choice of research methodology adopted were discussed. The nature, relevance, strengths and limitations of quantitative research, qualitative research and mixed methods for insights were discussed. A survey strategy was adopted, since a survey is the most popular and commonly used strategy in business research.

A multi-methods approach using a sequential mixed method strategy were employed to enable possible triangulation of data in order to achieve the study's different purposes. This integration of research strategies was justified to enable the collection of primary and secondary data with variables which are amenable, as well as not amenable, to empirical measurement and verification. The chapter also involved a discussion about the process of how the questionnaire was distributed using an online survey to the entire target population of Nigerian multinational firms was designed and developed. Likewise, the process of how the semi-structured interviews were conducted using a stratified sampling technique was discussed. The ICRG PRA annual rating dataset of assessments conducted within the period from 2011 to 2015 was examined. The quantitative data which were collected was analysed using non-parametric statistical techniques, since the research variables were not normally distributed and the sample size was relatively small. Descriptive and inferential statistics were applied, while correlation and regression analysis were used later due to a consideration of the assumptions of each one. Thematic and content methods of analysis were used to analyse qualitative data collected. Ethical issues to ensure best practice and the limitations of the study were also considered.

CHAPTER FIVE

DATA PRESENTATION AND ANALYSIS OF THE FINDINGS

CHAPTER FIVE

DATA PRESENTATION AND ANALYSIS OF THE FINDINGS

CHAPTER 5 :

5.1 INTRODUCTION

This chapter aims to present and analyse the data collected from the participant multinational firms for the purpose of addressing the objectives and hypotheses of the research. The quantitative data collected from the participants are presented in bar charts and tables using percentages and mean scores. Descriptive statistical analysis was used to delineate the characteristics and to compare the scores of the underlying variables while inferential statistics were used to predict the outcomes (Burns & Burns, 2008; Field, 2013). To test the hypotheses underpinning the study, correlation analysis, linear and multiple regression analyses were employed in order to examine the direction and strength of the interrelationship among the variables as well as to predict their impact on the relationships (Field, 2013; Hair, Tatham, Anderson, & Black, 2010). Thereafter, qualitative data were collected using semi-structured interviews from a stratified sample of the participants in order to complement the small sample size for the quantitative data and for triangulation purposes. The ICRG PRA annual rating dataset conducted for Nigeria within the period from 2011 to 2015 published on the internet by PRS Group was analysed (PRS Group, 2015). Thematic and content methods of analysis were used for analysing qualitative data collected.

This chapter is divided into twelve main sections. Section 5.1 introduces the chapter and highlights of scope. Section 5.2 presents data on the characteristics of Nigerian multinational firms. Section 5.3 presents data on the determinants of internationalisation. Section 5.4 presents data on risk in international business and the semi-structured interviews. Section 5.5 provides data on determinants of political risk. Section 5.6 presents data on the impacts of the determinants of political risk. Section 5.7 deals with the data on the variables and indicators used for forecasting political risk. Section 5.8 provides data on the consequences associated with political risk and also the semi-structured interviews. Section 5.9 presents data on the practices of PRA in multinational firms. Section 5.10 analyses the dataset of ICRG PRA annual rating conducted for Nigeria within the period from 2011 to 2015. Section 5.11 deals with data on the managing and mitigating strategies used in Nigeria. Section 5.12 concludes the chapter.

5.2 MULTINATIONAL FIRMS IN NIGERIA

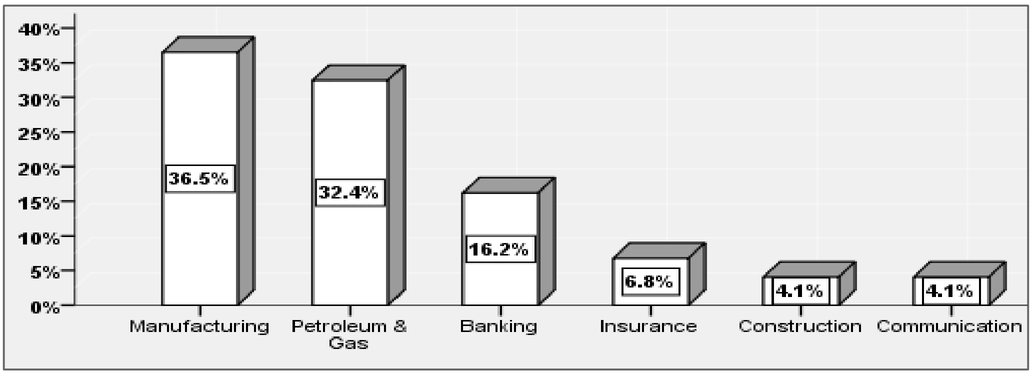
The databases used for identifying the 247 firms which were involved in international business in Nigeria were from the Nigerian Stock Exchange in Lagos and the Corporate Affairs Commission in Abuja. A further re-examination on a firm-by-firm basis during a pilot study helped in the identification process. Only firms that were finally identified as being involved in international business participated in the survey. Some firms bearing international names indicated that they were no longer involved in international business because they had been nationalised by the then Nigerian government in the 1970s. As previously discussed in Section 3.6, these former multinational firms were mandated to sell their shares to the Nigerian public. Most of them indicated that they had some form of foreign affiliations supporting their operations in Nigeria. This reduced the sample size of the population by 59 participants. It is for this reason that the quantitative data collected had to be complemented by qualitative data.

5.2.1 Characteristics

Four classifications were used to characterise multinational firms in Nigeria. In the descriptive statistical analysis of the characteristics of the Nigerian multinational firms', the four classifications used were type of industry; size (assets and number of employees); type of international business involvement and entry mode.

5.2.1.1 Industry Type

Figure 5.1: Distribution of Firms by Type of Industry

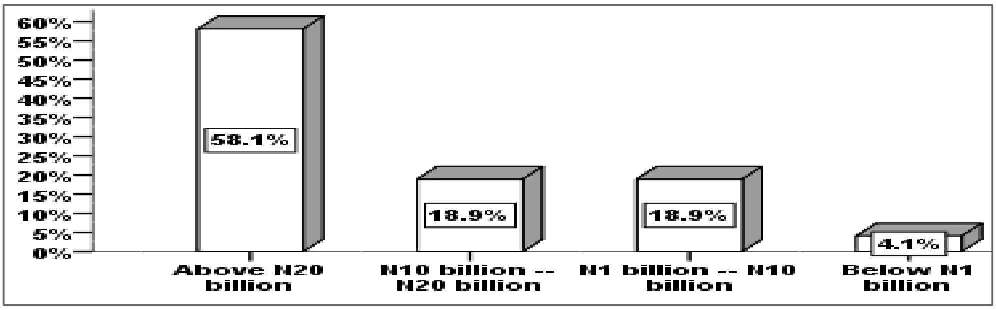


Six categories were used to allocate the participants according to type of industry. Figure 5.1, discloses of the total percentage that the manufacturing sector represented 36.5%;

petroleum and gas represented 32.4 %; banking represented 16.2 %; insurance represented 6.8%; construction and communication represented 4.1% respectively.

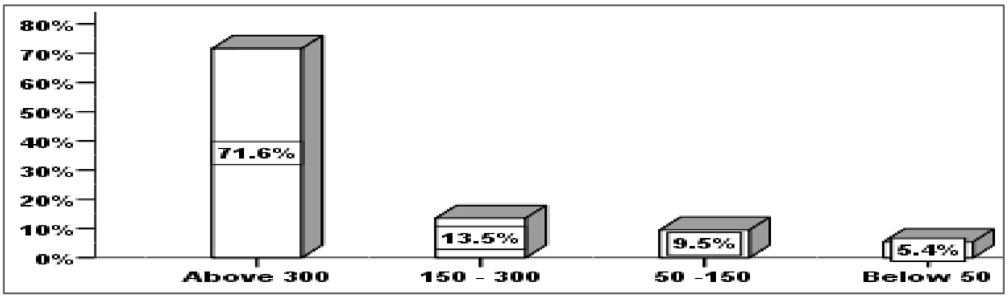
5.2.1.2 Size

Figure 5.2: Distribution of Firms by Asset



In categorising the participants according to size based on a firm's assets (1 Billion Naira equivalent of $ 160 million), figure 5.2 indicates of the total percentage that 58.1 % were large-sized firms, 37.8 % were medium-size firms and 4.1 % were small-sized firms.

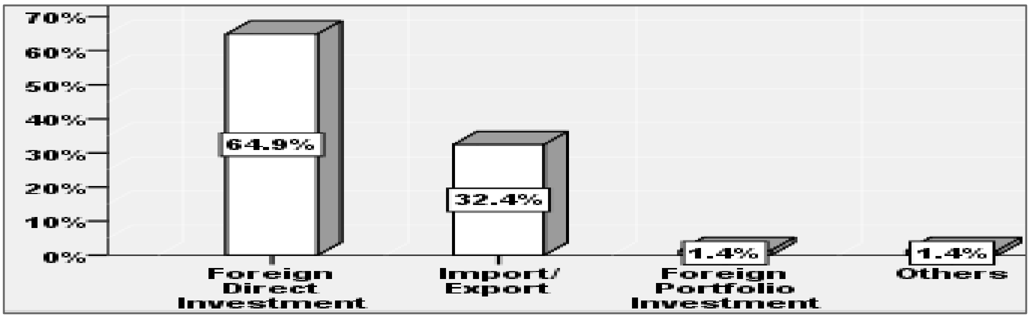
Figure 5.3: Distribution of Firms by Number of Employees



Participants were also categorised according to size based on a firm's number of employees. Figure 5.3, indicates of the total percentage that 71.6 % were large-size with above 300 employees, 23 % were medium-sized, ranging between 50 and 300 employees and 5.4 were small-sized firms with below 50 employees.

5.2.1.3 Business Type

Figure 5.4: Distribution of Firms by Type of Business



Participants were also assigned based on their type of international business involvement. Figure 5.4 shows of the total percentage that, 64.9 % of the firms were internationalised by FDI, 32.4% of the firms were internationalised in import/export and 2.8% of the firms were internationalised by portfolio direct investment and others.

5.2.1.4 Entry Mode

Figure 5.5: Distribution of Firms by Entry Mode

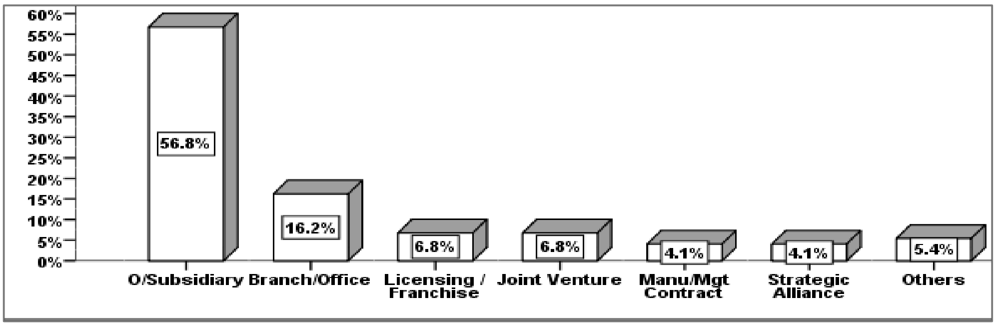
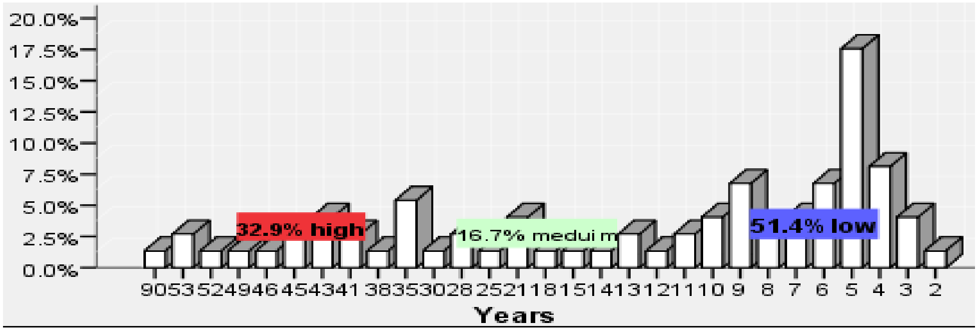


Figure 5.5, shows of the total percentage that 56.8% of firms had an entry mode of internationalisation by owning subsidiary, 16.2% by branches/offices/affiliates 6.8% by joint venture, 4.1% licensing/franchises agreement and strategic alliance while 5.4% by other means.

5.2.2 Determinants of Internationalisation

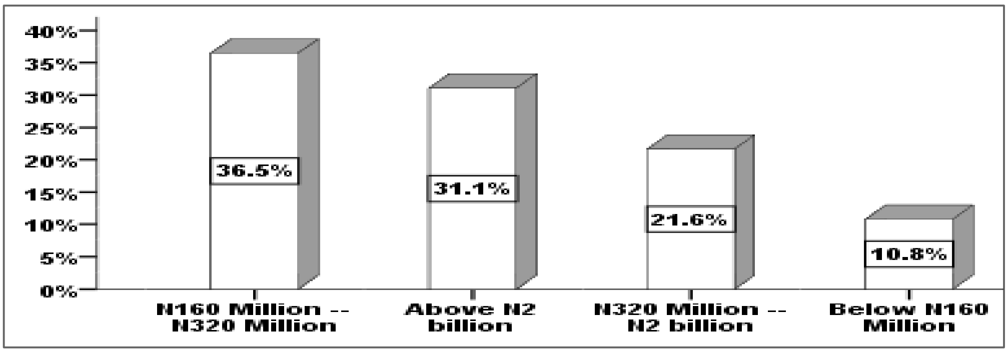
In the descriptive statistical analysis of the determinants of internationalisation, the variables used as criteria to determine firms' degree of internationalisation into high-internationalised, medium-internationalised and low- internationalised are the number of years; revenue generated and number of operating countries.

Figure 5.6: Distribution of Firms by Number of Years



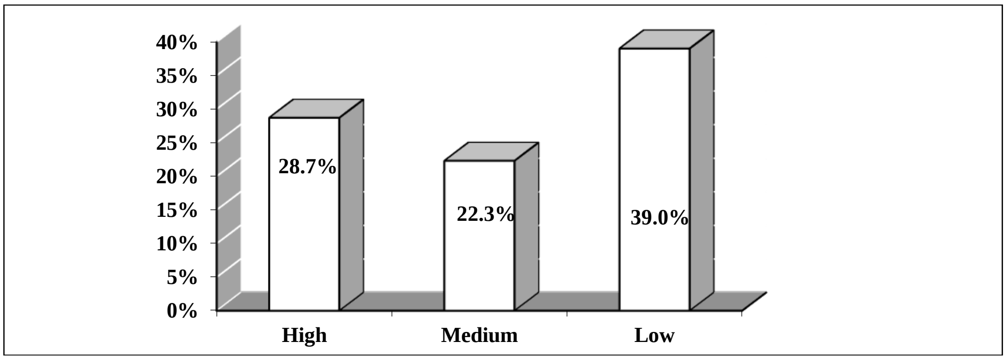
The number of years in which a firm had been engaged in international business was used to determine their degree of internationalisation. Figure 5.6 shows of the total percentage that 32.9% were high-internationalised, 16.7% were medium-internationalised and 51.4 % were low-internationalised firms. Therefore, it concludes that more low-internationalised firms by number of years in international business participated in the survey.

Figure 5.7: Distribution of firms by Revenue Generated



The participant firms were divided up by revenue generated from international business activities to determine their degree of internationalisation. Figure 5.7 shows of the total percentage that 36.5 % were high-internationalised firms, 52.7 % were medium-internationalised firms, and 10.8 % were low-internationalised firms.

Figure 5.8: Distribution of Firms by Number of Operating Countries



The participant firms were analysed according to number of operating countries to determine their degree of internationalisation. Figure 5.8 discloses of the total percentage that 28.7% were high-internationalised firms, 22.3 % were medium-internationalised and 39.0 % were low-internationalised firms.

5.3 CORRELATIONS BETWEEN CHARACTERISTICS OF MULTINATIONAL FIRMS AND THE DETERMINANTS OF INTERNATIONALISATION

This section aims to conduct correlation analysis between the characteristics and the determinants of internationalisation in the context of Nigerian multinational firms to test H2. It was to establish the strength and direction of the interrelationship among the set of variables so as to establish if there is a positive relationship (as one variable increases, the other variable increases and vice versa) or a negative relationship (as one increases, the other decreases and vice versa). The relationship between the characteristics of multinational firms such as firms' assets, number of employees, type of business international involvement, entry mode and determinants of internationalisation such as revenue generated, number of years and number of operating countries was investigated. The SPSS output in Table 5.1 shows the Pearson correlation results between each pair of the variables correlated with the number of cases for comparison.

H2; there is a positive relationship among characteristics of multinational firms and degree of internationalisation.

Table 5.1: Correlations among the Characteristics and their Determinants of Internationalisation

Variables	Correlation	Type	Entry Mode	Years	Revenue	Countries	Assets	Employees
Type	Pearson	1	.447**	.000	-.164	.138	-.430**	-.394**
	Sig. (2-tailed)		.000	.999	.163	.240	.000	.001
Entry Mode	Pearson	.447**	1	.340**	-.041	.160	-.403**	-.491**
	Sig. (2-tailed)	.000		.003	.728	.172	.000	.000
Years	Pearson	.000	.340**	1	.420**	.408**	-.007	-.154
	Sig. (2-tailed)	.999	.003		.000	.000	.955	.190
Revenue	Pearson	-.164	-.041	.420**	1	.140	.526**	.293**
	Sig. (2-tailed)	.163	.728	.000		.235	.000	.011
Countries	Pearson	.138	.160	.408**	.140	1	-.003	-.044
	Sig. (2-tailed)	.240	.172	.000	.235		.983	.711
Assets	Pearson	-.430**	-.403**	-.007	.526**	-.003	1	.629**
	Sig. (2-tailed)	.000	.000	.955	.000	.983		.000
Employees	Pearson	-.394**	-.491**	-.154	.293**	-.044	.629**	1
	Sig. (2-tailed)	.001	.000	.190	.011	.711	.000	

**. Correlation is significant at the 0.05 level (2-tailed).

The three determinants of internationalisation used were number of years, revenue generated and countries of coverage, while the firms were characterised by type of business, entry mode, assets and number of employees. The output of Pearson's correlation in Table 5.1 shows a significant positive correlation between entry mode and number of years (r =.340** indicates a positive but a weak relationship meaning that the greater the entry mode, the higher the number of years). However, because of the weak relationship, it means it does not follow automatically that an increase in the number of years will result in an increase in entry mode and vice versa.

It also shows that a significant positive correlation exists between a firm's revenue generated from international business and a firm's number of employees (r =.293**). However, because of the weak relationship, it means it does not automatically follow that an increase in the revenue generated will result in an increase in number of employees and vice versa. Table 5.1 also shows that there is a positive correlation among the variables of degree of internationalisation. There is a positive significant correlation between the number of years in international business variable and a firm's Revenue from international business variable (r =.420**). The result implies a medium positive relationship, meaning that the higher a firm's number of years in international business, the greater a firm's revenue generated by international business activities, and vice-versa. However, because of the weak relationship, it means it does not automatically follow that an increase in the number of years will result to an increase in revenue generated mode and vice versa.

The result of the correlation indicates a strong positive relationship, meaning that the greater a firm's assets, the greater a firm's Revenue generated from international business and vice versa. It also shows that a positive significant correlation exist between a firm's number of employees and a firm's Revenue from International business (Pearson, r =.293**) .The result implies a low positive relationship meaning that the greater the number of employees in a firm, the greater its Revenue generated from international business and vice versa. However, because of the weak relationship, it means it does not automatically follow that an increase in the number of employees will result in an increase in revenue generated and vice versa. A positive relationship among characteristics of multinational firms and determinants of internationalisation confirms that H2 is accepted.

5.4 RISK IN INTERNATIONAL BUSINESS

This section aims to determine the relative concern of participants for each type of risk in international business and each type of political risk from the data collected from the questionnaire and semi-structured interviews. Descriptive statistical analysis was conducted to compare the scores of the variables. Linear regression was conducted to test H3; an increase in political risk will not result in a negative impact on firms' revenue generated. If both the types of risk in international business and the types of political risk have consequences for firms, a negative relationship should exist between them and the revenue generated from international business. The section is divided into two sub-sections; 5.6.1: correlations among the types of risk in international business and determinants of Internationalisation; 5.6.2: correlations between the types of political risk and determinants of Internationalisation. The participant firms were presented with three types of risks and 14 types of political risk in international business were derived from the literature reviewed using a five-point likert scale to investigate their concerns, where 1 stood for ' Not concerned', 2 'Slightly', 3 'Moderately', 4 'Very' and 5 'Extremely concerned'. To determine the relative concern of participants for each type of risk in international business, a descriptive statistical analysis was conducted to compare the scores of the variables. Thereafter, to test the hypothesis about the determination of the direction and the strength of the relationship between political risk and Revenue generated, a correlation analysis between the types of risk in international business and determinants of internationalisation was conducted.

Table 5.2: Types of Risk in International Business

Types of Risk	Mean	SEM	Median	Mode	SD	V	Min	Max
Political risk	4.00	.092	4.00	4	.794	.630	2	5
Financial risk	4.04	.091	4.00	4	.748	.615	2	5
Cultural risk	2.84	.109	3.00	3	.937	.877	1	5

Table 5.2 shows political and financial risks have mean score of 4 (4 'Very concerned') while cultural risk has a mean score of 2.8. This indicates that most of the participants are very concerned with political and financial risks than cultural risk in international business.

5.4.1 Linear Regression between Political Risk and Revenue Generated

Linear regression analysis was conducted between the types of risk in international business and the determinants of internationalisation to test H3. It was to explore the strength and direction of the interrelationship among the set of variables so as to establish if there is a negative relationship (as one variable increases, the other variable decreases and vice versa) to test the hypothesis. The hypothesis tested is to determine if there is a negative relationship between the types of political risk in international business and the determinants of internationalisation in terms of the Revenue generated from international business.

H3: An increase in political risk will result in a negative impact on firms' revenue generated.

Table 5.3: Political Risk in International Business and Revenue Generated

Correlation	R	R^2	Adjusted R^2	F	Sig.	Unstandardised Coefficients	
.286	.286[a]	.082	.069	6.433	.013[b]	B	Std. Error
				(constant)	.039	1.25	.594
				Political risk	.013	.370	.146

a. Dependent Variable: Revenue Generated, b. Predictors: (Constant), Political risk

The output of the linear regression, as illustrated in Table 5.3, shows that R has a value of 0.286; which reveals a positive but weak relationship between political risk and revenue generated. Therefore, it implies that as political risk increases the revenue generated increases too but the relationship between the two variables is weak. This suggests that an increase in political risk will not automatically result in an increase in revenue generated.

The value of R^2 (0.082) indicates that political risk accounts only for 8.2% of the variation in the revenue generated. It implies that 91.8% of the variation in the revenue generated cannot be explained by political risk alone. Hence, it shows that there are other variables which can account for the revenue generated. The F value is (6.43), which is significant at ($p<.05$) with a value (sig 0.013). Therefore, it can be concluded that the regression model results predict the impact of political risk on the revenue generated.

In order to appraise the political risk (independent variable) contribution in the prediction of the revenue generated (dependent variable) the Beta value was considered. The Beta value of political risk suggests that it will not make a strong unique contribution to predicting revenue generated. The sig value of political risk shows that it is makes a statistically significant unique contribution (significant at $p<.05$) to the prediction of the revenue generated. The output of the result in Table 5.4 implies that an increase in political risk will not result in a negative impact on firms'revenue generated. It confirms that H3 is rejected.

Table 5.4**:** Types of Political Risk in International Business

Types of Political Risk	Mean	SEM	Median	Mode	SD	V	Range	Min	Max
License cancellation	4.12	.074	4.00	4	.640	.410	3	2	5
Terrorism	3.99	.097	4.00	4	.836	.698	4	1	5
Investment agreement changes	3.97	.084	4.00	4	.721	.520	3	2	5
Demonstration, riots, strikes	3.85	.108	4.00	4	.932	.868	3	2	5
Contract repudiation	3.78	.125	4.00	4	1.076	1.158	4	1	5
Revolutions, coups, civil wars	3.76	.127	4.00	4	1.081	1.169	4	1	5
Currency devaluation	3.74	.112	4.00	4	.958	.917	4	1	5
Confiscation	3.70	.151	4.00	5	1.300	1.691	4	1	5
Currency inconvertibility	3.68	.131	4.00	4	1.124	1.263	4	1	5
Expropriation or Nationalisation	3.66	.164	4.00	5	1.407	1.980	4	1	5
Taxation restrictions	3.64	.100	4.00	4	.856	.732	4	1	5
Delayed profit repatriation	3.64	.128	4.00	4	1.098	1.205	4	1	5
Price controls	3.64	.123	4.00	4	1.054	1.112	4	1	5
Import/export restriction	3.16	.132	3.00	4	1.131	1.278	4	1	5

Table 5.4 shows the descriptive statistics relating to the participants' concern about the types of political risk in international business (4 'Very concerned' and 5 'Extremely concerned'). The result indicates Mean scores ranging between 4.12 and 3.16, Mode scores of 5 and 4, SD scores ranging between 1.07 and .64 across all types of political risk. This indicates that participants are very concerned about all types of political risk in international business.

5.5 DETERMINANTS OF POLITICAL RISK

This section aims to address the first research objective: to investigate the determinants of political risk in Nigeria. The participant firms were presented with eight features or causes that make political risk exist in different forms in emerging markets as indicated by the literature reviewed. Using a five-point likert scale to indicate the level they consider each of these features or causes will result to political risk, where 1 stood for 'not a feature' '2 slightly' '3 moderately' '4 highly' and '5 extremely a feature'. This was to determine the relative extent to which each was considered to be a feature or cause of political risk by the participants. A descriptive statistical analysis was conducted to compare the scores.

Table 5.5: Determinants of Political Risk in Nigeria

Determinants of Political Risk	Mean	Median	Mode	SD	V	Min	Max
Poor Value System	3.71	4.00	4	.790	.624	2	5
Religious Intolerance	3.72	4.00	4	.836	.699	1	5
Inter-ethnic Rivalry	3.73	4.00	4	.746	.556	2	5
Low Per Capital Income	3.61	4.00	4	.718	.516	2	5
Unstable Gov. Change	3.21	3.00	4	1.092	1.193	1	5
Constitutional Pitfalls	3.09	3.00	3	.939	.881	1	5
Lengthy Bureaucratic Process	3.46	3.00	3	.831	.690	1	5
Weak Political Structures	3.49	3.00	3	.848	.719	1	5

Table 5.5 indicates Mean scores ranging from 3.71 to 3.49, Mode scores ranging from 4 to 3 and SD scores ranging from 0.79 to 1.09, across all features of political risk. The results of the Mean, Mode and SD scores ('3 moderately a feature' '4 highly a feature') indicate that most of the participants considered that these causes or features are major determinants of political risk in Nigeria. Among the causes or features of political risk poor value system, religious Intolerance, inter-ethnic rivalry and low per capital income had the highest mean scores.

5.6 IMPACT OF THE DETERMINANTS OF POLITICAL RISK

This section aims to address the second research objective: to examine the impacts of the determinants of political risk in Nigeria. The participant firms were presented with eight determinants using a five-point likert scale where 1 stood for 'No impact', '2 slightly', '3 moderately', '4 highly' or '5 extreme impact' to indicate the level of impact of each feature. To examine the relative impact of these determinants of political risk, as indicated by the participants, a descriptive statistical analysis was conducted to compare the scores.

Table 5.6: Level of Impact of the Determinants of Political Risk

Determinants of Political Risk	Mean	SEM	Median	Mode	SD	V	Min	Max
Poor Value System	2.54	.135	3.00	3	1.161	1.348	1	5
Low Per Capital	2.51	.153	2.50	1	1.316	1.733	1	5
Lengthy Bureaucratic Process	2.27	.139	2.00	1	1.197	1.433	1	5

Weak Political Structures	2.22	.148	2.00	1	1.274	1.624	1	5
Inter-ethnic Rivalry	2.19	.140	2.00	1	1.201	1.443	1	5
Religious Intolerance	2.04	.143	2.00	1	1.232	1.519	1	5
Constitutional Pitfalls	1.73	.132	1.00	1	1.138	1.296	1	5
Unstable Gov. Change	1.86	.143	1.00	1	1.231	1.516	1	5

The descriptive statistics concerning the relative level of impact of the determinants of political risk in Nigeria by the participants is shown in Table 5.6. The results of the Mean, Mode, SD scores ('1 No impact') indicates that most of the participants stated that there are 'No impact' in Nigeria. This result suggests that these determinants of political risk have no impact on multinational firms doing business in Nigeria.

5.7 RISK VARIABLES & INDICATORS USED FOR FORECASTING POLITICAL RISK

This section aims to address the third research objective: to investigate the variables and indicators used to forecast political risk in Nigeria and to test H2. The participant firms were presented with a list of 24 variables and indicators used to forecast political risk in emerging markets which are derived from the literature reviewed. Using a five-point likert scale to indicate the level of agreement, where 1 stood for 'Strongly disagree' 2, for 'disagree', 3 for 'Undecided', 4 for 'Agree' 5 for 'Highly agree'. To investigate the variables and indicators used to forecast political risk in Nigeria by the participants, a descriptive statistical analysis was conducted to compare the scores. Thereafter, to test the hypothesis so as to determine the direction and the strength of relationship between the variables and indicators use for forecasting political risk with and types of political risk, multiple regression analysis was conducted.

used for forecasting political risk in Nigeria by the participants. The results indicate mean

Table 5.7: Risk Variables and Indicators use for Forecasting Political Risk

Risk Variables and Indicators	Mean	SEM	Median	Mode	SD	V	Min	Max
Level of Corruption	4.32	.106	4.50	5	.901	.812	1	5
Inflation Rate	4.21	.078	4.00	4	.666	.443	1	5
Interest Rate	4.12	.070	4.00	4	.600	.360	1	5
Poverty Rate	4.07	.068	4.00	4	.585	.342	2	5
Terrorist Activities	4.06	.081	4.00	4	.679	.460	2	5
Crime Rate	4.03	.059	4.00	4	.503	.253	3	5
Percentage of Unemployment	4.01	.067	4.00	4	.569	.324	2	5
Militia Groups	3.96	.077	4.00	4	.655	.429	2	5
Economic Growth Rate	3.92	.068	4.00	4	.575	.331	2	5
Government Policy	3.86	.074	4.00	4	.631	.398	3	5
Religious Intolerance	3.86	.071	4.00	4	.608	.370	2	5
State of Infrastructure	3.79	.089	4.00	4	.763	.582	2	5
Public Accountability	3.78	.083	4.00	4	.712	.507	2	5
Balance of Payment	3.74	.079	4.00	4	.671	.451	2	5
Stability in the Banking System	3.71	.086	4.00	4	.736	.541	2	5
Bureaucratic Interference	3.69	.083	4.00	4	.705	.497	2	5
Inequitable Distribution of Resources	3.68	.095	4.00	4	.814	.663	1	5
Fiscal Imprudence	3.68	.084	4.00	4	.709	.502	1	5
State of the Democratic Process	3.67	.076	4.00	4	.647	.418	3	5
Price Index	3.56	.089	4.00	4	.751	.564	2	5
Budget Deficit	3.53	.085	4.00	4	.728	.530	2	5
Level of Marginalisation	3.51	.094	4.00	3	.801	.642	1	5
Judicial System	3.49	.088	3.00	3	.748	.559	2	5
Population rate Growth	3.45	.089	3.00	3	.765	.584	2	5

scores ranging from 4.32 to 3.45, Mode scores of mostly 4 and SD scores ranging from 0.90 to 0.66, across all variables and indicators used for forecasting political risk. From the results of the Mean, Mode, SD scores (4 'Agree') most of the participants indicated that they are risk variables and indicators used for forecasting political risk in Nigeria. However, from Table 5.7, the mean values of some of the risk variables and indicators showed higher values than others. This means some risk variables and indicators used were identified to be more prominent than others for forecasting political risk in Nigeria.

5.7.1 Risk Variables and Indicators use for Forecasting and Political Risk

A multiple regression analysis was conducted between the between the risk variables and indicators used for forecasting political risk in Nigeria and the types of political risk to test H1. It was to explore the strength and direction of the interrelationship among the set of variables so as to establish if there is a positive relationship (as one variable increases, the other variable increases and vice versa) to test the hypothesis. The hypothesis was tested to determine if there is a positive relationship between the risk variables and the indicators used for forecasting political risk in Nigeria and types of political risk.

H1: There is a positive relationship between risk variables and indicators used for forecasting and types of political risk.

Table 5.8: Risk Variables & Indicators used for Forecasting Political Risk and Political Risk

Independent Variables	Correlation	R	R^2	Adjusted R^2	F	Sig.	Unstandardised Coefficients	
							B	Std. Error
		.744	.553	.298	2.165	.014		
(Constant)						.632	-.606	1.255
Inflation rate	.348					.586	.121	.221
Interest rate	.209					.925	-.021	.221
Poverty rate	.362					.795	.071	.271
Percentage of unemployment	.423					.164	.447	.337
Crime rate	.331					.355	.246	.263
Balance of payment	.107					.063	.457	.239
State of infrastructure	-.005					.006	-.677	.233
Economic growth rate	.305					.101	.451	.269
Level of corruption	.271					.414	.122	.148
Budget deficit	-.011					.119	-.397	.250
Price index	-.010					.510	-.177	.266
Government policy	.303					.062	.483	.252
Public accountability	.192					.982	.007	.311
Banking system	.041					.094	.032	.263
Religious intolerance	.256					.650	-.139	.305
Militia groups	.240					.425	.208	.258
Terrorist activities	.107					.994	.001	.137
Bureaucratic interference	.111					.631	.157	.324
Population growth rate	.148					.452	-.249	.328
Level of marginalisation	.121					.444	-.269	.348
Judicial system	.082					.297	-.259	.245
Fiscal imprudence	.165					.888	-.039	.272
State of democratic process	.208					.253	-.402	.347
Inequitable distr of Resources	.209					.318	.313	.310

The output of the multiple regression result in Table 5.8 shows that almost all the dependent variables (risk variables and indicators) have a positive, but weak, relationship with the independent variable (political risk) except for state of infrastructure, budget deficit and price index. Therefore, it suggests that as the risk variables and indicators used for forecasting political risk increase, political risk increases and vice versa. However, it does not follow that an increase in the risk variables and indicators used for forecasting political risk will not spontaneously result in an increase in political risk and vice versa. The R value (0.774) reveals that a strong correlation exists between the risk variables and indicators used for forecasting political risk and political risk. This implies that either an increase or decrease in the risk variables and indicators used for forecasting political risk will result in an increase or decrease in political risk.

The value of R^2 is 0.553 which indicates that the risk variables and indicators used for forecasting political risk account for 55.3% of the variation of political risk. It shows that 44.7% of the variation in the indicator of political risk cannot be explained by the risk variables and indicators only. Therefore, it indicates that there are other variables or indicators which account for this difference in origin of political risk. F value is 2.165 which is significant at $p<.05$ with the value sig 0.014. Hence, it can be concluded that the regression model results significantly predicted the political risk. Considering each of the indicators and variables (independent variables) to compare its contribution to the prediction of the political risk (dependent variable), the Beta value was considered. The Beta value of the indicators and variables such as religious intolerance, interest rate, population growth, state of infrastructure and state of democratic process divulges the highest beta coefficient values. This shows that these indicators and variables make a stronger unique contribution to explaining the political risk.

None of the indicators and variables Sig value indicates that any creates a statistically significant unique contribution (significant at $p<.05$). This suggests that there is an overlap among the risk indicators and variables in making a unique contribution to the prediction of political risk. Thus, the output of the multiple regression results in Table 5.8 validates H1 that there is a positive relationship between the risk variables and indicators used for forecasting and political risk.

5.8 CONSEQUENCES OF POLITICAL RISK

This section aims to investigate the consequences of political risk in Nigeria from the data collected from the questionnaire and semi-structured interviews. A descriptive statistical analysis was conducted to compare the scores. The participant firms were presented with 14 types of political risk to indicate the level of consequences associated with each type of political risk. A five-point likert scale was used to indicate the level of consequences associated with each type of political risk, where 1 stood for ‘No consequence’, 2 ‘Low’, 3 ‘Moderate’, 4 ‘High’ and 5 ‘Severe consequence’. Subsequently, a multiple regression analysis was performed with the consequences of the different types of political risk as independent variables and assets as the dependent variable, to test H4.

H4: The consequences of political risk will result in a negative impact on firms’ assets.

Table 5.9: Consequences of Political Risk

Types of Political Risk	Mean	SEM	Median	Mode	SD	V	Min	Max
Terrorism	2.58	.141	3.00	3	1.201	1.442	1	5
Demonstration, riots, strikes	2.23	.141	2.00	1	1.208	1.459	1	5
Currency devaluation	2.15	.150	2.00	1	1.289	1.663	1	5

Revolutions, coups, civil wars	1.88	.149	1.00	1	1.282	1.643	1	5
Price controls	1.67	.115	1.00	1	.987	.974	1	4
License cancellation	1.64	.138	1.00	1	1.189	1.413	1	5
Import/export restriction	1.58	.129	1.00	1	1.110	1.233	1	5
Contract repudiation	1.53	.122	1.00	1	1.050	1.102	1	5
Investment agreement changes	1.54	.122	1.00	1	1.049	1.101	1	5
Confiscation	1.49	.119	1.00	1	1.015	1.031	1	5
Taxation restrictions	1.47	.098	1.00	1	.835	.697	1	4
Expropriation or Nationalisation	1.45	.106	1.00	1	.909	.826	1	5
Currency inconvertibility	1.42	.098	1.00	1	.835	.697	1	4
Delayed profit repatriation	1.39	.106	1.00	1	.889	.791	1	5

The descriptive statistics on the relative consequences of political risk in Nigeria by the participants is shown in Table 5.9. The result reveals there are mean scores ranging from 2.58 to 1.39, Mode scores of mostly 1 and SD scores ranging from 1.20 to .88, across all variables and indicators used for forecasting political risk. From the results of the Mean, Mode, SD scores (1 'No consequence', 2 'Moderate consequence') most of the participants indicated that there are no consequences of political risk in Nigeria. However, terrorism, demonstrations, riots/strikes and currency devaluation showed moderate consequences. This indicates that there are no consequences of political risk for participant firms doing business in Nigeria.

Table 5.10: Consequences of Political Risks and Firms' Assets

Independent Variables	Correlation	R	R^2	Adjusted R^2	F	Sig.	Unstandardised Coefficients	
							B	Std. Error
		.688	.473	.337	3.466	.000		
(Constant)						.000	3.345	.491
Expropriation or Nationalisation	-.315					.817	.144	.620
Confiscation	-.042					.676	.293	.696
Contract repudiation	-.243					.036	-1.982	.921
Currency inconvertibility	.114					.136	1.024	.677
Taxation restrictions	-.076					.501	-.820	1.211
Import/export restriction	-.327					.897	.050	.382
Currency devaluation	-.247					.878	-.023	.146
License cancellation	-.158					.860	-.235	1.322
Delayed profit repatriationaq1	-.169					.388	1.212	1.392
Price controls	-.088					.047	.679	.333
Terrorism	-.162					.157	.222	.155
Demonstration, riots, strikes	-.315					.857	-.027	.150
Revolutions, coups, civil wars	-.304					.391	-.145	.168
Investment agreement changes	-.162					.348	-.177	.187

The output of the multiple regression result in Table 5.10 shows that almost all the dependent variables have a negative, but weak, relationship with the independent variable except for currency inconvertibility risk which has a positive correlation. Thus, it implies that as the consequences of each type of political risk increase, assets decrease and vice versa. However, it does not follow that an increase in the consequences of each type of political risk will not spontaneously result in a decrease in assets and vice versa. However, the R value (0.69) reveals that a strong correlation exists between the consequences of political risk and firms' assets. This implies that either an increase or decrease in the consequences of political risk will impact on firms' assets.

The value of R^2 (0.47) indicates that the consequences of political risk account for 47.3% of the variation of a firm's assets. It means that 52.8% of the variation in a firm's assets cannot be explained by political risk only. Hence, it implies that there are other variables or factors which account for this difference in impact on a firm's assets. F value is = 3.466, which is significant at $p<.05$ with the value sig 0.000. Thus, it can be concluded that the regression model results significantly predicted the impact of the independent variables.

Evaluating each of the consequences of political risk (independent variables) to compare its contribution to the prediction of the firm's assets (dependent variable) was considered. Variables such as contract repudiation, currency devaluation, license cancellation, investment agreement changes, demonstration, riots, strikes, revolutions, coups and civil wars show the highest beta coefficient values. This suggests that these variables will make a stronger unique contribution to explaining the impact on firms' assets. The Sig value each of the consequences of political risk indicates that none of these variables make a statistically significant unique contribution (significant at $p<.05$). This implies that there is an overlap among the consequences of political risk. However, contract repudiation and price controls are statistically significant and will make a unique contribution to the prediction of political risk. Consequently, the output of the multiple regression results in Table 5.10 validates H4 that the consequences of the types of political risk will result in a negative impact on firms' assets.

5.8.1 Interview Findings

A thematic method of analysis was used for analysing the interview data collected by identifying relevant themes from each participant that addressed the interview questions. Details of the link between the quantitative data collected that informed the interview questions and the interview quotes are shown in Table 5.11.

Table 5.11: Link between Quantitative Data and Interview Questions/ Interview Quotes

Industry	Quantitative Data	Interview Questions	Interview Quotes

A- Banking B-Manufacturing C-Communication D-Insurance E- Petroleum & Gas F-Construction	Weak correlation between types of political risk and firms' assets	1-What are your firm's concerns about political risk issues in Nigeria? 2-What are the types of political risk issues mostly concern their firms in the country?	*concern about political risk* *issue of corruption' problem of terrorism'* *offering of bribes'* *problem of religious intolerance,* *a type of political risk can exist in one part of a country and not in another,* *political risk issues as changing over time,* *located in the Western part of the country*
	No consequences of political risk on firms' assets	3-Are the consequences of political risk significant for your firms?	*insignificant for their firms* *depend on the type of political risk,* *vary from one part of the country to another*
	From the value of $R^{2,}$ 52% variations cannot be explained by types of political risk only	4-What factors influence the impact of political risk on your firms?	*engaging in CSR,* *years of experience operating internationally,* *understanding of the Nigerian market,* *leverage,* *maintaining a good relationship with government,* *imperfect market,*
	The Sig value risk indicates that none of the types of political risk statistically significant	5-What about your firm's perceptions of political risk in the country?	*perceived reward of investing,* *the large size of the market,* *high return on investment,*

Source: Author

At the beginning of each interview, the managers of the participating firms interviewed mentioned *their concerns about political risk* issues in the country. The managers were asked about the types of political risk issues that mostly concern their firms in Nigeria. They indicated that there are *different types of political* risk affecting the operations of some of their branches within parts of the country. The *issue of terrorism* was mentioned by four of the participants as their main concern among types of political risk issues. They said that this was mostly prevalent in the North Western and Eastern parts of the country (Participants A, B, C and F). They also talked about the *problem of corruption*, especially the *offering of bribes* for one reason or another. More often than not this is to reduce the long bureaucratic process with government institutions. The *problem of religious intolerance* in the northern part of Nigeria was also cited. This means *a type of political* *risk can exist in one part of a country and not in another*. They viewed *political risk issues as changing over time,* since the socio-economic and political situation of the country keeps altering with changes in federal and state governments. Political risk issues were mentioned as one of the reasons why most of their operations are *located in the Western part of the country*.

Managers of the participating firms interviewed were asked whether the consequences of political risk are significant and what factors influence the impact of the consequences for their firms. They all stated that the consequences of political risk are *insignificant for their firms*. This is in line with the questionnaire's findings. Likewise, they talked about witnessing variations in the consequences of political risk in the branches of their firms within the country; since they are affected by different types of political risk. They said the consequences *depend on the type of political risk*. This means that the consequences of political risk *vary from one part of the country to another*. They talked about the different factors that influence the impact of the consequences of political risk on their firms. Some of the factors they mentioned were their *years of experience operating internationally* within African countries as well as an *understanding of the Nigerian market* and the political environment. Participants A, C, E and F said that their ability to *maintain a good relationship* with some government institutions after many years of operating in the country had *given them some leverage.* Participants B and C mentioned that since *the country operates an imperfect market*, it creates an opportunity for investors to take advantage of. Participant C said that its return on investment projected for six years was achievable after only six months of operating in the country.

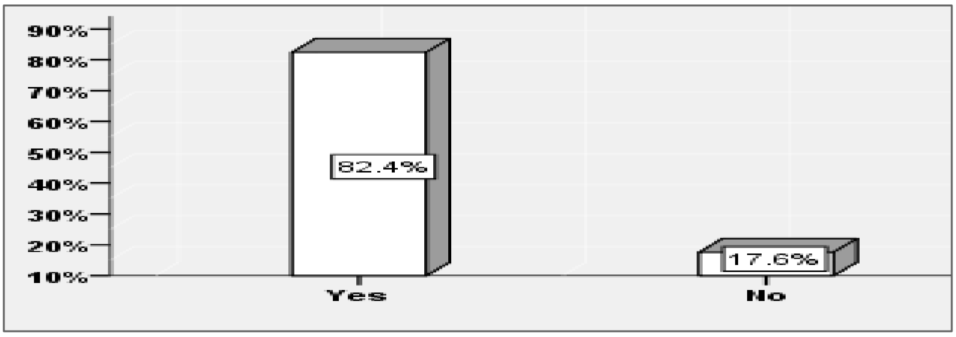
Participants A, B, C, E and F talked about their perceptions of political risk which they said were influenced by the *perceived reward of investing* in Nigeria, considering *the large size of its market*. This means that the *high return on investment* pays the high cost of political risk. They also talked about *engaging in CSR* with state, federal governments and host communities as one of the strategies mostly used in managing and mitigating political risk. However, participants C, E and F mentioned about *paying loyalty to government officials* in some institutions as also one of their means but declined to give any example of such an institution. Consequently, these findings submit that the differences among the attributes of multinational firms can influence the impact of the consequences of political risk.

5.9 PRACTICES OF POLITICAL RISK ASSESSMENT

This section aims to address the sixth research objective: to explore the practices of PRA in multinational firms in Nigeria. The practices include firm behaviour, motivation, techniques and assessment ratings used, as well as different sources of information. The participants were presented with questions to investigate each firm's PRA practices. This section presents data on firms' general description of PRA practices such as types of techniques used, by firms; success of the types of assessment techniques of the firms and the rate of the importance of each source of information to firms. Using a five-point likert scale, participating firms were asked to indicate to what extent an assessment technique and an assessment rating are used successfully in analysing political risk as well as indicating the importance of each source of information. A descriptive analysis was conducted using SPSS to ascertain the percentage and mean scores to determine the extent of firms' behaviour, success in using the techniques and assessment ratings, as well as the importance of each source of information.

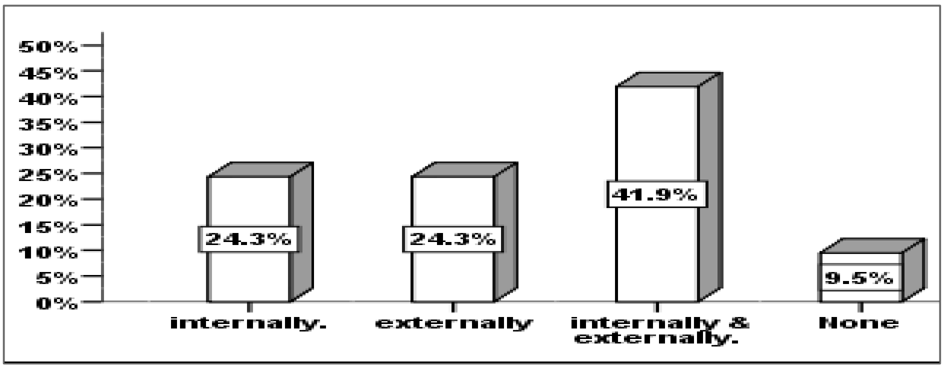
5.9.1 Conduct of Political Risk Assessment

Figure 5.9**:** Distribution of firms by conduct of Political Risk Assessment



The participants were required to indicate if they conduct PRA while undertaking international business activities. Figure 5.9 indicates of the total percentage that 85.4 % conduct PRA while 17.6% do not.

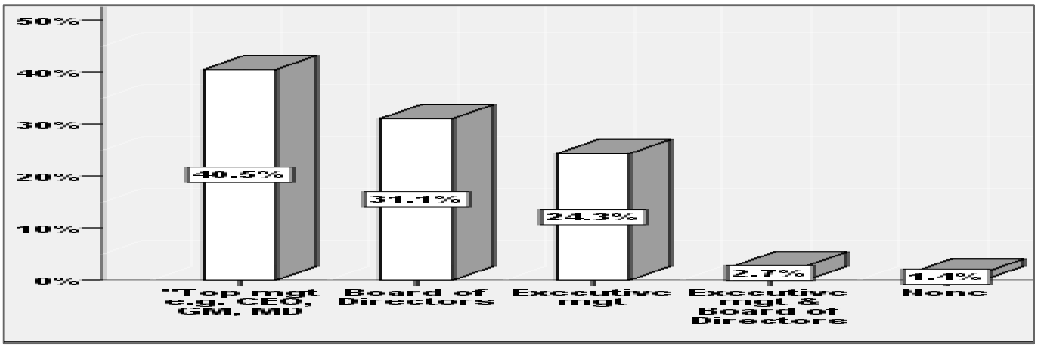
Figure 5.10: Distribution of Firms by Behaviour in Conducting PRA



The participants were required to best describe their behaviour in conducting PRA while undertaking international business activities. Figure 5.10 shows of the total percentage that 24.3% conduct PRA internally using own personnel only, 24.3% conduct PRA externally using external consultants or experts, 41.9% conduct PRA both internally and externally while 9.5% do not conduct PRA.

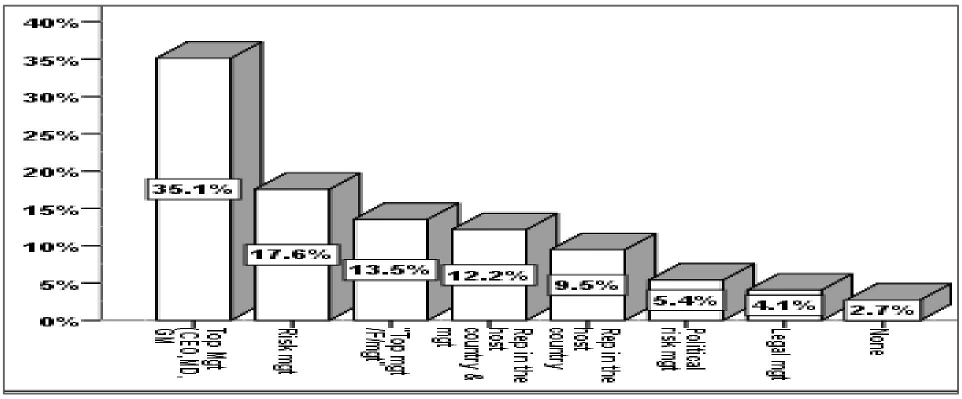
5.9.2 Political Risk Assessment Responsibilities

Figure 5.11**:** Distribution of Firms by Political Risk Assessment Responsibilities



Participants firms were required to indicate to whom PRA is reported while undertaking international business activities. Figure 5.11 indicates of the total percentage that 40.6 report to top management (CEO, MD, GM), 31.1% report to board of directors, 24.3% to executive management and 1.4% to nobody.

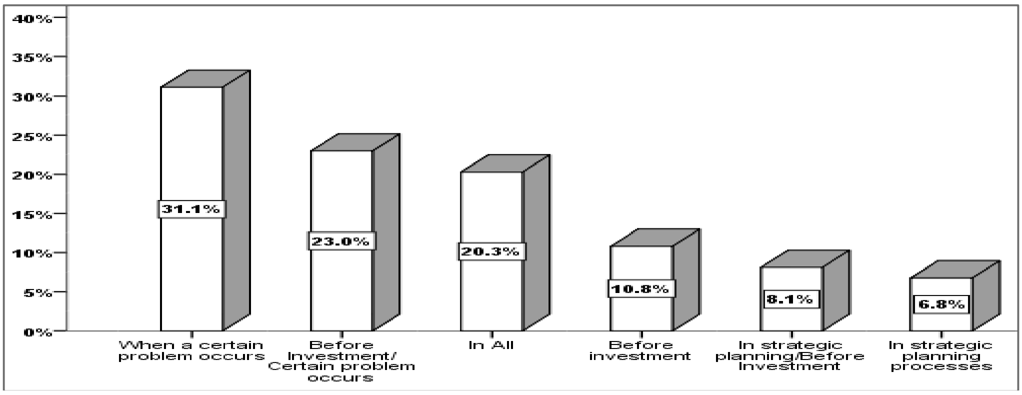
Figure 5.12: Distribution of Firms, by Employee(s) involved in the PRA.



Participants were required to indicate which employee(s) in the firm is/are involved in the process of PRA while undertaking international business activities. Figure 5.12 reveals that in 36.1% of firms top management (CEO, MD, GM) is/are involved in PRA, in 17.6% of cases risk manager, in 13.6% financial manager, in 12.2% risk management, in 9.6% Rep in host country, in 5.4% political risk management, in 4.1% legal management, and in 2.7% no employee(s) in the firm is involved in PRA.

5.9.3 Triggers of Political Risk Assessment

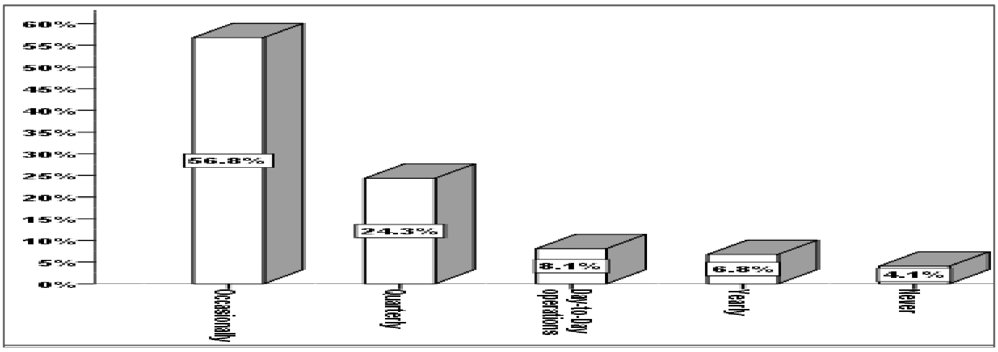
Figure 5.13**:** Distribution of Firms by Triggers of PRA



Participants were asked to indicate the occasion(s) that mostly motivates them to become involved in PRA while undertaking international business activities. Figure 5.13 shows of the total percentage that 31.1% are occasioned by when a certain problem occurs, 23.9% are occasioned by before investment/reinvestment/ when a certain problem occurs, 20.3% are occasioned by all other factors inclusive, 10.8% are occasioned mainly before investment/reinvestment, 6.1% are occasioned by strategic planning.

5.9.4 Frequency of Conducting Political Risk Assessment

Figure 5.14: Distribution of firms by Frequency of conducting PRA.



In allocating the participants according to how often the process of PRA is conducted, Figure 5.14 reveals that 66.5% of firms conduct it occasionally, 24.3% conduct it quarterly and 8.1% conduct it as day –to-day operations, 6.8% yearly while 4.1 % never.

5.9.5 Sources of Information for Political Risk Assessment

There are different sources available for gathering information about the international business environment in which a firm operates. These were derived from some of the literature reviewed. Participant firms were required to rate the importance of each source of information for political risk.

Table 5.12: Importance of Sources of Information

Sources of Information	Mean	SEM	Median	Mode	SD	V	Min	Max
Firm's own arrangement	3.96	.097	4.00	4	.835	.697	2	5
External Consultants	3.42	.108	4.00	4	.927	.859	1	5
Trade Association	3.42	.105	4.00	4	.896	.803	1	5
Media (e.g. television, radio,)	3.30	.123	3.00	3	1.056	1.116	1	5
Government Agencies	3.27	.095	3.00	4	.816	.666	1	5
International Organisation	3.25	.091	3.00	3	.778	.605	1	5
Business Magazine	3.06	.090	3.00	3	.767	.588	1	5
Research/ Journals	2.92	.105	3.00	3	.903	.815	1	5

Table 5.11 reveals Mean scores ranging from 3.96 to 2.92, Mode scores ranging from 4 to 3 and SD scores ranging from 0.81 to .1.05 across all sources of information (where 1 stood for 'Not important' 2 'Slightly', 3 'Moderately' 4 'Very' or 5 'Extremely important'). This shows that most of the participant firms indicated that the importance of the sources of information were almost equal across the board. The highest is firm's own arrangement and the least importance source of information was research/journals. It suggest that firms'

own arrangement, external Consultants, trade Association and Government agencies are mainly used by participants.

5.9.6 Political Risk Assessment Techniques

Table 5.13**:** Political Risk Assessment Techniques

PRA techniques	Mean	SEM	Median	Mode	SD	V	Min	Max
Expert opinion	3.15	.170	4.00	4	1.450	2.102	1	5
Judgment and intuition of manager	3.07	.160	4.00	4	1.378	1.899	1	5
Scenario development	2.14	.171	1.00	1	1.447	2.093	1	5
Standardised checklist	1.89	.145	1.00	1	1.228	1.509	1	4
Delphi technique	1.69	.148	1.00	1	1.249	1.560	1	5
Scenario development	1.69	.132	1.00	1	1.121	1.257	1	4

Six different risk assessments techniques for conducting PRA were identified from the literature review. Participants were required to indicate which technique (s) it used and to what extent such a technique (s) is/are successful for analysing political risks. Table 5.14 shows Mean scores ranging from 3.15 to 1.69, Mode scores ranging from 1 to 4 and SD scores ranging from 1.45 to 1.12, across all the PRA techniques. From the results of the Mean, Mode, SD scores (where 1 stood for 'Not used' 2 'Used with no success', 3 'Used with no Moderate' 4 'Used with great success' or 5 'Used with Extreme success'), most of the participants indicated that they do not use most of these PRA techniques. It indicates that the participants used judgment and intuition of manager and expert opinion techniques more than other techniques.

5.9.7 Political Risk Assessment Ratings/Models

Table 5.14: Political Risk Assessment Ratings/Models

Political Risk Assessment Ratings/Models	Mean	SEM	Median	Mode	SD	V	Min	Max
International Country Risk Guide (ICRG)	1.75	.153	1.00	1	1.297	1.683	1	5
Economist Intelligence Unit (EIU)	1.53	.125	1.00	1	1.068	1.141	1	4
Political Risk Services (PRS)	1.32	.117	1.00	1	.990	.981	1	5
Euro money Business Environment Risk Intelligence (BERI)	1.18	.090	1.00	1	.762	.580	1	5
Brink's Model (BM)	1.04	.042	1.00	1	.356	.127	1	4

Out of twelve different risk assessment ratings/models developed by international organisations for conducting PRA the five most commonly used in the literature reviewed were selected. Participant firms' were required to indicate the rating model (s) they used if any and to what extent such a rating model (s) is/are successful in analysing political risks in their firm. The descriptive statistics on the relative use of PRA ratings/models by the participants (Table 5.15) shows that Mean scores ranging from 1.75 to 1.04, Mode scores ranging from 1 to 4 and SD scores ranging from 1.29 to .35, across all the ratings/models. From the results of the Mean, Mode, SD scores (where 1 stood for ‘Not used’, 2 ‘Used with no success’, 3 ‘Used with no Moderate’, 4 ‘Used with great success’ and 5 ‘Used with Extreme success’) most of the participants indicated that they do not use most of these assessment ratings/models. It indicates that the participants do not conduct PRA with these ratings/models for the most part.

5.10 SELECTED POLITICAL RISK ASSESSMENT RATING

This section aims to examine the dataset of ICRG PRA annual rating conducted for Nigeria within the period 2011 to 2015 published on the website by the PRS Group. Content analysis was used by examining the dataset to identify relevant information within the period 2011 to 2015. The ICRG political risk index described in section 2.5.2.6 is based on 100 points and is composed of 12 weighted risk variables and indicators covering political and social attributes. Four of the weighted variables are calculated based on each of three sub-variables, “socioeconomic conditions-12 (unemployment-4, consumer confidence-4 and poverty-4), government stability-12 (legislative strength-4, government unity-4 and popular support -4), investment profile-12 (profits repatriation -4 contract, viability/ expropriation, -4 and payment delays – 4), internal conflict -12 (terrorism/political violence-4, civil war/ coup-4, and civil disorder -4) and external conflict -12 (cross-border conflict -4, war-4, foreign pressures-4)” (PRS Group, 2015) as shown in Table 5.15. The total point percentage is used to indicate the level of risk: very high (49.9% - 0.0%), high (59.9% - 50%), moderate (69.9%- 60%), low (79.9% - 70%) or very low (100% - 80%) (Howell, 1998, 2002c, 2011; PRSGroup, 2009).

Table 5.15: ICRG - Political Risk Assessment Dataset for Nigeria (2011-2015)

Serial	Political Risk Variables	Index Weight	2011	2012	2013	2014	2015	**Net Change**
1	Government Stability	- 12	8.0	7.5	8.0	6.0	7.5	
2	Socioeconomic Conditions	- 12	2.0	2.0	2.0	2.0	2.0	
3	Investment Profile	-12	6.5	6.5	6.5	6.0	6.0	
4	Internal Conflict	-12	6.6	6.6	6.5	6.0	6.0	
5	External Conflict	-12	9.5	9.5	9.5	9.0	9.0	
6	Corruption	- 6	1.5	1.7	1.5	1.5	1.5	
7	Military in Politics	- 6	2.0	2.0	2.0	2.0	2.0	
8	Religions in Politics	- 6	1.5	1.5	1.5	1.5	1.5	
9	Law and Order	- 6	2.0	2.0	2.0	2.0	2.0	
10	Ethnic Tensions	- 6	2.0	2.0	2.0	2.0	2.0	
11	Democratic Accountability	- 6	3.5	3.5	3.5	3.5	4.5	
12	Bureaucracy Quality	- 4	1.0	1.0	1.0	1.0	1.0	
	Total points	**- 100**	45.6%	45.0%	46.0%	42.5%	45.0%	
	Annual percentage change		0.0%	-1.3%	2.2%	-7.6%	5.9%	-0.8%

Source: PRS Group (2015)

Table 5.15 shows a dataset by ICRG PRA annual rating report conducted for Nigeria within the period from 2011 to 2015 ranged from 42.5% to 46.0%. This risk rating indicates that a very high political risk ranking was reported by the ICRG for Nigeria within the period. The highest annual percentage change of political risk (5.9%) for Nigeria was recorded from 2014 to 2015. This indicated the biggest improvement that was made in the country's political risk ranking within the period. The best political risk ranking of 46.0% was recorded in 2013. The net percentage change over this period is -0.8%, implying by this margin no significant reduction was experienced in the level of political risk within the period by ICRG. The variables used as risk indicators showed minimal changes with some appearing constant over the period. This means no risk indicators can be used to explain adequately any likely variations that can happen among them when forecasting political risk in the context of Nigeria.

5.10.1 Content Analysis

The content analysis focused on numbers and words in the context of their meaning from the ICRG PRA interpretation. It was conducted in three phases; first the ICRG PRA rating dataset within the period 2011 to 2015 was prepared to identify and select relevant information as shown in Table 5.15. Next was the organising phase where an analysis matrix was developed to compare the different year's political risk report for the period 2011 to 2015 before the results of the analysis obtained were finally reported. The total percentage points for each year's within these periods indicates a very high level of political risk with none above 49.9% from 2011 to 2015. The annual percentage change information selected showed -0.8% which means that the marginal change was negative and insignificant. The political risk variables information selected for each year mostly showed minimal changes with some appearing constant over the period. The content analysis of the selected information showed that a very high level of political risk was reported on Nigeria within this period with a negative and insignificant marginal change, as well as with minimal changes among the political risk variables used by ICRG for PRA.

5.11 STRATEGIES FOR MANAGING AND MITIGATING POLITICAL RISK

This section aims to address the fifth research objective: to investigate the management and mitigation strategies used in Nigeria. The participant firms were presented with a list of twelve different types of strategies to indicate to what extent each of the strategies would be used in managing and mitigating political risk, using a five-point likert scale to indicate the strategy you use and to what extent such a strategy is successful in managing and mitigating political risk, where 1 stood for 'Not used' 2 'Used with no success', 3 'Used with no Moderate', 4 'Used with great success' and 5 'Used with Extreme success. To investigate managing and mitigating strategies used in Nigeria, a descriptive statistical analysis was conducted to compare the scores.

Table 5.16: Strategies for Managing and Mitigating Political Risk

Strategies	Mean	S EM	Median	Mode	SD	V	Min	Max
Conducting routine political risk assessment either by own staff or by external consultants.	3.05	.171	4.00	4	1.461	2.136	1	5
Engaging in corporate social responsibility with host governments/communities as risk- reducing operating strategies	2.70	.170	3.00	4	1.450	2.102	1	5
Conducting pre-investment analysis in anticipation of any type of political risk.	2.41	.178	1.00	1	1.517	2.301	1	5
Having a risk culture in place in the firm to shape the risk management system.	2.27	.178	1.00	1	1.529	2.337	1	5
Using own firm's political risk management staff team for managing and mitigating risk.	2.22	.177	1.00	1	1.519	2.309	1	5
Institutionalising political risk management into corporate planning of the firm.	2.15	.175	1.00	1	1.505	2.265	1	5
Employing investment agreement with host government as part of an entry strategy.	2.11	.176	1.00	1	1.505	2.266	1	5
Using diversification strategy by joint venture with local affiliate or with host country share stock-holders to increase	1.90	.163	1.00	1	1.396	1.949	1	5
Using any risk rating agencies for managing and mitigating political risk.	1.73	.152	1.00	1	1.306	1.707	1	5
Obtaining investment insurance, guarantees or loans from host countries' banks or government as a means of risk sharing	1.73	.141	1.00	1	1.205	1.452	1	4
Using political risk management system with appropriate IT and other system to support risk management processes.	1.71	.152	1.00	1	1.294	1.674	1	5
Utilising economies of scale for cost advantage to bear the costs of political risk.	1.49	.131	1.00	1	1.120	1.253	1	5

According to the descriptive statistics on the relative strategies that can be used for managing and mitigating political risk, Table 5.16 discloses mean scores ranging from 3.05 to 1.49, Mode scores of mostly 1 and SD scores ranging from 1.46 to 1.12 across all variables and indicators used for forecasting political risk. From the results of the Mean, Mode, SD scores (1 ‘Not used’) most participants identified that they do not use most of these strategies for managing and mitigating political risk in Nigeria. This implies that the strategies used mostly involved conducting routine political risk assessment either by own staff or by external consultants and engaging in CSR with host governments/communities as a risk- reducing operating strategy.

5.12 SUMMARY OF THE CHAPTER

This chapter has presented and analysed the data collected from multinational firms operating in Nigeria to address the research’s objectives and hypotheses. Statistical techniques were used to analyse the quantitative data, and were presented in bar charts and tables. Descriptive statistical analysis was used to delineate the characteristics and to compare the scores of the underlying variables while inferential statistics were used to predict the outcomes. The hypotheses underpinning the study were tested using correlation and regression analyses to examine the direction and strength of the interrelationships among the variables as well as to predict their impact in the relationships. Subsequently, semi-structured interviews were conducted with a stratified sample of the participants to complement the quantitative data collected. Thematic and content methods of analysis were used for analysing qualitative data collected.

From the data analysed, Nigerian multinational firms were classified into four categories, according to their type of industry, mode of entry, type of business and size (assets and number of employees) to characterise them organisationally into large, medium and small sized firms. It also classified them into three, according to degree of internationalisation using determinants such as revenue generated, number of years and operating countries to characterise them into high, medium and low internationalised firms. These characteristics and determinants of internationalisation were correlated to understand their relationships and how they influence each other.

The data analysed to categorise risk in international business showed that firms are more concerned about political risks and financial risks than cultural risks, in terms of their consequences. It showed that firms are concerned about all types of political risk in international business. The qualitative data also showed that they are generally concerned about political risk issues, and the types vary from one part of the country to another. The data analysed on the features or causes of political risk showed that firms eight determinants were identified. The data on the risk variables and indicators used for forecasting political risk in Nigeria showed that some were identified as more prominent than others. The data on the consequences of political risk showed that there were small or no consequences. The qualitative data also showed that consequences were insignificant and there are variations in the consequences within the country. The factors that influenced the impact of consequences showed firms' perception of risk, perceived reward of investment, leverage and experience of operating internationally.

The acceptance of H1 between the risk variables and indicators and types of political risk revealed also that there is an overlap among them in their contribution to the prediction of political risk in Nigeria. The validation of H1 showed that there is a positive relationship among characteristics of multinational firms and determinants of internationalisation. It has revealed that they influence each other. However, multinational firms that have more international experience are not automatically those who operate in more countries. The rejection of H3 in a linear regression analysis conducted if an increase in political risk will not result in a negative impact on firms' revenue generated the results indicated political risk will not make a strong unique contribution to predicting revenue generated. The acceptance of H4 if the consequences of the types of political risk will result in a negative impact on firms' assets the result also showed that there is an overlap in the consequences of the contribution to the prediction of political risk.

Data analysed to explored managerial practices revealed that most firms conduct PRA while undertaking international business activities and most of the assessment responsibilities were with top management and the board of directors. The triggers to conduct PRA indicated that almost all participants assessed political risk at one point in time and most firms, occasioned when a certain problem occurs in a country. Most firms indicated the importance of the sources of information across board, and the most significant sources were a firm's own arrangements, external consultants, government agencies and trade association. Most firms indicated that they use mostly qualitative techniques rather than the quantitative ones. Data on the managing and mitigating strategies of political risk used revealed that most firms mostly conduct routine PRA either by own staff or by external consultants, and by engaging in CSR with host governments and communities in Nigeria. Finally, a dataset by ICRG PRA annual rating conducted for Nigeria within the period from 2011 to 2015 was also analysed.

CHAPTER SIX

DISCUSSION OF THE FINDINGS

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DISCUSSION OF THE FINDINGS

CHAPTER 6 :

6.1 INTRODUCTION

This chapter aims to discuss and interpret the findings of the research for the purpose of evaluating the study’s objectives and hypotheses. The quantitative data collected were analysed statistically to delineate the characteristics of and to compare the results of the underlying variables while inferential statistics were used to predict the outcomes in order to address the research’s objectives. Correlation analysis, and linear and multiple regression analyses were employed to test the hypotheses underpinning the study. Meanwhile, the qualitative data were analysed thematically while content analysis was used for the ICRG PRA annual rating dataset for Nigeria within the period from 2011 to 2015. These different methods informed the results which will be discussed in this chapter.

The chapter is organised into ten main sections. Section 6.1 introduces the chapter and highlights its scope. In section 6.2, the determinants of political risk are discussed within the context of Nigeria. In section 6.3, the risk variables and indicators used for forecasting political risk are discussed. In section 6.4, the relationships between the characteristics and determinants of the internationalisation of multinational firms are discussed. In section 6.5, the impact of political risk on multinational firms is discussed. In section 6.6, the impacts of the determinants of political risk on multinational firms are discussed. In section 6.7, the consequences of political risk for multinational firms are discussed. In section 6.8, the practices of PRA by multinational firms are discussed analytically within the context of the characteristics of multinational firms in Nigeria and ICRG PRA annual rating dataset for Nigeria within the period 2011 to 2015. In section 6.9, the managing and mitigating strategies used by multinational firms are discussed. Finally, section 6.10 concludes the chapter with a summary.

6.2 DETERMINANTS OF POLITICAL RISK

This section presents the discussion of the findings of the determinants of political risk in the context of Nigeria which aligns with the first research objective. The result (mean ranging from 3.7 to 3.5) indicates that the participants identified the eight causes of political risk as a feature of political risk in Nigeria. It signifies also that those with mean scores are above 3.6, can be said to be a highly contributing feature of political risk, such as poor value system, religious intolerance, inter-ethnic rivalry and low per capita income. Others with mean scores below 3.6, such as constitutional pitfalls, lengthy bureaucratic process, weak political structures, military intervention and unstable government change can be said to be less highly contributing factors to political risk. These causes or features of political risks are referred to as determinants and were selected based on knowledge of the observed setting of a political environment, in which its features contribute to the emergence of political risk. These features are associated with socio-economic and political factors, and they undergo changes intermittently in a political environment. These determinants have resultant effects with consequences in a political environment if they are not considered, checked, rectified, controlled, balanced or improved as implied respectively. The possible resultant effects of these determinants are that they may lead to events or conditions that could cause unexpected changes, and/or changes from government actions in a political environment. However, whilst the results of this research have not previously been reported, there are a number of literatures supporting the findings which can be deduced from other studies that these causes or features are determinants of political risk.

This finding could be discussed in corroboration with ideas in the works of Alenoghena and Evans (2015), Agbiboa (2013b), Smith (2010) and Uma and Eboh (2013) on Nigeria. They provided different arguments that the lack of values, such as integrity, honesty, hard work, survival of the fittest, moderation, and humility, puts every other principle of conduct at risk in a society. These acts and patterns of behaviours form the ethics and morals of a society. However, a certain state of affairs can lead to the degeneration of value systems in a country, such as poor leadership, corruption and poverty (among others). It can be submitted that the degeneration of these values have the consequence of creating a resultant impact on the operations of firms in a country’s business environment. Ideas supporting this finding are found in the studies conducted by Aleyomi (2012), Kendhammer (2013), Meagher (2013) and Onapajo (2012) on Nigeria. They argue that religion has been a significant factor in the political considerations of the country and further argue that it permeates the cultural, social, political and economic life of most people. Anything that undermines the religious practices of most people has led to instability, especially in the northern part of the country. Equally, the mixture of religion and politics are prevalent for economic and political power gain, and instances of this have been witnessed in Nigeria.

Another idea supporting this finding is found in the works of Ajayi (2014), Oladiran (2013), Ebegulem (2011) and Salawu and Hassan (2011) on Nigeria. They argue that competing demands for state resources and political power often creates tension among ethnic groups, which has in turn often generated conflict between the minority and majority ethnic groups in the country. The presence of multi-ethnic groups in the country, along with different ethnic militia groups, creates issues of inter-ethnic rivalry. If resources and political power are not equitably distributed, this creates feasible determinants of political risk. Anyanwa (2010), Olofin et al. (2015), Okroafor and Nwaeze (2013) and Uma et al.'s (2013) studies on Nigeria support these findings, showing that per capita income is an indication of the living conditions of an average citizen in a given country. A report by the Nigerian National Bureau of Statistics (NBS, 2012b, p.11) which shows that the poverty rate in the Nigerian population has increased to about 65%, attests to this finding. A low per capita income indicates that most people are living in poverty, and the resultant effect of this is high crime rates recorded in Nigeria and in most other developing African countries.

Further discussions with regard to this finding can be found in studies conducted by Oviasuyi et al. (2010), Ogowewo (2000), Kalu (2008) and Yakubu (2000) on Nigeria who found that the failure to not ensure that the constitution and other statutory laws adapt to the realities of the circumstances is responsible for some of the conflicts experienced in most developing countries. A major constitutional pitfall, if not resolved, makes a country prone to political instability and uncertainty, whose consequences can have an impact on multinational firms. PRS Group (2015) also argues that unstable changes in government have a significant implication for the business environment due to policy changes that often accompany a change in government. Orugbani (2005) and Ikpe (2000) pointed out that the tendency for the military to intervene in the affairs of governance is a source of threat to democracy in Nigeria, especially where there is a history of military intervention such as in some developing countries in Africa.

Dudley (2013), Joseph (2014) and Kalu (2008), in their works on Nigeria stated that a perceived structural defect and institutional deformity affects the collective identity of its people. Likewise, Arowolo (2010), Lawaland Tobi (2006) and Okotini (2001) pointed out that quality of bureaucracy determines the strength of the institutions and frequency of changes in a country in terms of revisions to polices. Most developing countries still have political structures and bureaucratic quality that are weak and defective. A weak political structure and poor bureaucratic quality are contributing features that makes political risk manifest in Nigeria. The existence of these determinants and their associated consequences makes various types of political risks manifest in the business environment of most developing countries.

Furthermore, the findings establish that these determinants possess various relative contributing factors to the prediction of political risk in Nigeria. Fitzpatrick (1983) further confirms that ideological, ethnic and religious cleavages are inherent in the political environments of most developing countries. These cleavages can be likened as contributing factors of political risk, which are prevalent in Nigeria and some other developing countries. Likewise, it is the presence of these determinants of political risk that influence some of the political decisions or policies made by the government, which could be attributed to the emergence of some of the heterogeneity of political risk in the country. Therefore, based on these findings, it can be submitted that these are determinants of political risk can be used to explain how country specific political risks emerge that differentiate one country from another. Equally, it is only when these determinants of political risk are identified in the context of a specific country that country specific risk variables and indicators can be easily determined. These determinants are significant in the understanding of how risk variables and indicators emerge and how political risk exists in different forms.

6.3 RISK VARIABLES AND INDICATORS USED FOR FORECASTING POLITICAL RISK

This section seeks to discuss the findings of the variables and indicators used for forecasting political risk and to discuss the findings from the multiple regression conducted to identify those that can contribute to the prediction of political risk in Nigeria which is in line with the fourth research objective. The results (mean ranging from 4.3 to 3.5) reveal that the participants highly agreed that the twenty four variables and indicators used for forecasting political risk presented. Those with mean scores above 3.8 can be said to be major risk variables and indicators. These include corruption, inflation rate, interest rate, poverty rate, terrorist activities, crime rate, percentage of unemployment and militia groups. Others include economic growth rate, government policy, religious intolerance, state of infrastructure and public accountability. Others with mean scores below 3.8 can be said to be minor risk variables and indicators such as balance of payments, banking system, bureaucratic interference, inequitable distribution of resources, fiscal imprudence and state of the democratic process. Others include price index, budget deficit, judicial system, population rate growth and level of marginalisation. This finding is consistent with the views of PRS Group (2015) and Brink (2004) that whilst some of the risk variables and indicators used to forecast political risk may appear as 'major', they are no means less important than others. They further explained that it is the changes in the values of these risk variables and indicators that political risk is being predicted by measuring to determine the consequences of its impacts on firms in a given political environment. A possible explanation for these findings is found in works by Althaus (2013), Sottilota (2013b), PRS Group (2015) and McKellar (2010) who argue that it is from these variables and indicators that cause political risk that a number of identified variables are calculated and approximated in order to determine the cost, degree of complexity and the consequences of the impact of the risk on multinational firms' operations in a particular host country.

Bjelland (2012) attempted to explain that one of the criteria for selecting the risk variables for PRA is based on knowledge of the observed problem to be measured, which provides information that represents the risk to be measured and assumes more than one value. The reason for assuming more than one value is because political risk is not based on politics alone, but also in economics, socio-economic, social and environmental factors; and these factors are continually undergoing changes. Other corroborations of ideas to explain the findings of this research are found in the works of Kesternich and Schnitzer (2010) that identifying the variables that exist in a particular country determines how investors can distinguish the various forms of political risk that exist, and their probability. Additionally, Borden and Borden argue that all these variables add to the cost of political risk in a host country and further argue that the cost increases with an increased probability of political risk. A further explanation is offered by Brink (2004) that it is not always easy to find risk variables and indicators that retain the same meaning from country to country. This could also apply even within the same country, especially in Nigeria. It requires a sequential process of determining the interrelationship between political and socio-economic trends integration with the outcome in supposed courses of action. Likewise, Hough (2008) and

Nel (2007) explain that through using the required risk variables and indicators, forecasts should be able to expose where uncertainties exist in a country.

In explaining this finding, Kesternich and Schnitzer (2010) point out that the choice of political risk variables and indicators is based on the interrelatedness of political, social and economic phenomena. Another explanation states that most risk variables and indicators used to forecast political risk do not originate from only political events, but also from socio-cultural, socio-economic and socio-political characteristics and the historical trends of any given country. Some risk variables and indicators can easily be measured to ascertain their values, such as inflation rate, interest rates, Gross Domestic Product (GDP), balance of payments and unemployment, while others are not so easily measurable to determine their values, such as level of illiteracy, government legitimacy and political will. These differences among the variables cause a problem in the analysis of matching empirical measurement with theoretical measurement to determine the probability of a political risk (Kesternich & Schnitzer, 2010). Another problem is that the data obtained from developing countries on the values of some risk variables and indicators are often subject to errors.

To explain this finding that these variables and indicators can be used for forecasting political risk presented, Bjelland (2012) argues that each type of political risk possesses a number of variables and indicators that cause them to exist to various degrees, depending on the relationship between the factors and their indicators in a particular host country. Most of the risk variables and indicators identified in this study are in line with those used in the works of Bischoff (2010), Brink (2004), Howell (2011) and PRS Group (2015). However, they were selected based on a number of studies on Nigeria that identified most of them as fundamental challenging factors for the country. These include as corruption, crime rate, unemployment rate, poverty rate and other socio economic conditions (Agbiboa, 2013b; Alenoghena & Evans, 2015; Smith, 2010; Uma & Eboh, 2013; Anyanwa, 2010; Olofin et al., 2015; Okroafor & Nwaeze, 2013; Uma et al., 2013). Others include religious intolerance, conflicts, ethnic crisis and terrorism (Aleyomi, 2012; Kendhammer, 2013; Meagher, 2013; Onapajo, 2012; Ajayi, 2014; Oladiran, 2013; Ebegulem, 2011; Salawu & Hassan, 2011). Monetary and fiscal policies, inflation rate, interest rate, balance of payment are referred to the works of Abata et al. (2012), Audu (2012) and Ezeabasil et al. (2012), while references to quality of bureaucracy and democratic accountability are found in the studies by Dudley (2013), Joseph (2014), Kalu

(2008), Arowolo (2010), Alenoghena and Evans (2015), Eguae-Obazee (2014) and Onyekwelu et al. (2015).

The acceptance of H1 validates that there is a positive relationship between risk variables and indicators used for forecasting and types of political risk - suggests that these risk variables and indicators can indeed be used for forecasting political risk. The result (R value 0.77) reveals that a strong correlation exists. This submits that as the risk variables and indicators used for forecasting political risk increase, political risk increases and vice versa. The R^2 value (0.55) indicates that these risk variables and indicators accounts for 55.3% of the variation of political risk. In considering each of the risk variables and the indicators' impact on the prediction of political risk, some of the risk variables and indicators, such as religious intolerance, interest rate, population growth, state of infrastructure and state of democratic process, produce the highest in prediction values. However, it does not necessarily follow that an increase in the risk variables and indicators used for forecasting political risk will not spontaneously result in an increase in political risk and vice versa. This means that either an increase or decrease in the risk variables and indicators used for forecasting political risk will predictably result in an increase or decrease in political risk. The finding explains that the variation among the indicators of political risk cannot be explained by the risk variables and indicators only. Therefore, it also indicates that there are other variables or indicators which account for this difference in the origin of political risk. This further indicates that these variables and indicators will provide a stronger unique contribution to explaining political risk. It suggests additionally that there is an overlap among the independent variables which make a unique contribution to the prediction of political risk.

This finding is consistent with the views of Bekaert et al. (2014) and Baldacci et al. (2011) that it is only when the variables and indicators used to forecast political risk are measured to determine the extent of their impact on investment that the consequences associated with political risk for decision making can be ascertained. However, while some of them can easily be valued and measured, other cannot and can only be determined by their frequency of occurrence in a country. Kesternich and Schniter (2010) also pointed out that identifying country specific political risk-indicators makes it possible for multinational firms to distinguish the various types of political risk that exit in a country, and to appreciate the size of the risk, as well as the probability that political risk might happen. Likewise, it also helps to determine how it will have an impact on the investment for the most appropriate managing and mitigating strategies to be applied. Hence, these findings imply that these country specific risk variables and indicators can be used for forecasting political risk in Nigeria, and furthermore, their consequences for multinational firms can be influenced by other factors, since they have an overlapping effect on the prediction of political risk in Nigeria.

6.4 DETERMINANTS OF INTERNATIONALISATION

This section aims to discuss the findings for H2 to determine the relationships between the characteristics of multinational firms and the determinants of internationalisation which underpins the fourth research objective. The results by type of international business involvement (64.9%) show that participants displayed a higher percentage by FDI than other types. The findings on entry mode (65.8%) reveal that participants exhibited a higher percentage by owning subsidiary than other modes. This finding is consistent with the UNCTAD’s (2012) report that shows that FDI inflow into Nigeria has increased recently. The findings by type of industry (36.5% & 32.4%) disclose the presence of more manufacturing and petroleum and gas multinational firms in Nigeria.

The presence of more multinational firms with investments of over two billion dollars (58.1%) and more than 300 employees (71.6%) confirms that most of them are large-sized multinational firms. The finding of the determinant of internationalisation by number of years (51.4%) showed a greater number of low-internationalised firms (39.0%), implying an inflow of more FDI firms in recent times. This is line with the World Investment and Political Risk 2013 report that demonstrated that FDI has been on the increase in developing countries (World Bank, 2014). The disparity in each determinant of internationalisation confirms that firms’ degree of internationalisation varies in terms of years, coverage and revenue generated. An increase in one of these determinants increases the degree of a firm’s internationalisation, consistent with the studies of AI Khattab et al. (2011). This enable firms develop extra networks of institutional arrangements as they keep operating in foreign markets. This gives them considerable leverage, which helps them to increase their degree of internationalisation and enables them to operate in riskier political environments.

The acceptance of H2 affirms that there is a positive relationship between the characteristics of multinational firms and their degree of internationalisation. The three determinants of internationalisation used are: number of years, revenue generated and countries of coverage, while the firms were categorised by type of business, entry mode, assets and number of employees. One of the findings indicates a positive correlation, but a weak relationship, between the number of years and the entry mode, signifying that the higher the number of years in international business, the higher the entry mode of internationalisation (and vice versa).

However, because of this weak relationship, it means it does not automatically follow that an increase in the number of years will result in an increase in entry mode and vice versa. This finding can be explained in two ways, by the research of Clark et al. (1997) and Johanson and Vahlne (1990). They argue that firms' internationalisation in other countries is due to their market-specific knowledge, as well as their generalised knowledge of operating internationally. Another explanation from research by Millington and Bayliss (1990) added that firms develop extra networks of institutional arrangements which help to increase their internationalisation processes, as they keep operating in foreign markets. This submits that a number of other factors can also influence firms' internationalisation in other countries.

A second finding of the correlation shows a positive relationship between revenue generated from international business, and firms' assets and number of employees, signifying that an increase in the revenue generated will increase firms' assets (and vice versa). This shows a stronger relationship compared with the strength of the relationship between revenue generated and the number of employees, since one is not increasing spontaneously as a result of the other or vice versa. This finding can be explained by the fact that multinational firms are engaged in different types of international business, and that the increase in the revenue generated is not necessarily influenced by the number of employees. This also occurs in instances when they expand business or coverage area to other countries.

These findings delineating the characteristics of multinational firms and their relationship with the determinants of internationalisation can be used to show how political risk is influenced by this relationship. Firms with a high level of internationalisation are more likely to have a lower perception of political risk than firms with a low level of internationalisation (Al Khattab et al., 2011). Based on firms' knowledge of a market, they will have more leverage to operate and have the ability to mitigate political risk, compared with firms with a lower level of internationalisation. Since firms' levels of internationalisation differ, this suggests that their perception of political risk will also vary with respect to their perceived reward for internationalisation in a given market. Firms can internationalise in emerging markets despite the presence of political risk, because they have considerable leverage which other firms might want to avoid.

Al Khattab et al. (2011) confirm that a firm with a high level of internationalisation has the tendency to operate in risker markets based on its knowledge of the market, than one with a lower level of internationalisation. In other words, firms have different levels of leverage that enables some of them to operate even in the presence of some types of political risk, after weighing the consequences of conducting PRA. Dunning (1998) confirms that the choice between FDI and exporting will depend on factors such as internationalisation advantage (transaction cost theory), location advantage (international trade theory) and ownership advantage (resource advantage theory) (Agarwal & Feils, 2007). This offers an insight into the underlying dynamics of the relationship between political risk and multinational firms in Nigeria. It submits that political risk issues play a major role in determining firms' types of international business involvement and is a key determinant of a firm's degree of internationalisation. Consequently, these findings indicate that the differences among the attributes of multinational firms and their degree of internationalisation will influence the consequences of the impact of political risk on multinational firms in Nigeria.

6.5 POLITICAL RISK

This section presents a discussion of the findings for H3 concerning political risk in international business and linear regression conducted to determine the impact of political risk on multinational firms in Nigeria which underpins the second research objective. One interesting finding from this study is that multinational firms are very concerned (mean 4.0) with both political risk and financial risks This was in line with the finding of interviews conducted with the six participants and it confirms the World Bank (2014) report that political risk has been a major concern for multinational firms operating in developing countries. It also support the views of Baek and Qian (2011) and Baldaaci et al. (2011) that political risk is one of the key determinants of firms' investment into developing countries. Kerner and Lawrence (2014) and Kesternich and Schniterzer (2010) also mentioned that political risk has resulted in a range of consequences that have influenced the type of strategies which they adopt; changing their ownership structure, entry mode and international business involvement. However, PRS Group (2015) pointed out that apart from political risk, firms also consider the financial and economic risks of a country. This means that it possible to have a country with a high political risk but a low financial risk or economic risk. It also implies that the presence of a high political risk in a host country does not often deter firms provided that there is the possibility of making a return on investment if the financial risk is low. The finding reveals that participants are also highly concerned with financial risk. This finding is consistent with that of Al Khattab et al. (2011) that almost all international businesses are transacted in monetary value, which often requires processes such as payment, exchange and transfer of funds. They further argued that financial risk is due to the scarcity of another country's currency, the rate at which one country's currency can be converted into another country's currency and differences in e-payment or e-banking systems. They conclude by explaining that the magnitude of cultural risk is relative compared to other types of risk in international business. Financial risk exists in international business and is therefore inevitable for firms to avoid when investing in any host country. Political risk and financial risk can also be considered to offer enhanced opportunities as well as unexpected potential consequences (Knight, 2012; Sadgrove, 2015). Therefore, it implies that how firms will view political risk depends on their perception of the type of political risk.

The nature of political risk is institutional in line with the discussions provided by Jiménez et al. (2012), Osabutey and Okoro (2015) and Quer et al. (2012) that institutions in a country make rules and regulations that constitute political risk to firms. However, following this study's definition of political risk as a result of any changes in the political/business environment or condition/event affects the probability of an investor achieving its business objectives in a host country. This means that political risk does not always emanate from changes by government institutions only, but could also be as a result of events or conditions which cause unexpected changes in a political environment. The resultant effects of political instability due to unexpected changes in a political environment and political uncertainty cast doubt on how government changes to a political environment create the probability of political risk. However, political risk refers to the probability of the occurrence of risk. It is a more objective way of measuring the amount of doubt from political instability and political uncertainty, rather than the former, which captures the subjective nature of instability and uncertainty.

The findings of the interviews conducted revealed that participants' main concern regarding types of political risk were terrorism and religion intolerance which were mostly prevalent in the Northern part of Nigeria. This confirms the findings of Ayegba (2015), Shuaibu et al. (2015), Obi (2015), Nwankpa (2015), Solomon (2012) and Onapajo and Uzodike (2012) that 'Boko Haram's, terrorist activities in the northern part of the country have economic consequences. In the views of Meagher (2013) and Onapajo (2012), the northern part of Nigeria has a history of more religiously motivated conflicts than other parts of the country. Corruption was mentioned by most of the interviewees with regards to offering bribes to government institutions for one reason or another. This finding is constitent with studies by Alenoghena and Evans (2015), Agibiboa (2013), Ochulu et al. (2011) and Uma and Eboh (2013), who all mentioned that corruption is one of the major challenges facing Nigeria. Also, it is in line with the research conducted by the World Bank on the Investment Climate Assessment Report 2012, that in 26 states, investors in Nigeria lost 10 percent of their revenue due to poor infrastructure, crime, insecurity and corruption (Iarossi & Clarke, 2011).

The rejection of H3 refutes the proposition that an increase in political risk will result in a negative impact on firms' revenue. The result (R value 0.28) indicates that a positive but weak correlation exists. This suggests that an increase in political risk will not automatically result in an increase in revenue generated. The R^2 value (8.20) signifies that political risk accounts for 8.20% of the variation in the revenue generated by firms. This means that political risk alone can be used to predict any likely changes. This therefore, appraises the political risk contribution in the prediction of firms' revenue generated which submits that political risk will not make a strong unique contribution to predicting firms' revenue generated. This finding is consistent with Brink's (2004) proposition that political risk can be mitigated by adapting to it and working around it, though only if investors are willing to exploit the host country's political environment. It can then be inferred that if profit outweighs the cost of political risk, a firm can still maximise profits and the negative impact of political risk will be minimised.

The findings of the interviews conducted also showed that the types of political risk vary from one part of the country to another; it means a particular type can exist in one part of a country and not in another. They viewed political risk issues as changing over time, since the socio-economic and political situation keeps altering with changes in federal and state governments in Nigeria. It was also mentioned during the interviews that political risk issues are one of the reasons why most of the multinational firms operations are located in the Western part of the country. This Nigerian case study has shown that political risk does not always emanate from governmental and political decisions alone a sequel to the determinants and indicators of the political risk identified. The evolutionary trends of the country are characterised by weak regulatory institutions, and ideological, religious and ethnic cleavages inherent in their political environment, such as those which can be found in most developing countries (Bienen, 2013; Onapajo, 2012). It is for this reason that most of the factors causing political risk in Nigeria are associated with the evolution of the country as well as with political events and government decisions. However, the general nature of political risk still remains institutional. Therefore, this finding indicates that this is a major concern of political risk.

6.6 IMPACT OF THE DETERMINANTS OF POLITICAL RISK

This section seeks to discuss the findings of the impact of the determinants of political risk on multinational firms in Nigeria which aligns with the second research objective. The results (mean ranging from 2.5 to 1.9) indicate that some of the determinants of political risk have moderate and slight impacts respectively. It signifies also that those whose mean scores are above 2.0 can be said to have a moderate impact. These include poor value system, religious intolerance, inter-ethnic rivalry, lengthy bureaucratic process, weak political structures and low per capital income. Others with mean scores below 2.0 can be said to have a slight impact; such as constitutional pitfalls, military intervention and unstable government change. One possible explanation for this finding is that these determinants of political risks have negative contributing factors, and it is only when they emerge as political risks that the consequences of these impacts are felt. These determinants of political risk should be viewed as changing over time, since the socio-economic and political situation of a country keeps improving or deteriorating.

This finding may be explained by Collinson and Morgan (2009)'s proclamation that the political state and the economic state of any country are mutually interdependent, in the sense that there are business consequences arising from political decisions. This means that the patterns of governance and the levels of political stability are parameters to be used to determine the differences between a profitable investment and a non-profitable one in any political environment. Government institutions make and change policies regarding taxes, currency, interest and foreign exchange rates which have cost implications and business consequences. This is in line with discussions provided by Jiménez et al. (2012), Osabutey and Okoro (2015) and Quer et al. (2012) in their attempt to link political risk to institutional theory. They posit that institutional factors are a significant consideration for firms operating in developing countries where the evidence of weaknesses is clear. Therefore, it is also in the changes of these rules and regulations that of some of the types of political risk are determined.

In identifying these determinants of political risk, other corroborations of ideas were used from a number of studies conducted on Nigeria to explain how they emerge in the country. Arguably, it is expected that these determinants will have some impacts on firms, since they contribute to emergence of political risk in a country. However, the level of impact will often depend on the extent to which a determining presence is felt in a country. The impact of these determinants will vary as political risk varies from one part of the country to another. These determinants generate different forms of political risk, depending on the part of the country, which means that their impact will also differ for multinational firms in the same country. The country is divided along cultural, ethnic, language and religious lines within its different geographical regions (Bienen, 2013; Onapajo, 2012). Religion and ethnicity permeate the cultural, social, political and economic life of Nigeria, especially in the northern part, where different crises and religious conflicts have been witnessed. This explains the reason why most multinational firms are located in the western part of Nigeria. The finding indicates that each determinant of political risk has its own impact, and if these impacts were examined, the extent of their effects on multinational firms can be determined through the use of risk variables and indicators, and their values can be measured. Thus, this research submits that these determinants of political risk have only a slight impact on multinational firms.

6.7 CONSEQUENCES OF POLITICAL RISK

This section aims to discuss the findings for H4 on the consequences of political risk and the multiple regression conducted to determine the consequences of political risk and its impact on multinational firms in Nigeria which underpins the fourth research objective. The results (mean ranging from 2.6 to 1.4) indicate that there are moderate and low consequences of types of political risk for multinational firms in Nigeria. It implies also that those whose mean scores are above 2.0 can be said to have moderate consequences, such as terrorism, demonstrations/riots/strikes, currency devaluation, revolutions/coups/civil wars and price controls. While others with mean scores below 2.0 can be said to have low consequences, such as license cancellation, import/export restriction, contract repudiation, investment agreement changes, confiscation, taxation restrictions, expropriation, currency inconvertibility and delayed profit repatriation. However, the dataset by ICRG PRA annual rating conducted for Nigeria within the period from 2011 to 2015 reported a very high political risk score. This disparity can be explained from a point of view that some multinational firms can still operate in a country despite the presence of political risk if its consequences are insignificant on their return on investments. The finding of interviews conducted with six participants indicated that the consequences of political risk were insignificant. It also mentioned that the consequences depend on the type of political risk, which means it varies from one type to another. This means that the consequences of political risk vary from one part of the country to another; and likewise so do the impacts. A type of political risk can exist in one part of a country and not in another; therefore it will have an impact on multinational firms operating in that part of the country. This finding can be discussed considering the location of these multinational firms in Nigeria. The list of the identified multinational firms shows that 75% of these firms are located in the western part of Nigeria.

The emergence these of findings that each type of political risk has different consequences, even in the same political environment, and the consequences vary from one part of the country to the other can be used to explain how firms’ behaviour can be influenced. These consequences add to the cost of doing business, and that cost increases with an increasing probability of political risk. Borden and Borden (2013) assert that political risk increases the total cost of operating in a particular country. Another explanation for this finding is that the consequences of political risk for multinational firms can be influenced by other factors in diverse ways. Jiménez et al. (2014) and Kesternich and Schnitzer (2010) pointed out that consequences of political risk on a firm can be influenced by its degree of internationalisation. This means the consequences of political risk will have less of an impact on a firm with a higher degree of internationalisation than a firm with a lower degree of internationalisation. Jiménez et al. (2014), also confirm the influence of political risk on the scope of internationalisation of Spanish regulated companies. Likewise, the consequences of political risk can be influenced by return on investment, if it has catered for the cost of political risk. A firm’s leverage of operating in a particular political environment can influence the consequences of political risk. This means that the differences in these factors influence the consequences of political risk for multinational firms in Nigeria. Thus, some of the reasons why there are small consequences as a result of political risk and why some multinational firms have been able to manage and mitigate political risk have been identified.

The acceptance of H4 confirms that the consequences of political risk will result in a negative impact on firms’ total assets. The result (R value 0.68) indicates a strong correlation exists, i.e. as the consequences of political risk increase, assets decrease and vice versa. However, this does not necessarily mean that an increase in the consequences of each type of political risk will not spontaneously result in a decrease in assets and vice versa. This is because the consequences of each type of political risk differ in terms of its impact on firms’ assets. The R^2 value (0.47) shows that the consequences of political risk account for 47.0% of the variation in a firm’s assets. Hence, this implies that there are variables or factors which account for this difference (53.0%) in impact on a firm’s assets. In the interviews some participants mentioned the different factors that influenced the impact of the consequences of political risk in Nigeria. Some mentioned factors such as years of operating intentionally, understanding of the political environment, leverage, a good relationship with government institutions and ability to take advantage of the imperfect market of the country. Others said that their perception of the consequences of political risk is influenced by their perceived reward of investing. Cui and Jiang (2010) and Fang et al. (2013) argue that, for strategic reasons, firms with increasing resource-based advantages move in the direction of an emerging market, based on their organisational structure, and on increasing market knowledge as well as commitment. They also claim that firms’ market knowledge and commitment continue to increase their ability to manage and mitigate the consequences of political risk. The variation among differences in the consequences of each type of political risk on a firm’s assets cannot be explained by political risk alone. Therefore, this means that there are other variables or factors which account for this difference in impact on a firm’s assets. This means that there is an overlap among independent variables, but contract repudiation and price controls are statistically significant and will make a more unique contribution to the prediction of political risk.

6.8 PRACTICES OF POLITICAL RISK ASSESSMENT

This section presents the discussion of the findings of the practices of PRA by multinational firms in Nigeria which aligns with the fifth research objective. The section is further divided into seven sub-sections.

6.8.1 Conduct of Political Risk Assessment

The importance of PRA in managing and mitigating political risk was revealed from the finding that 82.4% of participants conducted PRA while undertaking international business activities compared to 17.6 percent who did not conduct. This finding mirrors those of Al Khattab et al. (2011) and Bremmer (2011) who argue that PRA is a necessary management tool for decision-makers in multinational firms to assess and manage political risk. To Al Khattab at al. (2008b), the practices of PRA depend on managerial concerns of PRA among international business investors. The significance of PRA is necessitated by the ever changing political, economic and social environment in most host countries in which they operate. Almost all governments change their policies from time to time without putting multinational firms in consideration of the effects of such changes. Filipe et al. (2012) and Jiménez (2011) emphasised the importance of PRA as a key determinant of FDI. Howell (2011) also affirms that the point of PRA is to make investment in emerging countries more feasible and more profitable. Howell (2011) confirms that the key reasons for PRA are the identification and forecasting of losses and the reasons for unsuccessful investments, in order to mitigate and avoid failure. Therefore, this finding indicates that PRA is conducted among multinational firms in Nigeria.

The finding of the behaviour concerning the conduct of PRA shows that about 41.9% of the participants conduct it internally as well as externally, while 24.3% conduct it internally. This means that using own personnel, as well as using external consultants, is important. This can be compared to Rice and Mahmoud (1990) with regard to Canadian firms and Pahud De Mortanges and Allers, (1996) with regards to Dutch firms, both of which tended to assess political risk internally. Swedish firms are no exception, since they conduct risk assessment ‘internally’ (Kettis, 2004). Participants equally tend to use internal personnel as well as external consultants for own assessment. None of the Dutch participants subcontracted to external consultants for political risk assessment (Pahud De Mortanges & Allers, 1996). Compared to firms that assess political risk internally only, Nigerian multinational firms that tend to assess political risk internally as well as externally are larger more highly internationalised and have more resources to bear the cost of contracting external consultants to conduct PRA.

There are advantages of conducting PRA internally, since it takes into account a firm's specific risks and saves costs, especially for smaller firms as compared to larger firms, who can afford the cost of hiring external consultants. Brink (2004) strongly supports this approach, arguing that 'good' PRA necessitates a careful regard for the specific issues that are relevant to every individual firm. Burmester (2000) adds that 'over-reliance' on outside help limits the business enterprise's opportunities to learn by doing. Although, there are few advocates of the widely used rating agencies, external consultants still offer some advantages of having the expertise and experience of understanding the political trends of some countries. However, the study could not determine the cost of using external consultants. Consequently, this study finds that the practice of PRA is conducted both internally and externally among multinational firms in Nigeria.

6.8.2 Political Risk Assessment Responsibilities

40.6% of the participants report the result of PRA to top management (CEO, MD, GM) while 31.1% report to the board of directors. This means that most of the assessment responsibilities within multinational firms in Nigeria are with top management and the board of directors. This finding is in line with the studies of Rice and Mahmoud (1990) for Canadian firms and Pahud De Mortanges and Allers (1996) for Dutch firms, and demonstrates that the PRA responsibilities were also taken by 'top management.

Firms differ in their structure, and as such have different institutional arrangements. Kettis (2004), who studied Swedish firms, Rice and Mahmoud (1990), who studied Canadian firms, Pahud De Mortanges and Allers (1996), who studied Dutch firms, all confirm that some firms' assessment processes are at upper levels of management, while Wyper (1995) for UK firms and Kettis (2004) for Swedish firms show the assessment process as a separate function of management conducted by a department. Hood and Nawaz (2004), who studied UK firms, confirm that for some the responsibility for PRA was with a separate department, which has an input on the results of the firm's decision-making. This finding is consistent with Kettis (2004), who studied Swedish firms and Al Khattab et al. (2011), who studied Jordanian firms. They show that very few firms have a specialised department for conducting PRA. Another consideration, apart from the institutional arrangement that can be used to determine who is responsible, is a firm's size. Smaller firms will tend to outsource the responsibility to external consultants, while larger firms will tend to have the assessment process conducted internally by a separate function of a department. Therefore, this study submits that the conduct of PRA is reported mostly to top management of multinational firms in Nigeria.

6.8.3 Triggers of Political Risk Assessment

The findings of this research show the occasion that mostly motivates participants to be involved in the conduct of PRA. It indicates that 31.3% are triggers to conduct PRA when a certain problem of interest occurs, while 23.9% are occasioned before investment/reinvestment and when certain problems occur. This means that more participant firms are occasioned by when a certain problem occurs in countries of interest. This finding is consistent with Al Khattab et al. (2011), who demonstrated that what cause the conduct of the assessment may be events or activities, a new investment destination, strategic planning and credit granting whose attributes differ within multinational firms, as well being determined by specific factors mentioned earlier, such as the characteristics and risk profiles of the firm. Risk Management Standard (2002), Brink (2004) and Minor (2003) advocate that the frequency of the conduct of risk assessment should be continuous, due to the ever-changing business environment of most countries, in order to prevent any negative impact on a firm's profitability. However, such a conclusion is dependent on the functions of the specificity to which it can be applied, because generalising their assertion requires a very broad explanation, since firms perceive risk to varying degrees, due to a difference in their degree of internationalisation.

The finding that 23.9% of the participants are triggered by 'initial' investment/ reinvestment to conduct PRA is in line with the studies of Wyper (1995), for UK firms, Pahud De Mortanges and Allers (1996), for Dutch firms and Kettis (2004) for Swedish firms. However, this finding differs from that of Rice and Mahmoud (1990)'s study of Canadian firms, where a few of them were occasioned by initial investment. A possible explanation for this finding is that firms have different types of international business involvement and industries within will have diverse reasons to conduct the process. Irrespective of the occasions that mostly motivate participants to be involved in the conduct of PRA, the frequency of the assessment process and how the results of risk assessment are to be reported needs to be determined within a firm. Therefore, this study submits that the occasions motivating the conduct of PRA among multinational firms in Nigeria mostly occur when a certain problem occurs.

6.8.4 Frequency of Political Risk Assessment

66.5% of participants indicated that they conduct the process occasionally and 24.3% conduct PRA quarterly, with few conducting day-to-day and yearly. This means that almost all participants' assessed political risk at one point in time and most firms' frequency of conduct are occasioned when a certain problem occurs within a country. This finding is in line with the study by Al Khattab et al (2011) who found that Jordanian firms conduct PRA occasionally. Subsequent studies conducted by Hashmi and Guvenli (1992) and Fitzpatrick (2005) report that the frequency has increased due to rapid changes in most political environments, and an awareness of its significance which has made PRA an essential element of international business.

The reason for such constant assessment was explained by Hood (2001), Tsai and Su (2005) and Brink (2004), who argue that the frequency of PRA conduct can be influenced by the changing political situation of a country. Brink (2004) and Tsai and Su (2005) point out that political risks within countries can change on a daily basis with different consequences for multinational firms. In the studies by Kettis (2004) for Swedish firms and Oetzel (2005) for Cost a Rica's foreign firms and Al Khattab et al. (2011) for Jordanians firms, PRA was conducted 'occasionally' rather than continuously. Hashmi and Guvenli (1992) argue that firms with a high degree of internationalisation are more likely to conduct the assessment process on quarterly or a yearly basis. In an attempt to save costs, there is a propensity for small-sized firms to be more likely to conduct PRA occasionally than medium-sized firms and larger firms more frequently than medium-sized firms. However, conducting the process on a 'day-to-day' basis is not considerably interrelated to any firm-specific uniqueness. This finding is not consistent with that reported by Hashmi and Guvenli (1992) who show that firms with a high degree of internationalisation have a regular assessment pattern (yearly, quarterly) compared with those firms with a low degree of internationalisation.

6.8.5 Sources of Information

From the findings (mean ranging from 4.0 to 3.0), almost all the participants indicated the importance of a wide range of sources of information and the most significant sources were a firm's own arrangements, external consultants, government agencies and trade association. Others sources were: media, research/journals and international organisations. This finding is in accord with those of Al Khattab et al. (2011), for Jordanian firms, Rice and Mahmoud (1990), for Canadian firms and Subramanian et al. (1993), for US firms, who found that personnel at firm’s headquarters was the most important source of information. Stapenhurst (1992a) for most US firms and Rice and Mahmoud (1990) for most Canadian firms affirms that external sources were identified as important, while Kettis (2004), for Swedish firms, acknowledges ‘subsidiaries managers’ as an important source of information. The trend of multinational firms depending mostly on ‘human’ as important sources of information was clarified by Fitzpatrick (2005) and Kettis (2004) who argued that managers need more information due to the rapidly changing political and business environment. In explaining this finding, Hough and White (2004) further stated that under environments of political uncertainty, decision-makers rely more on their existing knowledge and experience. Kettis (2004) points out that Swedish managers rely mostly on personnel as an important source of information.

Another important source of information indicated from the findings were external consultants and government agencies. This contrasts with the studies of Rice and Mahmoud (1990), for Canadian firms, Pahud De Mortanges and Allers (1996), for Dutch firms and Wyper (1995), for UK firms, who showed that government agencies and external consultants were not identified as important. Rice and Mahmoud (1990) found that the reliance on external sources of information within Canadian firms was related to a firm’s internationalisation; firms operating in more countries were more likely to rely on external sources. However, no explanation was provided by Rice and Mahmoud (1990). Media was found to be a ‘very’ important source of information by Rice and Mahmoud (1990) for Canadian firms, Subramanian et al. (1993) for US firms and Pahud De Mortanges and Allers (1996) for Dutch firms.

6.8.6 Political Risk Assessment Techniques

Five qualitative approach techniques used for conducting PRA were presented to the participant firms. Most participants indicated (mean ranging from 3.2 to 1.7) that they use mostly the judgement and intuition of manager and expert opinion techniques (mean 3.0) rather than other types of techniques, such as Delphi technique, standardised checklist and scenario development (mean 2.1 to 1.7). These qualitative techniques for conducting PRA are more commonly used than quantitative techniques, and they can be distinguished from each other based on their applications (Al Khattab et al., 2011; Kettis, 2004). The qualitative nature makes these techniques rely on individual or collective judgement more than the PRA rating/models that are scientific in their approach involving multivariate analysis or quantitative modelling. Yet, Kobrin (1982) proposed on the contrary that different methodologies should be distinguished on the basis of their degree of systematisation, which involves explicit and implicit assessments, which is intricate to replicate and entails a mental process.

One possible explanation by Brink (2004) argues that measuring political risk to a large extent necessitates subjectivity, which requires human judgement. Hood and Nawaz (2004), in supporting this assertion, stated that its measurement and management frequently tends to be more subjective than objective, making the entire process require more qualitative approaches than quantitative. One explanation of the finding by Brink (2004) is that the techniques involving qualitative approaches by multinational firms are more widely used than the quantitative approaches, even though the former is subjective and susceptible to bias or inaccuracies. Previous studies conducted in the context of different countries, in contrast with quantitative techniques of PRA, have shown that the use of qualitative techniques are dominant within Canadian firms by Rice and Mahmoud (1990), Dutch firms by Pahud De Mortanges and Allers (1996), UK firms by Wyper (1995), Swedish firms by Kettis, (2004) and Jordanians firms by AI Khattab et al. (2011) .

The most frequently used technique by Nigerian multinational firms is the judgement and intuition of managers. This technique was the most commonly used technique within Jordanian firms (Al Khattab, et al., 2011), within Canadian firms (Rice & Mahmoud, 1990) and within Dutch firms (Pahud De Mortanges & Allers, 1996). The judgment and intuition of managers, on the other hand, was the second most commonly used technique within US firms (Subramanian et al., 1993) and was also a commonly used within Swedish firms (Kettis, 2004). This qualitative technique also has the highest percentage of self-reported success relative to other techniques by participant firms; the ‘most useful’ for US participants (Hashmi & Baker, 1988); the ‘most successful’ for Canadian participants (Rice & Mahmoud, 1990) and the ‘most positive’ for Turkish participants (Demirbag & Gunes, 2000). This finding confirms that multinational firms are generally satisfied with this technique for assessing political risk.

Another frequently used technique within Nigerian firms is expert opinion. The degree of bias and the subjectivity of this technique is a limitation according to Kobrin (1982), but in spite of this potential difficulty, earlier preceding studies have revealed that the expert opinion is widely used among Canadian, Dutch and US firms (Pahud De Mortanges & Allers, 1996; Rice & Mahmoud, 1990; Subramanian, et al., 1993). The successes of this technique has been highly acclaimed and recorded in countries such as the US, Canada, Turkey and Holland, according to Hashmi and Baker (1988); Rice and Mahmoud (1990); Subramanian et al. (1993); Pahud De Mortanges and Allers (1996), and Demirbag, Gunes and Mirza (1998).

Expert opinion (known as old hand) is a technique that seeks the views of respective experts or consultants from the area or country of an investor’s destination. It is different from the judgement and intuition of managers, because it relies on multiple numbers of consultants covering all the areas of interest, with a focus on political risk. Hashmi and Baker (1988); Rice and Mahmoud (1990); and Demirbag et al. (1998) all acknowledged the success of this technique within US, Canadian and Turkish firms, while Subramanian et al, (1993) and Pahud De Mortanges and Allers (1996) illustrated it as the first and the second most widely used technique among the US and Dutch firms they surveyed. These findings show that multinational firms are generally satisfied with this technique for assessing political risk.

6.8.7 Political Risk Assessment Ratings

This section presents a discussion of the findings to support the results that emerged from the fourth research objective regarding the consequences of political risk for multinational firms in Nigeria. A number of quantitative risk assessment ratings/models have been developed for conducting PRA in an effort to demonstrate the forecasting of losses due to political risk. Out of the existing ratings/models, five that are most commonly used for PRA were presented. The finding (mean ranging from 1.8 to 1.0) shows most participants hardly conduct PRA with these quantitative ratings/models to analyse political risks. Most studies conducted on PRA using quantitative rating models were reported more in the context of developed countries than the developing ones. Even in the context of developed countries, more qualitative techniques were reported to be used than the quantitative rating models of Rice and Mahmoud (1990) for Canadian firms, Subramanian et al. (1993) and Stapenhurst (1995) for US firms, Wyper (1995) for UK firms, Pahud De Mortanges and Allers (1996) for Dutch firms, and Kettis (2004) for Swedish firms. In the context of developing countries it was reported by Demirbag et al. (1998) for Turkish firms and Al Khattab et al. (2011) for Jordanians firms, that the quantitative rating models were hardly ever used.

This finding can be explained by two likely causes regarding why most participants refrained from the use of quantitative techniques. Firstly, the use of quantitative techniques requires particular data that can theoretically lend themselves to statistical operations. Suitable data may not be readily available (Brink, 2004). Moreover, data obtained from developing countries are rarely without inaccuracies and contradictions. The collection of political data can also be a difficult process, due to the secondary sources of information. Another major problem is in terms of comparability of numeric data to be amenable to quantification, since some risk variables and indicators are not easily measurable and they require rigorous standards of operationalisation to be used. This causes most PRA models to build in exogenous factors that are susceptible to changes, therefore causing inconsistencies in these models. Secondly, the use of quantitative techniques requires statistical background which often requires the use of computers, and interpreting results obtained after such an assessment needs particular skills. Therefore, it is for this reason that the two impediments facing most multinational firms in assessing political risk: lack and/or irrelevance of information and lack of skills required for risk assessment.

This finding may be explained by the fact that the limitations of these risk rating models negate their potential to adequately produce a result on the assessment of investment climate regarding the probability of a risk occurring in a host country. This finding is consistent with Brink’s (2004, p. 47) proposition that that model is a simplification of reality, there will always be something missing from the final application regardless of how many times it is planned and redesigned. Some of the limitations observed in the rating models are: the inability to determine the type of losses that can affect a specific firm, since they are of different sizes in terms of value, the contentious nature of grading systems and the difficulty of interpreting most of the rating models, the credibility of the data used by the rating models and the impossibility of including every risk variable that could have an input on the profitability of foreign investment. Therefore, with accurate data during PRA, it is possible to assess the state of a country's economy to understand the reason why a country experiences rapid economic growth (or regression), and the reason for recessions or depressions from the risk indicators data that were used.

This study corroborates the findings of a great deal of the previous work in this field by Howell and Chaddick (1994), using quantitative approaches that tested the reliability of three PRA models (EIU, PRS & BERI) to forecast risk projection within specified periods, as well as countries, Nel (2007) revisited the same test, covering different periods, and empirically corroborated the results. However, their findings confirmed that there exists a high degree of variation among the models when used for the same assessment. Equally, some empirical studies have shown how unsuccessful quantitative techniques can be, mainly in the forecasting or predicting of political risk, due to its sophistication and unreliability (Cosset & Roy, 1991; Eichengreen et al., 1995; Oetzel et al 2001). This explains the reasons for the low usage of these quantitative PRA rating models compared to the qualitative PRA techniques.

The dataset of the ICRG PRA annual rating conducted for Nigeria within the period 2011 to 2015 was analysed. The results of the ranking ranged from 42.5% to 46.0% and revealed that a very high political risk ranking was reported by the ICRG for Nigeria within the period. In explaining this finding, PRS Group (2015) argues that it is possible for poor political risk in a country to be compensated by a good financial and economic risk. This implies that other factors can influence the consequences of political risk on multinational firms, which is line with the findings of the primary data collected. This also explains why some firms invest in emerging markets' like Nigeria, despite the presence of political risk. The finding showed that the net percentage change over this period was -0.8%, which implies that by this margin no significant reduction was experienced in the level of political risk during the period. However, World Bank (2012, 2013, 2014), UNCTAD (2012, 2013) reports and primary data collected revealed that FDI in Nigeria has increased within this period. Nevertheless, the results showed that the best political risk ranking of 46.0% was recorded in 2013. Likewise, the variables used as risk indicators showed minimal changes with some appearing constant over the period. This implies that no risk indicators can be used to adequately explain any likely variations that can happen among them when forecasting political risk in the context of Nigeria.

6.9 STRATEGIES FOR MANAGING AND MITIGATING POLITICAL RISK

This section seeks to discuss the findings of the managing and mitigating strategies used by multinational firms in Nigeria which is in line with the sixth research objective. The results (mean ranging from 3.1 to 1.5) indicate that participants identified that the managing and mitigating strategies of political risk used by most participants mostly involved conducting routine political risk assessment either by firms' own staff or by external consultants, and by engaging in CSR with host governments/communities in Nigeria (mean 3.1). Other strategies for managing and mitigating political risk were indicated as not commonly used by most participants. The management of most multinational firms views the management and mitigation of political risk by minimising its impact as a critical aspect of risk management (Waters, 2015; Chapman & Ward, 2002; Hood & Nawaz, 2004). For Jiménez et al. (2012), an effective risk management process requires translating a firm's strategy into tactical and operational objectives, commitment from the top management to the assessment process and assigning responsibility to employees responsible for the management of risk as part of their job description. The study by Hough et al. (2008, p. 13) affirms the management of risk as a managerial function which aims to protect the organisation, its staff, assets and profits against any physical and financial consequences of event risk. Brink (2004, p. 149) writes that political risk management means the sum of actions which foreign investors take to try to keep at acceptable levels the degree or measure of investment risk associated with activities. This finding was explained by Desai et al. (2008) and Novaes and Werlang (2002) who wrote that if firms recognised the risk variables and indicators to be used in determining how political risk will affect their investment, then the managing and mitigating strategy to be applied can be designed. Bjelland (2013) and du Toit (2013) point out that identifying and understanding political risk types and indicators' existing in a host country prior to investment is important. This will enable a firm to know whether part of the entry strategy might require negotiating with the host government.

This finding supports the ideas of McDaniels and Small (2004, p. 290) who argue that two requirements must be met in order to mitigate and manage political risk. Firstly to mitigate the risk, risk managers need sufficient knowledge with regards to the potential impact of the risk source under investigation and the likely consequences of the different decision options to mitigate these risks. Secondly, to further manage the risk, they also need criteria to judge the desirability or undesirability of these consequences in order to determine its value. This means that knowledge and value are important components of decision making. This is because risk management and mitigation involves decisions regarding how to take account of the impact of the risk occurring over time or on its consequences on current decisions that will accrue over decades or centuries (McDaniels & Small, 2004).

One possible explanation for this finding is that most political risk management applies one of the best approaches to anticipate the risk and negotiate ahead of time as part of the entry strategy into a host country. It envisaged that the changing political environment, of most countries, especially when there is a change in government is often with consequences. Therefore, a negotiation of all conceivable areas of pitfalls of an investment agreement, buying insurance and guarantees, maintaining a mutual beneficial relationship with host governments, engaging in CSR and designing risk- reducing operating strategies to use are all part of mitigating strategies. The negotiation of the investment agreement should spell out specific rights, as well as responsibilities of both the foreign and the host country's government, on all policies or financial and managerial issues, including funds flow, method taxation, price controls, requirement for local sourcing, arbitration of disputes and divestment planned among others (Lindeberg & Mörndal, 2002). Filipe et al. (2012), Jiménez (2011) and Cui and Jiang (2010) argue that creating a conducive business environment by the host country's government contributes to foreign investors' success and is a perquisite that attracts more foreign investors for FDI as well as to the country. A further explanation of this finding can be discussed using the works of Desai et al. (2008); Howell, (2002) and Novaes and Werlang, (2002) that managing political risk is a function of the relationship between a host government and multinational firms. Understanding the business systems, legal systems, policies, economic systems, as well as political and cultural systems, would equip multinational firms to manage and mitigate strategies in Nigeria.

This finding can be discussed from the perspective of the results of the PRA conducted. It influences the managing and mitigating strategies of political risk that firms adopt. The mitigating strategies of political risk management may involve formulating a political risk policy, political risk impact-probability management and obtaining investment insurance and guarantees (Moran, 2007; Waters, 2015). Obtaining investment insurance, guarantees or loans from host countries' banks or government is a means of risk sharing. The investment agreement creates an obligation on the part of both the foreign firm and the host government, and furthermore both the foreign firm and the host government need to create between them a mutually beneficial relationship. Brink (2004) shows that this relationship is a prerequisite for the success of foreign investors’ business in any host country. This is a risk managing strategy for foreign investors should there be any change in the investment agreement that was previously agreed upon. The re-negotiation process will require less due diligence and consideration of the initial investment agreement, due to the existing mutual relationship between the two parties. Multinational firms operating in host countries with an investment agreement still require mitigation strategies for political risk management. This is achieved through conducting pre-investment analysis in anticipation of any type of political risk in the host country.

This finding further supports the idea of Moen and Lambrechts (2013) who argue that engaging in CSR with host governments and communities is a risk-reducing operating strategy in order to establish a good relationship. If possible, this should include utilising the brand name and trade-mark control, market and technology control as well as obtaining loans from local financial institutions as a ‘counteractive response’ in order to enhance bargaining power or negotiate from a position of strength with the country’s host government any time the need arises. Another position is that part of mitigation strategies should include pre-investment strategy in anticipation of blocked fund as a result of fund transfer and remittance restriction or for any other eventualities. The pre-investment strategy should include providing alternative conduits s, transfer pricing goods for repatriating fund and services between interrelated units of the foreign firms, lagging and leading payment, using fronting loans, creating unrelated experts and obtaining special compensations. The management of foreign firms should conduct pre-investment analysis in order to minimise such effects. The pre-investment analysis shall determine the best mitigation strategy to apply, which depends on prevailing circumstances and conditions in the host country.

As mentioned in the literature review, using a diversification strategy by joint venture with local affiliates or with a host country’s share stock-holders to increase or utilise economies of scale for cost advantage to bear the costs of political risk as a market strategy to have higher return on investment. The application of some of these managing and mitigating strategies depends on a number of factors. Multinational firms possess different characteristics and degrees of internationalisation, causing them to have diverse advantages and more leverage to operate in certain markets than others. Most large firms have a culture that has shaped their risk management system; thereby institutionalising political risk management into their corporate planning. Therefore, conducting PRA is one of the management and mitigation strategies of political risk used by multinational firms in Nigeria for determining the probability of the occurrence political risk.

6.10 SUMMARY OF THE CHAPTER

This chapter has discussed and interpreted the findings of the research in the context of its objectives and hypotheses. Eight features of political risk were identified as determinants of the risk because they contribute to its emergence. To provide a fuller explanation; it had to be supported with ideas deduced from other related studies, since it has not been previously reported. The variables and indicators used for forecasting political risk in Nigeria were identified by the participants. Some among them appeared as ‘major’, but they are by no means less important than others. It has been from these factors that the cost of some political risk, degree of the complexity and the consequences of the impact of the risk on multinational firms are approximated in a host country. Some of these factors do not seem to retain the same value in a country, especially in most developing countries. The relationship between risk variables and indicators and political risk has suggested that either an increase or decrease would not predictably result in an increase or decrease in some political risk, since there are other overlapping, contributors factors.

Participants indicated a high percentage of FDI type of international business involvement via owning subsidiary compared to other types of international business involvements and entry modes of international business. The disparity in each determinant of internationalisation confirms that firms’ degree of internationalisation varied in terms of years, coverage and revenue generated. Hence, based on this, the differences among the attributes of multinational firms and their degree of internationalisation will help to establish how these attributes influence their perception of political risk. The relationship among the characteristics of multinational firms and the degree of internationalisation has suggested that a number of other factors can also influence firms’ internationalisation in other countries.

The findings of this research have shown that determinants of political risk have various consequences for the firms. It has shown that the consequences of political risk vary from one part of the country to another, as do their impacts on multinational firms. A type of political risk can exist in one part of a country and not in another; therefore it will have an impact on multinational firms operating in that part of the country. Each type of political risk has different consequences, even in the same political environment, and the consequences for multinational firms vary from one part of the country to the other. The findings also reveal that the consequences of the impact of political risk on multinational firms is significantly influenced by factors such as their perception of political risk, outcome of political risk assessment, low financial risk, leverage, degree of internationalisation and perceived rewards of internationalisation into a specific emerging market. Thus, identifying a reason why some firms have been able to manage and mitigate political risk in any country and why some internationalise into specific countries.

The results suggest that it does not necessarily mean that an increase in the consequences of each type of political risk will not spontaneously result in a decrease in assets and vice versa. It was reported that, for strategic reasons, firms with increasing resource-based advantages move in the direction of an emerging market, based on their organisational structure, and on increasing market knowledge as well as commitment. The variation among differences in the consequences of each type of political risk on a firm’s assets cannot be explained by political risk only. This further suggests that these variables will make a stronger unique contribution to explaining political risk. This also means that there is an overlap between independent variables which is statistically significant and will make a more unique contribution to the prediction of political risk.

The importance of the managerial practices in managing political risk was revealed. Most participants indicated that they conduct PRA while undertaking international business activities. Most of the assessment responsibilities within multinational firms in Nigeria were with top management and the board of directors, in line with earlier studies. The triggers to conduct PRA indicated that it is when a certain problem of interest occurs in a country or countries of interest. This means that almost all participants assessed political risk at one point in time and most firms’ frequencies of conduct were occasioned when a certain problem occurs in a country. Almost all the participants indicated the importance of the sources of information across board, and the most significant sources were a firm's own arrangements, external consultants, government agencies and trade association. The

ICRG PRA annual rating dataset for Nigeria within the period from 2011 to 2015 was discussed. It is possible for poor political risk on a country to be compensated with a good financial and economic risk. The participants identified that the managing and mitigating strategies of political risk used by most participants mostly involved conducting routine PRA either by own staff or by external consultants, and by engaging in CSR with host governments/communities in Nigeria. Other managing and strategies of political risk presented were indicated as not popularly used.

Most of the existing methodologies used for conducting PRA exist along a spectrum of both qualitative and quantitative methods with a mixture of subjective and objective approaches. Inevitably, they both have disadvantages and advantages, although not one was identified as the best methodology. Like ‘theories,’ methodologies cannot be true or false, only more or less useful, depending on the accuracy of the results obtained. Most participants indicated that they use mostly qualitative techniques rather than quantitative ones. Most studies conducted on PRA using quantitative rating models were reported in the context of developed countries, rather than developing ones. Even in the context of developed countries, more qualitative techniques were reported to be used than quantitative rating models.

CHAPTER SEVEN

CONCLUSIONS AND IMPLICATIONS

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CHAPTER 7 :

7.1 INTRODUCTION

This chapter concludes the study with a summary of its key findings and its subsequent contribution to the existing body of knowledge in the literature on political risk. This chapter is organised into six main sections. Section 7.1 introduces the chapter and highlights its scope. Section 7.2 restates the research's aim, objectives and hypotheses to be achieved. Section 7.3 summarises the key findings of the research. Section 7.4 highlights the study's contributions to knowledge. Section 7.5 discusses the limitations of the research. In section 7.6, future directions for research are suggested in order to build on the existing literature on PRA in the context of emerging markets. Finally, section 7.7 concludes the study.

7.2 RESEARCH AIM, OBJECTIVES AND HYPOTHESES

This section restates the research's aim, objectives and hypotheses that are to be achieved in order to derive their contributions to knowledge. The aim of this research is to contribute to the assessment of political risk by critically analysing the determinants and indicators, and to examine how the consequences of political risk impact upon multinational firms, with a view to understanding the managerial practices associated with managing political risk in Nigeria. To achieve the aim of the research, the six objectives developed are:

Objective 1: to investigate the determinants of political risk in Nigeria.

Objective 2: to investigate the variables and indicators used to forecast political risk in Nigeria.

Objective 3: to investigate the impacts of the determinants of political risk in Nigeria.

Objective 4: to investigate the consequences of political risk for multinational firms in Nigeria.

Objective 5: to explore the practices of PRA in Nigerian multinational firms**.**

Objective 6: to identify managing and mitigating strategies for political risk in Nigeria.

To achieve these objectives, four hypotheses are formulated:

Hypothesis 5: There is a positive relationship between risk variables and indicators and types of political risk.

Hypothesis 6: There is a positive relationship between the characteristics of multinational firms and theirs determinants of internationalisation.

Hypothesis 7: An increase in political risk will result in a negative impact on firms' revenue.

Hypothesis 8: The consequences of political risk will result in a negative impact on firms' assets.

7.3 SUMMARY OF THE KEY FINDINGS

A summary of the key findings are discussed in this section in order to derive their implications which will contribute to the existing body of knowledge with regards to political risk.

7.3.1 Determinants of Political Risk

This research has identified eight determinants in line with the first objective that contribute to the emergence of political risk in the context of Nigeria, such as constitutional pitfalls, poor value system, religious intolerance, inter-ethnic rivalry, low per capita income, unstable governments, lengthy bureaucratic processes and weak political structures. They were selected based on knowledge of the observed setting of a political environment and their interrelationships with socio-economic and political factors in contributing to the emergence of political risk. This has been explained through ideas gathered from several other studies on Nigeria concerning their implications, since they have not been reported previously (Alenoghena & Evans, 2015; Agbiboa, 2013b; Kendhammer, 2013; Meagher, 2013; Ajayi, 2014; Oladiran, 2013; Olofin et al., 2015; Uma et al., 2013). The findings suggest that the existence of these determinants and their subsequent consequences causes various types of political risk to manifest themselves in the business environment of Nigeria. They are significant to the understanding of how risk variables and indicators emerged, which have in turn caused different forms of political risk to exist. Some of the determinants have appeared more prominent than others in contributing to political risk, due to their interrelationship in a political environment.

It could be suggested that the changes accompanying these determinants could influence some of the political decisions or policies made by the country's government. Likewise, their resultant effects could be attributed to the emergence of difference types of political risk in a country. Thus, with their identification, a political environment can be assessed more accurately. An implication of this is the possibility that each type of political risk has a number of interrelated determinants that prompt its existence. Therefore, based on this finding, how specific political risks emerge that differentiates one country from another can be better explained. Equally, these determinants are significant in the understanding of how risk variables and indicators emerge and how political risk exists in different forms.

7.3.2 Risk Variables and Indicators for Forecasting Political Risk

Twenty-four risk variables and indicators used for forecasting political risk were identified within the context of Nigeria in alignment with the fourth objective. Each type of political risk possesses a number of interrelated risk variables and indicators that causes them to exist to various degrees in a country (Bjelland, 2012). It has been evident that a number of studies on Nigeria recognised most of the risk variables as key political and economic indicators for the country (Alenoghena & Evans, 2015; Olofin et al., 2015; Ajayi, 2014; Dudley, 2013; Joseph, 2014; Eguae-Obazee, 2014; Onyekwelu et al., 2015). However, some have been identified as 'major' risk variables and indicators to be used for forecasting political risk in Nigeria. These are corruption, inflation rate, interest rate, poverty rate, terrorist activities, crime rate, percentage of unemployment and militia groups. Others include economic growth rate, government policy, religious intolerance, state of infrastructure and public accountability. Others are identified as 'minor', such as balance of payments, banking system, bureaucratic interference, inequitable distribution of resources, fiscal imprudence and state of the democratic process. Others include price index, budget deficit, judicial system, population rate growth and level of marginalisation. PRS Group (2015) concluded that whilst some of the risk variables and indicators used to forecast political risk are considered 'major', they are no less important than others which are considered 'minor'. It is only when each risk indicator is approximated or calculated that its size can be appreciated or its probability determined even though some values cannot be measured easily. It has been from their values that political risk can be predicted during PRA (Kesternich & Schnitzer, 2010). However, in the case of Nigeria it has been evident that their values differ from one part of the country to another. Therefore, it will make the data obtained from the values of some risk variables and indicators subject to errors.

The validation of H1 has confirmed that there is a positive relationship between risk variables and indicators used for forecasting political risk. This finding has revealed that as the risk variables and indicators increase, political risk increases and vice versa. The finding further revealed each of them to have an impact on the prediction of political risk, such as religious intolerance, interest rates, population growth, state of infrastructure and state of democratic process, which indicated the highest prediction values. It does not necessarily follow that with an increase in the risk variables and indicators, political risk will spontaneously result in an increase in political risk and vice versa. It means that either an increase or decrease in the risk variables and indicators will predictably result in an increase or decrease in political risk.

The evidence from this study suggests that variation cannot be explained by the risk variables and indicators alone. In general, therefore, there is an overlap between them in making a stronger unique contribution to the prediction of political risk. Therefore, it has been established that there are other factors that also influence the emergence of political risk. It can be concluded, as one of the implications of this finding, that the type of political risk can easily be identified and its impact can be determined to provide the most accurate managing and mitigating strategies to be applied in Nigeria. It has been from these that the cost of some political risk, degree of complexity and the consequences of impact of the risk on multinational firms are approximated in a host country. Therefore, these findings submit that these country specific risk variables and indicators can be used for forecasting political risk in Nigeria, and their consequences can be influenced by other factors, since they have an overlapping effect on the prediction of political risk in Nigeria.

7.3.3 Determinants of Internationalisation

This research has shown that there is a high percentage of FDI type of international business involvement via owning subsidiary compared to other types of international business involvements and entry mode of international business in Nigeria, in line with World Bank (2014) and UNCTAD (2012) reports. It has established that FDI inflow into Nigeria has increased recently, with a larger number of manufacturing and petroleum & gas multinational firms. The disparities in each determinant of internationalisation among the firms have confirmed that a firm's degree of internationalisation varies in terms of years, coverage and revenue generated. The results indicate that an increase in one of these determinants increases the degree of a firm's internationalisation as was also concluded by AI Khattab et al. (2011).

The acceptance of H2 has affirmed that there is a positive relationship among characteristics of multinational firms and their degree of internationalisation which underpins the fourth objective and offers insights into the dynamics about firms' response to political risk. The differences in the strength of their relationships have suggested that a number of other factors can also influence firms' internationalisation. Firms' internationalisation is due to market-specific knowledge, as well as their generalised knowledge of operating internationally (Clark et al., 1997; Johanson & Vahlne, 1990). However, Millington and Bayliss (1990) also conclude that most firms develop extra networks of institutional arrangements, since they keep operating in foreign markets, which helps to increase their internationalisation processes.

This study has found that the characteristics of multinational firms and their relationship with the determinants of internationalisation can be used to explain how political risk is influenced by this relationship. Firms with a high level of internationalisation are more likely to have a lower perception of political risk than firms with a low level of internationalisation (Al Khattab et al., 2011). Based on firms' knowledge of a market, they possess more leverage to operate and have the ability to mitigate political risk, when compared with firms with a lower level of internationalisation.

Since firms' levels of internationalisation differ, this suggests that their perception of political risk will also vary with respect to their perceived reward from internationalisation in a market. Firms can internationalise into emerging markets despite the presence of political risk because they have considerable leverage, which other firms may avoid. In other words, firms have various institutional arrangements with different degrees of leverage to operate even in the presence of some types of political risk, especially after weighing the consequences of conducting PRA. This has offered an insight into the underlying dynamics of the relationship between political risk and multinational firms in Nigeria. Consequently, the results of this study imply that the differences among the attributes of multinational firms and their degree of internationalisation can influence the consequences of the impact of political risk on multinational firms in Nigeria.

The evidence from this study shows that there is a positive relationship between characteristics of multinational firms and determinants of internationalisation, which has established a premise for determining how firms' characteristics and degree of internationalisation can influence their perception of political risk. The results of this study indicate that the consequences of the impact of political risk on multinational firms is significantly influenced by factors such as their perception of political risk, outcome of political risk assessment, degree of internationalisation, leverage, low financial risk and perceived rewards of internationalisation into a specific emerging market.

7.3.4 Political Risk

The most obvious finding to emerge from this study is that political risk is a major concern for multinational firms, as confirmed by a World Bank (2014) report. Political risk is one of the key determinants of firms' investment into developing countries (Baek & Qian, 2011; Baldaaci et al., 2011). It has been evident in this study that political risk has resulted in a range of consequences that have influenced the type of strategies which multinational firms adopt (Kerner & Lawrence, 2014; Kesternich & Schniterzer, 2010). Apart from political risk, firms also consider the financial and economic risks of a country as concluded by PRS Group (2015). It has implied that it possible to have a country with a high political risk but a low financial risk or economic risk. It also implies that the presence of a high political risk in a host country does not often deter firms provided that there is the possibility of making a return on investment if the financial risk is low. Political risk can also be considered to offer enhanced opportunities as well as unexpected potential consequences (Knight, 2012; Sadgrove, 2015). Therefore, it implies that how firms will view political risk depends on their perception of the type of political risk.

Furthermore, this study has suggested that the nature of political risk is institutional, since institutions in a country make rules and regulations that constitute political risk to firms (Osabutey & Okoro, 2015; Quer et al., 2012). It has been identified in this study that the types of political risk vary from one part of Nigeria to another; it means a particular type can exist in one part of a country and not in another. They viewed political risk issues as changing over time, since the socio-economic and political situation keeps altering with changes in federal and governments in Nigeria. The evolutionary trends of the country are characterised by weak regulatory institutions, and ideological, religious and ethnic cleavages which are inherent in the political environment (Bienen, 2013; Onapajo, 2012). It is for this reason that most of the factors causing political risk in Nigeria are associated with the evolution of the country as well as with political events and government decisions. However, it has been concluded that the general nature of political risk still remains institutional.

The rejection of H3 which underpins the second objectives has refuted the proposition that an increase in political risk will result in a negative impact on firms' revenue. This suggests that an increase in political risk will not automatically result in an increase in revenue generated. This study found that political risk will not make a strong unique contribution to predicting the revenue that firms generate. It has been inferred that if profit outweighs the cost of political risk, then a firm can still maximise profits, and the negative impact of political risk can be minimised. The findings of this study suggest that there is a major concern about political risk in the context of a developing country, and that its impact on multinational firms is significantly influenced by other factors.

7.3.5 Impacts of the Determinants of Political Risk

The study has examined the impacts of the determinants of political risk prompting each form of political risk to determine the extent of their effects on multinational firms in the context of Nigeria in line with the second objective. One of the more significant findings which have emerged from this study is that these determinants of political risks have negative contributor factors, and it is only when they emerge as political risks that the consequences of these impacts are felt. It has been evident from this study that the level of impact of these determinants will often depend on the extent to which their presence is felt in a country. The findings have shown that the impact of these determinants will vary as political risk varies from one part of the country to another. They generate different types of political risk, depending on the part of the country, which submits that their impacts will also differ for multinational firms in the same country. These impacts should be viewed as possibly changing over time, as the socio-economic and political situation of a country keeps improving (or not).

The evidence from this study suggests that they can be used to assess the political environment of Nigeria in order to understand the likely political risk that can emerge, in order to understand and work around them. The study has found that the political state and the economic state of any country are mutually interdependent, in the sense that there are business consequences arising from political decisions. This means that the patterns of governance and the levels of political stability are parameters to be used to determine the differences between a profitable investment and a non-profitable one in any political environment (Collinson & Morgan, 2009). Government institutions make and change policies which have cost implications and business consequences. Therefore, institutional factors are a significant consideration for firms operating in developing countries where the evidence of their weaknesses are clear (Jiménez et al., 2012; Osabutey & Okoro, 2015; Quer et al., 2012).

The evidence from this study supports the idea that the country is divided along cultural, ethnic, language and religious lines within its different geographical regions (Bienen, 2013; Onapajo, 2012). A further implication of this explains the reason why multinational firms are located more in some parts of Nigeria than others. This evidence provides support for the idea of the possibility that if these impacts were examined, the extent of their effects on multinational firms could be determined through the use of risk variables and indicators and their values could be measured.

7.3.6 Consequences of Political Risk

This research has found in line with the fourth objective that the consequences of political risk are influenced by a number of factors. The consequences depend on the type of political risk, since a type can exist in one part of a country and not in another. It, therefore submits that the consequences of political risk vary from one part of the country to another and that each type has different consequences for multinational firms. The evidence from this study suggests that most multinational firms in Nigeria have avoided the parts of the country with a high probability of political risk. The consequences add to the cost of doing business and that cost increases with an increasing probability of political risk (Borden & Borden, 2013).

The acceptance of H4 confirms that the consequences of political risk will result in a negative impact on firms' total assets which underpins the fourth objective. This finding suggests that as political risk increases, assets decrease and vice versa. However, this does not necessarily mean that an increase in the consequences of each type of political risk will not result spontaneously in a decrease in assets, and vice versa. The results of the research have shown that variations between differences in the consequences of each type of political risk on a firm's assets cannot be explained by political risk alone. Therefore, this means that there are other variables or factors that account for this difference in impact on a firm's assets. The findings have revealed that they contribute differently to the prediction of political risk based on their values. This suggests further that these variables will make a stronger unique contribution to explaining political risk. This means that there is an overlap between independent variables but a contract in repudiation and price controls is statistically significant and will make a more unique contribution to the prediction of political risk.

Some of the issues emerging from these findings suggest that not all the consequences of political risk have the same impact across a country, and further increase the probability of political risk, thereby increasing the cost of doing business. The evidence from this study suggests that differences in firms' degree of internationalisation can be influenced by the consequences of political risk in diverse ways. The consequences of political risk have different impacts, depending on a firm's degree of internationalisation (Jiménez et al., 2014). This means the consequences of political risk will have less of an impact on a firm with a higher degree of internationalisation than a firm with a lower degree of internationalisation. This is because the consequences of each type of political risk differ in terms of its impact on firms' assets.

Multinational firms move to emerging markets for different reasons, such as their resource-based advantages, organisational structure, market knowledge and commitment (Cui & Jiang, 2010; Fang et al., 2013). These factors increase their ability to manage and mitigate the consequences of political risk. The evidence from this study has shown that a firm operating in a particular political environment over time influences the consequences of political risk as it begins to have some leverage and a good relationship with government institutions. Equally, it's perceived reward of investing and the imperfect nature of a market can be an advantage, as in the case of Nigeria. This means that the differences in these factors influence the consequences of political risk for multinational firms in Nigeria. Thus, this identifies some of the reasons why the consequences of political risk differ between firms and is the reason why some multinational firms have been able to manage and mitigate political risk.

7.3.7 Practices of Political Risk Assessment

In alignment with the fifth objective of this study, the practices of PRA have been examined within a multinational firm-specific characteristics framework in the context of operating in Nigeria. The importance of PRA in managing and mitigating political risk has revealed from the findings that most participants conduct PRA while undertaking international business activities. This suggests that PRA is an important management tool for decision-makers in multinational firms to assess and manage political risk (Al Khattab et al., 2011; Bremmer, 2011). The importance of PRA as a key determinant of FDI was emphasised by Filipe et al. (2012) and Jiménez et al. (2012). The significance of PRA is necessitated by the ever changing political, economic and social environment of emerging markets. Therefore, this finding has suggested that the conduct of PRA is commonly practised among multinational firms in Nigeria.

The behaviour of firms conducting PRA has shown that most participants conduct it internally as well as externally. Some of the issues emerging from this finding have shown that multinational firms that tend to assess political risk internally as well as externally are larger firms and are highly internationalised. The evidence from this study suggests that there is the possibility of larger firms conducting PRA internally, utilising their specialist staff. There are advantages of conducting PRA internally, since it takes into account a firm's specific risks and saves costs, especially for smaller firms compared to larger firms, who can afford the cost of hiring external consultants. There is also the possibility of smaller firms outsourcing the responsibility to external consultants, while larger firms have the assessment process done internally by a separate function of a department. Consequently, this finding submits that the practice of PRA is conducted internally and externally among most multinational firms in Nigeria.

The results have shown that most participants report the result of PRA to top management (CEO, MD, GM). This suggests that most of the assessment responsibilities within multinational firms in Nigeria are with top management and the board of directors. Firms differ in their structure, and as such have different institutional arrangements. Some of the issues emerging from these findings suggest the institutional arrangement can be used as a factor responsible for the differences among firms. Therefore, this finding submits that the conduct of PRA is reported mostly to the top management of multinational firms in Nigeria.

The findings have shown the occasions that mostly trigger the conduct of PRA are when a certain problem occurs in countries of interest. The findings of this study have not suggested that it can be interrelated with firm-specific characteristics to find any possible reason for such managerial practices. In line with previous studies, the factors that trigger the conduct of PRA differ among multinational firms. Moreover, firms perceive risk in varying degrees due to a difference in their degree of internationalisation. Therefore, this study suggests that what triggers the conduct of PRA among firms cannot be generalised, except during the investment decision-making process.

The findings have shown, based on the frequency of PRA, that most participants conduct the process occasionally. This means that almost all participants assess political risk at one point in time, and conduct PRA when a certain problem occurs in the country. In an attempt to save costs, there is a propensity for small-sized firms to be more likely to conduct PRA less frequently than medium-sized firms and larger firms more frequently than medium-sized firms.

This research has shown the importance of sources of information across the board. The most significant sources are a firm's own arrangements, external consultants, government agencies and trade associations. This result does not suggest that could be interrelated with firm-specific characteristics to determine any possible reason for such sources of information across the board. However, firms possess different degrees of internationalisation, and some firms have experience of operating in a number of different environments. The findings of this study suggest that the accuracy and reliability of these diverse sources of information will remain a subjective issue, since firms conduct their assessment differently. There are not yet international best practices of PRA to provide a benchmark for standardisation due to differences between practices within multinational firms (Al Khattab et al., 2008a).

One of the more significant findings to emerge from this research is that qualitative techniques of conducting PRA are more commonly used than quantitative techniques, which can be distinguished from each other based on their applications. The results have shown that most firms in Nigeria rarely conduct PRA using these quantitative ratings. Most studies have shown that the use of quantitative rating models is more common in the context of developed countries than in developing ones. Even in the context of developed countries, qualitative techniques were reported to be used more commonly than quantitative ones by most studies (Al Khattab et al., 2011). The evidence from this study suggests likely causes regarding why most participants refrained from the use of quantitative techniques. The use of quantitative techniques requires particular data that can theoretically lend themselves to statistical operations. Most data obtained from developing countries are more likely to be inaccurate than in the case of developed countries. Therefore, with accurate data during PRA, it is possible to assess the state of a country's economy to understand the reason why a country experiences rapid economic growth (or regression), and the reason for recessions or depressions from the risk indicators data which were used.

The findings of the dataset of the ICRG PRA annual rating conducted for Nigeria within the period 2011 to 2015 have shown that it possible for very high political risk to be reported in a country and to be compensated with a low financial and economic risk (PRS Group, 2015). This has suggested why some firms invest in emerging markets like Nigeria, despite the presence of high political risk. It can be submitted as one of the factors that can influence the consequences of political risk. Another major problem is in terms of the comparability of numerical data to be amenable to quantification, since some risk variables and indicators are not easily measurable and require rigorous standards of operationalisation, if used. This causes most models to build in exogenous factors which are susceptible to changes; therefore causing inconsistencies. It has been evident in this study that these rating models have limitations which negate their potential to adequately produce a result on the assessment of the investment climate regarding the probability of a risk occurring in a host country. This is as a result of their inability to determine the types of losses that can affect specific firms, since they are of different sizes in terms of value and the impossibility of including every risk variable that could have an input on the profitability of foreign investment, which remains a problem. "A model is a simplification of reality; there will always be something missing from the final application regardless of how many times it is planned and redesigned" (Brink, 2004:47).

It has been evident from this study that the techniques developed for conducting PRA exist along a spectrum of both qualitative and quantitative methods, with a mixture of subjective and objective approaches. They inevitably have both disadvantages and advantages, and there is not likely to be just one best methodology. They are like theories in that cannot be true or false; only more or less useful, as suggested by Silverman (2011, p. 53). This suggests that no PRA methods and techniques are more or less useful; rather they depend on the accuracy of the data and the results obtained in the host country. This suggests that firms' ability to conduct PRA is key to their successful management of political risk in host countries. The resultant inability of some multinational firms to fully understand different political environments has resulted in across-the-board policies dichotomising developing countries as safe or unsafe, as concluded by Fitzpatrick (1983, p. 251). Therefore, successful management and mitigation of political risk is premised on the accuracy of PRA reports to a host country.

7.3.8 Managing and Mitigating Strategies

The findings of this research have shown **in line with the sixth objective** that the managing and mitigating strategies of political risk used by participants mostly involved conducting routine PRA, either by firms' own staff or by external consultants, and through engaging in CSR with host governments/communities in Nigeria. It is evident from the existing literature that the management of most multinational firms views the managing and mitigating of political risk as a critical aspect of risk management (Waters, 2015; Hood & Nawaz, 2004; Jiménez et al., 2012). Bjelland (2013) and du Tiot (2013) concluded that identifying and understanding political risk types and indicators existing in a host country prior to investment are important. To manage and mitigate political risk, sufficient knowledge regarding its potential impact, the likely consequences of the different decision options for risk mitigation and the criteria to judge the desirability or undesirability of the consequences in order to determine its value are needed (McDaniels & Small, 2004, p. 290). This suggests further that knowledge and values are important components of decision making.

Managing political risk is a function of the relationship between a host government and multinational firms. Host countries' governments contribute to the success of a firm by creating a conducive business environment to attract FDI to the country (Filipe et al., 2012; Jiménez, 2011; Cui & Jiang, 2010). One of the ways of mitigating political risk is by engaging in CSR with host governments and communities to establish good relationships concluded by Moen and Lambrechts (2013). Understanding the business systems, legal systems, policies and economic systems, as well as political and cultural systems, equips multinational firms with managing and mitigating strategies in Nigeria. One of the best approaches, after PRA, is to negotiate ahead of time as part of the entry strategy into a host country. The use of an investment agreement creates an obligation on the part of both the foreign firm and the host government to create a mutually beneficial relationship between them. This study has suggested that this process should include utilising the brand name, CSR and obtaining loans from local financial institutions to enhance bargaining power from a position of strength with the country's host government any time the need arises. Other factors include negotiating taxation, price controls and possibly the requirement for local sourcing, among others.

The application of any managing and mitigating strategy depends on a number of factors. Multinational firms possess different characteristics and degrees of internationalisation, causing them to have diverse advantages and leverages to operate in certain markets, rather than in others. Most large firms have a risk culture that has shaped their management system; thereby integrating political risk management into their corporate planning. Therefore, conducting PRA is one of the managing and mitigating strategies of political risk used by multinational firms in Nigeria for determining the probability and occurrence of political risk.

7.4 CONTRIBUTIONS TO KNOWLEDGE

This section highlights the study's theoretical and empirical contributions to the existing body of literature on political risk and implications for practice, which have been derived from the key findings of the research objectives and hypotheses.

7.4.1 Theoretical Contributions

This study identified eight determinants which contribute to the emergence of political risk in a particular emerging market, Nigeria. These determinants are - constitutional pitfalls, poor value system, religious intolerance, inter-ethnic rivalry and low per capita income. Other determinants include unstable government change, lengthy bureaucratic process and weak political structures. While other works have investigated indicators of political risk such as Ascher & Overholt (1983), Bjelland (2012), Brink (2004), Howell & Chaddick (1994) and Kobrin (1982), this study contributes to the emergence of political risk by suggesting these determinants are key drivers of political risk. These determinants are significant in understanding how they could contribute to the emergence of political risk and how it could cause unexpected changes in government decisions and/or changes in a country itself. It could be suggested that some of these determinants of political risk are part of the causes of the challenges that accompany the evolution of most developing nations.

Although, Al Khattab et al. (2011) suggests that degree of internationalisation influences firms' perception of political risk, this research has contributed theoretically that the consequences of the impact of political risk on multinational firms is significantly influenced by factors such as their perception of political risk, the outcome of political risk assessment, degree of internationalisation, leverage, low financial risk and perceived rewards of internationalisation into a specific emerging market. Although theoretical, it supports the conceptual premise for identifying reasons why firms manage and mitigate political risk in countries, and why some internationalise into specific countries.

7.4.2 Empirical Contribution

This study has shown that the impact of political risk varies from one part of a country to another, as do the consequences of their impacts. It has additionally suggested the reasons why multinational firms are located more in some parts of the country, and how the consequences of political risk will differ between firms, depending on their location in a country. Most multinational firms, for one reason or another, will avoid parts of the country that have high political risks. This means the consequences of political risk vary from one part of a country to another, as do their impacts. Therefore, multinationals would need to consider how political risk impacts on them before locating their firms in emerging markets. Although this finding is contextual, it would influence the decision making by multinationals with regards to where they could locate their firms during internationalisation, especially to emerging markets.

7.4.3 Implications for Practice

The finding of these determinants of political risk could contribute to practice on how multinational firms conduct their PRA in the sense that it would provide knowledge for those operating in similar emerging markets about how they could improve their conduct of PRA. They would need to consider these determinants when exploring PRA, especially in developing countries. The inclusion of these determinants when using the different PRA techniques or methodologies would improve the quality of the results they obtained for better understanding and operating in the political environment. This will in turn, influence the type of strategies which multinational firms adopt in terms of their entry mode.

This study has shown that changes accompanying these aforementioned determinants could influence political decisions made by a government and its resultant interrelated effects can be attributed to the emergence of different types of political risk in the country. Therefore, these determinants are significant in understanding how risk variables and indicators emerge and how they contribute to the emergence of some political risks. This knowledge could improve how multinational firms conduct their PRA in similar developing countries in Africa.

This research has demonstrated that the empirical investigation of the conduct of a country's PRA goes beyond perspectives, to identify scenarios in the economic and political environment, including its potential impact. PRA can also be used to assess the state of a country's economy and the reasons why some countries experience rapid economic growth (or regression), and the reason for recessions or depressions could be known from the risk indicators data that were used. All these factors depend on the quality of governance, strength of regulatory institutions and policies of the government of the host country in a political environment. Therefore, PRA can be used to identify the critical gaps or weaknesses in the economic and political systems of a country. This would influence the decision making by multinationals with regards to whether or not to internationalise into a specific emerging market.

This research has shown that there are implications when the values of a country's macro-economic data are used in methodologies to conduct PRA contradict the political environment. PRA methods or techniques can be more or less useful depending on the accuracy of the data and results obtained for a host country. The knowledge that empirical investigation is relevant in the analysis and evaluation of political risk provides a better understanding of a country's political and economic environment, which is a positive development for this research field. This would influence how multinational firms conduct their PRA and they are less likely to use quantitative applications for PRA. Firms would need to consider this limitation when exploring quantitative PRA methodologies in order to improve the quality of the results they obtain, especially in emerging markets.

This study has shown that the presence of high political risk does not deter firms if the financial and economic risks are low (PRS Group, 2015). This implies that there are other factors which could influence firms to internationalise into a particular market apart from political risk. This has suggested why some firms invest in particular emerging markets, despite the presence of high political risk. Therefore, multinational firms would need to consider other forms of risk apart from political risk when making their decision during market entry.

7.5 LIMITATIONS OF THE RESEARCH

This section details a number of limitations that were faced by the researcher during the conduct of this study.

Firstly, the study was constrained due to fact that 59 firms with international names who would have participated in the survey had been nationalised by the Nigerian government in the 1970s, thereby reducing the sample size. However, this was overcome with the collection of qualitative primary data using semi-structured interviews and secondary data from the ICRG PRA annual rating dataset conducted for Nigeria within the period 2011 to 2015 to further probe the results that emerged from the quantitative data collected initially. This therefore informed the adoption of a sequential mixed methods strategy.

Secondly, considering the sample size of the multinational firms that participated in Nigeria, it will be difficult to generalise the applicability of the findings. The use of a larger sample size is desirable in future studies to enable a more robust analysis. It is for this reason that this study adopted a sequential mixed methods strategy in order to improve the applicability of the findings.

Thirdly, the use of an online survey for data collection poses certain challenges, since its potential is still being explored, especially in developing countries such as Nigeria which have a low level of electric power infrastructural development. However, a multi-approach was used to overcome some of the challenges involved; through corresponding through mails (letters) to all the participants; telephone calls and emails to double check whether or not firms would participate. Likewise, the online survey computer programme used was set to prevent multi response by a participant.

7.6 DIRECTIONS FOR FUTURE RESEARCH

The existing literature has shown that the number of studies of PRA carried out in the context of emerging markets is limited. This study is in line with such efforts to contribute towards the knowledge and understanding of political risk in the context of emerging markets in Africa. This suggests that further research on political risk could be conducted showing a cross-border approach. This would provide a theory setting forth the apparent relationship demonstrating cross-national business behaviour, and the responses of multinational firms toward individual government policies in developing countries.

Therefore, this study's objectives should be extended to countries in the West African sub-region and beyond. An investigation of the determinants of political risk and the managerial practices within the sub-region would make it possible to generalise and apply the finding within the region to show cross-national behaviour. Likewise, since there are different types of political risk, a study of the relationship between each type of political risk and the internationalization of a firm will inform multinational firms of the impact of each of the different types of political risk, and the location options within a country. A further study to examine the relationships between political risk and its influence on factors such as entry modes, ownership structures, CSR, acquisitions and mergers to identify the different strategies that could be used within different contexts.

Likewise, there are no previous studies which have determined the relationship between the characteristics and determinants of internationalisation in the context of different countries. This study has justified a need for further research with a focus on the context of the different sub-regions within Africa, to provide a broader understanding of the dynamics of the relationship between political risk and multinational firms.

7.7 CONCLUSION

This research has been set out to contribute to the assessment of political risk by critically analysing the determinants and indicators to examine how the consequences of political risk impact upon multinational firms, with a view to understanding the managerial practices associated with managing political risk in Nigeria. To achieve the aim of the research, six objectives and four hypotheses were developed.

The literature reviewed has shown that political risk has evolved and has resulted in a range of consequences that have influenced the type of strategies which firms adopt. Apart from using PRA for managing political risk and decision-making processes during firms' internationalisation, it has been identified as one of the key determinants of FDI into developing countries. It has been also in recognition of the fact that only a few empirical studies have been undertaken in developing countries. The need to identify a country's specific political risk factors consequences for multinational firms that this study is undertaken in Nigeria. Despite the flux in the political environment of the country with the people divided along cultural, ethnic, language and religious lines within its different geographical regions, it has witnessed a continuous inflow of FDI.

This study has used a sequential mixed method to statistically analyse as well as using thematic and content analysis data collected through a multi-method approach from 74 multinational firms in Nigeria. The dataset of the ICRG PRA annual rating for Nigeria within the period 2011 to 2015 was also analysed. Based on the results obtained, the study has been able to achieve its objectives and test its research hypotheses.

The study has identified theoretical and empirical contributions to the existing body of literature on political risk as well as implications for practice. This study identified eight determinants contributing to the emergence of political risk in a particular emerging market, Nigeria. These determinants are significant in understanding how they could contribute to the emergence of political risk and how they could cause unexpected changes in government decisions and/or changes in a country itself. It could be suggested that some of these determinants of political risk are part of the causes of the challenges that accompany the evolution of most developing nations. This study has shown that changes accompanying these aforementioned determinants could influence political decisions made by a government and the resultant interrelated effects can be attributed to the emergence of difference types of political risk in the country. Therefore, these determinants are significant in understanding how risk variables and indicators emerge and how they contribute to the emergence of some political risks. This knowledge could help to improve how multinational firms conduct their PRA for similar developing countries in Africa. In practice, they would also need to consider these determinants to improve their conduct of PRA, especially in developing countries. This will in turn, influence the type of strategies which multinational firms adopt particularly in terms of their entry mode.

This research has contributed theoretically that the consequences of the impact of political risk on multinational firms is significantly influenced by factors such as their perception of political risk, the outcome of political risk assessment, degree of internationalisation, leverage, low financial risk and perceived rewards of internationalisation into a specific emerging market. Although theoretical, these factors support the conceptual premise for identifying reasons why firms manage and mitigate political risk in countries, and why some internationalise into specific countries.

This study has shown that the impact of political risk varies from one part of a country to another, as do the consequences of their impacts. Therefore, multinationals would need to consider how political risk impacts on them differently before locating their firms in emerging markets. This research has demonstrated that empirical investigation in the conduct of a country's PRA goes beyond perspectives, to identify scenarios in the economic and political environment, including its potential impact. Therefore, PRA can be used to identify the critical gaps or weaknesses in the economic and political systems of a country. This would influence the decision making by multinationals with regard to whether or not to internationalise to a specific emerging market. This research has shown that there are implications when the values of a country's macro-economic data used in methodologies to conduct PRA contradict the political environment. PRA methods or techniques can be more or less useful depending on the accuracy of the data and results obtained for a host country. The knowledge that empirical investigation is relevant in the analysis and evaluation of political risk provides a better understanding of a country's political and economic environment, which is a positive development for this research field. This would influence how multinational firms conduct their PRA. Therefore, they would need to consider this limitation when exploring quantitative PRA methodologies in order to improve the quality of the results they obtained, especially in emerging markets. The case of Nigeria has shown that the presence of high political risk does not deter firms if the financial and economic risk is low. It reveals also that the practices of PRA differ within multinational firms and that the strategy used to mitigate political risk mostly involved the conduct of PRA and engagement in CSR. The study offers an insight into the dynamics of the relationship between political risk and multinational firms.

This thesis on Nigeria represents the first piece of empirical PRA research to be conducted on a country located in the West African sub-region of Africa. The significance of the findings of this research will be beneficial to academics, policy makers, multinational firms operating in or internationalising to developing countries or emerging markets, insurance companies, the Nigerian government and developing countries, as well as international political risk consultant agencies.

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APPENDICES

Appendix 1: Map of the Geographical Location of Nigeria

Source: Tristan Da Cunha

Appendix 2: Map of the Profile of Nigeria

Source: www.google.co.uk/url

Appendix 3: Covering Letter from the University of Huddersfield to the Nigerian Stock Exchange Lagos, prior to Data Collection

University of
HUDDERSFIELD
Inspiring tomorrow's professionals

Nigerian Stock Exchange
Stock Exchange House
2/4 Customs Street
Marina
Lagos
Nigeria

Dear Sir,

LETTER OF REQUEST
CDR MSHELIA B JAMES

I wish to introduce Cdr Mshelia B James, a postgraduate research student with the University of Huddersfield in the United Kingdom. He is currently enrolled for a PhD programme in Risk Assessment and Management with the Business School. Research in the Business School is one of the most vital activities that students embark upon to enhance local, national and international economics. In view of this, they are required to collect both current and accurate data for analysis in their research work.

Consequently, it will be highly appreciated if you could avail him with data on the names of companies involved in international businesses listed on the Nigerian Stock Exchange. It is pertinent to state that the data are purely for academic purpose and the confidentiality of the data is assured.

Therefore, your kind assistance will make a significant contribution to his research work.

Yours faithfully

Dr J. R. Anchor
Head of Department of Strategy & Marketing
University of Huddersfield Business School
Queensgate
Huddersfield HD1 3DH
Tel: +44-1484 -472462
Fax:+44-1484- 473148
Email: j.r.anchor@hud.ac.uk

Queensgate Huddersfield HD1 3DH UK Telephone +44 (0) 1484 422288 Fax +44 (0) 1484 516151
Vice-Chancellor: Professor Bob Cryan BSc MBA PhD DSc
An exempt charity and a centre of excellence for vocational education and research

POSITIVE ABOUT DISABLED PEOPLE

INVESTOR IN PEOPLE

Appendix 4: Covering Letter from the University of Huddersfield to the Corporate Affairs Commission Abuja, Nigeria prior to Data Collection

University of
HUDDERSFIELD
Inspiring tomorrow's professionals

Corporate Affairs Commission
Corporate Headquarters
Off Aguyi Ironsi Street
Maitama
Abuja
Nigeria

23 May 2012.

Dear Sir,

LETTER OF REQUEST
CDR MSHELIA B JAMES

I wish to introduce Mshelia B James, a postgraduate research student with the University of Huddersfield in the United Kingdom. He is currently enrolled for a PhD programme in Risk Assessment and Management with the Business School. Research in the Business School is one of the most vital activities that students embark upon to enhance local, national and international economics. In view of this, they are required to collect both current and accurate data for analysis in their research work.

Consequently, it will be highly appreciated if you could avail him with data on the names of companies registered as foreign firms engaged in international businesses with the Corporate Affairs Commission. It is pertinent to state that the data are purely for academic purpose and the confidentiality of the data is assured.

Therefore, your kind assistance will make a significant contribution to his research work.

Yours faithfully

John Anchor

Dr J. R. Anchor
Head of Department of Strategy & Marketing
University of Huddersfield Business School
Queensgate
Huddersfield HD1 3DH
Tel: +44-1484 -472462
Fax:+44-1484- 473148
Email: j.r.anchor@hud.ac.uk

Appendix 5: Copy of the Acknowledgement Letter from the Corporate Affairs Commission Abuja, Nigeria

Corporate Affairs Commission

(Established under the Companies and Allied Matters Act 1, 1990)

RGO/9/VOL.XXXII/0006 22nd August, 2012

Commander Mshelia B James
University of Huddersfield, Business School
Queensgate Huddersfield HDI 3HD
United Kingdom.

Dear Sir,

RE: LETTER OF REQUEST FOR DATA

Kindly refer to your letter dated 26th July, 2012 on the above.

Please find attached information on the companies as requested.

Thank You.

Yours faithfully,

Aisha Tijjani Tumsah
For: Registrar-General

Plot 420, Tigris Crescent, Off Aguiyi Ironsi Street, Maitama District. P.M.B. 198 Garki, Abuja-Nigeria.
Tal: 09-4618800-20 fax: 09-4618821
E-mail: cservice@cac.gov.ng Website:http://www,cac.gov.ng

Appendix 6: Copy of the Acknowledgement Email Letter from the Nigerian Stock Exchange, Lagos

nigerian stock exchange | Search Mail | Search Web | James | Profile

Inbox | Contacts | Notepad | Calendar

Compose | Delete | Reply | Reply All | Forward | Actions | Apply | Back to Search Results

Inbox (482)

Drafts (59)

Sent

Spam (822) [Empty]

Trash (45) [Empty]

My Folders [Edit]

Drafts (24)

Notes

untitled

untitled1

untitled2

untitled3

contacts Friday, 2 November, 2012 14:49

From: "Yvonne OKOYE" <yokoye@nigerianstockexchange.com>

To: "jmshelia@yahoo.com" <jmshelia@yahoo.com>

Full Headers Printable View

2 Files 410KB Download All

PDF 272KB Quoted Co s Emails.pdf — Save

PDF 137KB Co Addresses .pdf — Save

Commander,

Please find attached.

Regards,

Yvonne Okoye
Strategic Market Data Analyst
The Nigerian Stock Exchange
Stock Exchange House | 2-4 Customs Street | Lagos | Nigeria
Tel: +234 (0)1448 5858 Ex. 1068 | Mobile: +234 (0)705 362 8002
Email: yokoye@nse.com.ng
Website:http://www.nse.com.ng

This message and any attachments are confidential and may contain proprietary information intended solely for the addressee and may also be privileged or exempt from disclosure under applicable law. If you are not the addressee, or an employee or agent responsible for delivering this message to the intended recipient, or have received this message in error, please notify the sender immediately, delete it from your system and keep confidential, do not copy, disclose or otherwise act upon any part of this message or its attachments. Internet communications are not guaranteed to be secure or virus-free. The Nigerian Stock Exchange does not accept responsibility for any loss arising from unauthorised access to, or interference with, any Internet communications by any third party, or from the transmission of any viruses. The Nigerian Stock Exchange reserves the right to monitor and review the content of any electronic message or information sent to or from a Nigerian Stock Exchange employee e-mail address without informing the sender or recipient of the message. Any opinion or other information in this message or its attachments that does not relate to the business of The Nigerian Stock Exchange is personal to the sender and is not given or endorsed by the Nigerian Stock Exchange. The Nigerian Stock Exchange accepts no responsibility for any loss arising from such personal communication. The Nigerian Stock Exchange (RC 2321) Registered Office: 2-4 Customs Street, Lagos, Nigeria

Compose | Delete | Reply | Reply All | Forward | Actions | Apply | Back to Search Results

APPENDICES

Appendix 7: A List of Identified Multinational Firms and Addresses in Nigeria

/No	Firm	Address
1.	Ellah Lakes Plc	Ellah Lakes Plc 13b, Forces Avenue , Old G.R.A. Port-Harcourt, Rivers State, Mikellah2000@yahoo.com
2.	A.G Leventis Nigeria Plc	A.G. Leventis (Nigeria) Plc, Iddo House, Iddo, Lagos Tolaofe@Agleventis.com;
3.	Chellarams Plc	Chellarams Plc, 2, Goriola Street, Off Adeola Odeku Street, Victoria Island, Lagos Ezinwanne@Chellaramsplc.com
4.	John Holt Plc	John Holt Plc, 3/4, Adewunmi Industrial Estate Kudirat Abiola Way, Oregun, Ikeja, Lagos Nanaedu@Jhplc.com
5.	SCOA Nigeria Plc	Scoa Nigeria Plc 157, Apapa/Oshodi Expressway, Isolo, Lagos Info@Scoaplc.com;Cs@Scoaplc.com
6.	UACN Plc	UAC Of Nigeria Plc UAC House, 1-5 Odunlami Street, P.M.B. 12876, Lagos State. Info@Uacnplc.com
7.	Cappa & D'alberto Plc	Cappa & D'alberto Plc 72, Campbell Street, Lagos
8.	Costain (W.A) Plc	Costain (West Africa) Plc, 174, Western Avenue, Ebute-Metta, Lagos Lara.coker@Costainwa.com
9.	G Cappa Plc	G. Cappa Plc, 8, Taylor Road, Iddo, Lagos Info@Gcappaplc.com
10.	Julius Berger Nigeria Plc	Julius Berger Nigeria Plc Ijora Causeway, Ijora, Lagos Cecilia_Madueke@Julius-Berger.com
11.	DN Tyre & Rubber Plc	DN Tyre & Rubber Plc, Plot 23, Oba Akran Avenue Ikeja Industrial Estate, Ikeja Lagos Mjyinusa@Dntyreandrubberplc.com
12.	Guiness Nig. Plc	Guinness Nigeria Plc, 24, Oba Akran Venue, Ikeja, Lagos Sesan.Sobowale@Diageo.com;
13.	7-Up Bottling Comp. Plc Cons	7-Up Bottling Company Plc, 247, Moshood Abiola Way, Ijora, Apapa, Lagos, Ngozi@Sevenup.Ngozigiwaamu@yahoo.com
14.	UTC Nigeria Plc	UTC Nigeria Plc 27, Wharf Road, Apapa. Lagos State Jaiyefashola@yahoo.com
15.	Cadbury Nigeria Plc	Cadbury Nigeria Plc, Lateef Jakande Road Agidingbi, Ikeja, Lagos State Abiola.Laseinde@Kraftfoods.com
16.	Nestle Nigeria Plc	Nestle Nigeria Plc, 22/24, Industrial Avenue Ilupeju, Lagos State Bode.Ayeku@Ng.Nestle.com
17.	PZ Industries Plc	PZ Cussons Nigeria Plc , 45/47 Town Planning Way, Ilupeju Industrial Estate , PMB 21132 Ikeja Lagos Tel: +234 1 271715 Pzindustries@Pzil.com
18.	Unilever Plc	Unilever Nigeria Plc 1, Billingsway, Oregun, Ikeja Lagos State Bidemi.Ademola@Unilever.com
19.	Ecobank Nigeria	Ecobank Nigeria Plc Ahmadu Bello Way, Victoria Island, Lagos Engcontactcentre@Ecobank.com
20.	First Bank Of Nig. Plc	First Bank Of Nigeria Plc Samuel Asabia House, 35, Marina Lagos State Tijjani.Borodo@Firstbanknigeria.com
21.	Guaranty Trust Bank Plc	Guaranty Trust Bank Plc Plural House, Plot 1669, Oyin Jolayemi Street Victoria Island, Lagos State Olutola.Omotola@Gtbank.com;
22.	Stanbic IBTC Bank Plc	Stanbic IBTC Bank Plc, IBTC Place, Walter Carrington Crescent Victoria Island, Lagos State

		Itohan.Onaghinon@Stanbicibtc.com
23.	UBA Plc	United Bank For Africa Plc Uba House, 57, Marina, Lagos State Bili.Odum@Ubagroup.com
24.	Zenith Bank Plc	Zenith Bank Plc, Zenith Heights Plot 84, Ajose Adeogun Street Victoria Island Lagos State Stanley.Amuchie@Zenithbank.com
25.	AIICO Insurance Plc	Aiico Insurance Plc, Plot Pc 12, Afribank Street Victoria Island, Lagos State Soduroye@Aiicoplc.com
26.	Custodian And Allied Insurance	Custodian & Allied Insurance Plc Stillwater House, 14b, Keffi Street, Ikoyi, Lagos State Eatebe@Custodianinsurance.com
27.	International Energy Insurance	International Energy Insurance Plc Plot 294, Jide Oki Street, Off Ligali Ayorinde Victoria Island, Lagos State Dephraim@Ieinsuranceco.com
28.	Morison Industries Plc	Morison Industries Plc, 28/30, Morison Crescent Oregun Industrial Estate, Ikeja, Lagos Adebola.Ajanaku@Morisonplc.com
29.	Evans Medical Plc	Evans Medical Plc, Km 32, Lagos-Badagry Express Way Agbara Industrial Estate, Ogun State Sogunwale@Evansmedicalplc.com;
30.	Fidson Healthcare Plc	Fidson Healthcare Plc 268, Ikorodu Road, Obanikoro, Lagos State
31.	Glaxosmithkline Nig Plc	Glaxosmithkline Consumer Nig Plc GSK House, 1, Industrial Avenue, Ilupeju, Lagos State Uchenna.A.Uwechia@Gsk.com
32.	May & Baker Nigeria Plc	May & Baker Nigeria Plc 3/5, Sapara Street, Ikeja Industrial Estate Ikeja,Lagos State
33.	Neimeth Intern. Pharm. Plc	Neimeth Int'l Pharmaceutical Plc 1, Henry Carr Street, Ikeja, Industrial Estate Ikeja, Lagos State Chinadeks@yahoo.com
34.	Nigerian German Chemical	Nigerian-German Chemicals Plc Plot 144, Oba Akran Avenue, Ikeja, Lagos State Aagbo@Deloitte.com
35.	Pharma Deko Plc	Pharma-Deko Plc Plot C15/3, Agbara Industrial Estate, Agbara, Ogun State Os@Frawilliams.com
36.	Courteville Business Solutions Plc	Courteville Investments Plc 90, Olonode Street, Alagomeji, Yaba, Lagos State Info@Projectlightupnigeria.com
37.	NCR (Nigeria) Plc	NCR (Nigeria) Plc, NCR Building 6, Broad Street,Lagos State Olawaletaofik.Sadiq-Onilenla@Ncr.com;
38.	Chams Plc	Ilogile @Chams.com Ilogile@Chams.com
39.	E-Tranzact Intrenl	E-Tramsact International Plc 5th Floor, Fortune Towers 27/29, Adeyemo Alakija Street Victoria Island, Lagos State Eromosele.Omodiagbe@Etranzact.Net;
40.	Starcomms Plc	Starcomms Plc 52, Adetokunbo Ademola Street Victoria Island, Lagos State, Franko@Starcomms.com;
41.	IHS Nig Plc	IHS Nigeria Plc 19, Bishop Aboyade Cole Street, Victoria Island, Lagos State Jimoh@Ihsafrica.com;
42.	Mtech Communications Plc	M-Tech Communications Plc 5, Campos Street, Lagos State Jimoh@Ihsafrica.com

43.	MTI Plc	Mti Nigeria Plc Plot 10, Ajayi Bembe Street, Parkview, Ikoyi, Lagos State Mtinigeria@yahoo.com; Bobzico@yahoo.com
44.	Berger Paints Plc	Berger Paints Nigeria Plc Oba Akran Avenue Ikeja Industrial Estate, Ikeja, Lagos State Pheolacaulcrick@yahoo.co.uk
45.	CAP Plc	Cap Plc, 2, Adeniyi Jones Avenue Ikeja Industrial Estate, Ikeja, Lagos State Gsamuel@Uacnplc.com
46.	Dangote Cement Plc	Dangote Cement Plc Marble House, 1, Alfred Rewane Road, Ikoyi, Lagos State Ubukowho.Segba@Dangote.com;
47.	DN Meyer Plc	Dn Meyer Plc Mobolaji Johnson Avenue Plot 34, Oregun Industrial Estate, Alausa, Ikeja Lagos State Stillsade@yahoo.com; Info@Ikoliokagbue.com
48.	IPWA Plc	Ipwa Plc, Plot 1, Oba Akran Avenue Ikeja Industrial Estate, Ikeja Lagos State Ipwaplc@yahoo.com
49.	Lafarge Wapco Plc	Lafarge Cement Wapco Nigeria Plc Elephant Cement House Ikeja Central Business District, Alausa, Ikeja, Lagos State Uzoma.Uja@Wapco.Lafarge.com
50.	B.O.C. Gases Plc	B.O.C. Gases Nigeria Plc Block H, Plots 1-3, Oshodi Ind. Estate Apapa-Oshodi Expressway, Oshodi, Lagos State
51.	Oando Plc	Oando Plc Stallion House (8-10th Floor) 2, Ajose Adeogun Street Victoria Island, Lagos State Ddawodu@Oandoplc.com; Ajagun@Oandoplc.com
52.	Mobil Oil Nigeria Plc	Mobil Oil Nigeria Plc 1, Mobil Road. Apapa, Lagos State Emmanuel.Amade@Exxonmobil.com;
53.	Total Nigeria Plc	Total Nigeria Plc, Total House 4, Afribank Street. Victoria Island, Lagos State Buokon@Total.com.Ng
54.	Conoil Plc	1, AP/Conoil Road Navy Dockyard, Ijora-Apapa Lagos State
55.	R.T Briscoe Plc	Adeoluwa@Rtbriscoe.com
56.	Red Star Express Plc	Red Star Express Plc 70, International Airport Road Ikeja, Lagos State, Fakpomuka@Redstarexpress-Ng.com
57.	Trans Nationwide Exp. Plc	Trans Nationwide Express Plc Plot 282, Gbagada Express Way, Gbagada, Lagos State Chidinma@Tranex-Ng.com
58.	C & I Leasing Plc	C & I Leasing Plc, C & I Leasing Drive Off Bisola Durosinmi-Etti Drive Off Admiralty Road, Lekki Phase 1, Lagos State Ayo.Taire@C-Ileasing.com
59.	Cement Company of Northern Nigeria Plc	Km 10, Kalambaina Road Sokoto, Sokoto State ibrahim.aminu@sokotocement.com
60.	Ashaka Cement Plc	Plot 193, Jide Oki Street, Victoria Island, Lagos State baabdullahi@yahoo.co.uk pheolacaulcrick@yahoo.co.uk
61.	Standard Chartered Bank Nigeria Limited	The Managing Director Standard Chartered Bank (Nig) Ltd 142 Ahmadu Bello Way. , Victoria Island, Lagos State
62.	Dufil Prima Foods Plc	Dufil Prima Foods Plc 44 Eric Moor Road, Surulere, Lagos State

63.	Friesland Campina Wamco Nigeria Plc	Friesland Campina Wamco Nigeria Plc 7b Acme Road, Ogbba, Ikeja, Lagos State
64.	Olden Nigeria Limited	Olden Nigeria Ltd 63 Udu Road Ovwian Warri, Delta State
65.	Beloxxi Industries Limited	Beloxxi Industries Ltd 68a, Simson Str, Ebute – Meta Lagos State
66.	Promasidor Nigeria Limited	Promasidor Nigeria Ltd 20b, Creek Road, Apapa, Lagos State
67.	Glaxo Smithkline Consumer Nigeria Plc	Glaxo Smithkline Consumer Nigeria Plc 20, Ilupeju Industrial Estate. Lagos State
68.	Nigerian Bottling Company Limited	Nigerian Bottling Company Ltd 131, Broad Street, Lagos State
69.	Agip Nigeria Plc	Plot Pc23, Engineering Close V/Island
70.	Lubcon Limited	104, Western Avenue, Surulere Lagos
71.	Premier Paints Plc	6, Egbatedo Close, Agege Lagos
72.	Mothercat Limited	9, Amodu Tijani Cl. Anthony Village Lagos
73.	MTN Nigeria Limited	Plot 2222 Bmg Plaza Sfax Close Wuse Zn, 4 Abuja
74.	Airtel Nigeria Limited	No. 90, Niger Road, Sabongari Kano
75.	Saipem (Nigeria) Limited	24/26, Marcathy Street Lagos
76.	Etisalat Nigeria Limited	21 Justice Dairu Mustapha Street, Farm C Kano
77.	Globacom Limited	6, Damole Street Off Odejo Str., Victoria Island
78.	Siemens Limited	58 Marina Rd., Apapa Lagos
79.	Schlumberger (Nig) Ltd	Western House, 8/10 Yakubu Gowon Street Lagos
80.	Marapco Limited	2 Ikosi Road, Oregun Ikeja
81.	Exxonmobil Nigeria Unlimited	4, Ogudu Road Ojota Lagos
82.	LG Electronics Nigeria Limited	65, Opebi Road Ikeja Lagos
83.	Ericsson (Nigeria) Ltd	1391 Tiamiyu Savage; Extended address: Victoria Island; Post office box: 2512, GPO Lagos
84.	Toyoto Energy Limited	3a, Tombia Street, Port Harcourt

85.	Hyunnda Motors Nigeria Limited	180 Kofo Abayomi Street, V/Island
86.	Procter & Gamble Nig Ltd	1st Commercial Road Oluyo Industrial Estate Riing Road Ibadan
87.	PZ Cussons Nig Plc	33, Town Planning Way, Illuprju Industrial Estate, Ikeja Lagos
88.	A.G Leventis Nig Plc	Iddo House, Iddo Lagos
89.	Reckett Benckiser Nig Ltd	13, Montgomery Road Yaba Lagos
90.	Gongoni Company Limited	(1) 89a, Sharada Ind. Estate, Phase 3, P.O Box 6335 Bompai, Kano, Nigeria. Kano Phone: 064-927302; 064-927304
91.	Panasonic (Electronics)	(1) 48, Bompai Road, Kano (2) 22, Wharf Road, Apapa, Lagos, Kano Phone: 08063284539; 07029276069, Lagos Phone: 08091963742; 07029446663
92.	Airflow Engineering Works Limited	25/27, Oke Aro Road, Off Iju Road, (Ikeja Subsurb) P.O Box 1640, Yaba, L;Agos.
93.	M.Saleh & Co. Ltd (Generator & Heavy Equipment)	10/12, Warehouse Road, Apapa, Lagos, Nigeria. E-Mail: Tel: 08036470721; 08023160272; 01-7942909
94.	Neimeth International Pharmaceutical Plc	1, Henry Carr Street, Ikeja, Lagos State, Nigeria.
95.	Tower Aluminium Nigeria Limited (Cookware Brands)	9, Oba Akran Avenue, Ikeja, Lagos, Nigeria.
96.	Vatavisco (Foam)	No 14, Odo Eran Street, Off Idi Iroko Road, Odo Eran Bus Stop, Ota, Ogun State, Nigeria. E-Mail: Ayoade@yahoo.com Tel: 08037114673; 07028858954
97.	A-Z Petroleum Products Ltd	Plot 29, Block 68 Bisola Durosimi Etti Drive, Off Admiralty Way, Lekki Phase 1, Lagos, Nigeria Tel: 01-8507284;01-8542720; 01-7913048
98.	Binatone Interworld Products Nigeria Limited (Electronics)	Afprint Industrial Estate, Plot 122-132 Apapa – Oshodi Exp. Way Isolo, Lagosd Tel: 0807933571
99.	Haier Thermocool	45/47, Town Planning Way Ilupeju Industrial Estate, P.M.B 21132, Ikeja, Lagos E-Mail: sales@Hpz.com.Ng; 01-7303333
100.	Ascon Oil Company Limited	Km 30 Lagos – Ibadan Express Waymagboro, Ogun State Tel: 08099931702; 08099931703
101.	Vodka Mix (Drink)	E-Mail: Info@Georgevalley.com; Www.Drinkaware.co.uk Tel: 234-01-8215428
102.	Sony Company	(2) 4b Agoro Odiyan Street, Victoria Island, Lagos Tel: 08023628772; 01-7740107; 7913040;
103.	Startimes	www.Startimes.com.Ng Tel: 09-4618888; 01-2719999
104.	Elephant Cement	Elephant Cement House, Ikrja Central Business District, Alausa, Ikeja, Lagos. E-Mail: Customer.complaints@Wapco.Larfarge.com. Tel: 01-9502554; 7730747; +23412713990
105.	Briscoe (Nigeria) Plc	18, Fatai Atere Way, Matori, Oshodi, P.O Box 2104, Lagos E-Mail: Toyotaforklift@Rtbiscoe.com, Tel: 08023896860; 08051613900;
106.	Union Auto Parts Manufacturing Co Ltd. (Ibeto Group) (Automotive Batteries)	60/61 Igwe Orizu Road, P.M.B. 50132, Otolo Nnewi, Anmbra State. 4, Adrola Hopewell, Victoria Island, Lagos. E-Mail: Sales@Ibeto.com Tel: 08105265635; 08105265634

107.	Dansa Foods Limited (Mowa Table Water)	Dansa Drive, Off Lagos-Badagary Expressway, Abule-Oshun, Lagos. E-Mail: Customercare@dansafoods.com, Www.Dansa-Foods.com Tel: 08060769770
108.	Tyrbats Nigeria Ltd (Tyres)	Oba Sekumade Road, (Ebute Ipakodo Road) Ikorodu P.O Box 459 Ikorodu, Lagos. Tel: 08023748918; 80191553534
109.	Michelin	Plot 2a, Ijora Caauseway, Lagos. Tel: 01-7742720-1; 7617755; 8980299; 8739209
110.	Tata Africa Services (Nigeria) Limited	Plot C89, Amuwo Odofin Industrial Layout, Lagos. Tel: 07098141976; 07098141933; 01-7369289
111.	Astomlu Global Company Limited (Super Ox Energy Drink)	No 31, Kilani Street, Abeokuta Exp. Road, Ade Alu Bus – Stop, Iyana Ipaja, Lagos. Tel: 08079982481; 08099145978; 08025458862
112.	Atlas Cookers	85, Awolowo Way, Ikeja-Lagos. 92, Old Ojo Road, Agboju, Lagos E-Mail: Solinvestments@yahoo.com; Benang@yahoo.com
113.	Ascon Oil Company Limited	39a Bishop Aboyade Cole Street, Victoria Island, Lagos. Phone: +234 1 2610624; Fax: +234 1 2611095.
114.	Elf Marketing Nig Ltd	124 Trans Amadi Industrial Layout, Port Harcourt. Phone: +234 1 084-332597.
115.	Honeywell Oil And Gas Limited	4 Adeleke Adedoyin Street , Off Musa Yaradua, Victoria Island, Lagos. Phone: +234 1 2611234, 2610323
116.	Lubcon Limited Oil And Gas	39, Curtis Adeniyi Jones Close, Off Adeniran Ogunsanya Street, Surulere, Lagos. Phone: +234 1 5850281, 5845873.
117.	Texaco Nig Ltd	8 Mccarthy Street, Lagos Island, Lagos. Phone: +234 1 4614500.
118.	Integrated Logistics Services Ltd (Inteis)	474 Trans Amadi Ind Layout Port Harcourt. Phone: +234 84 230921, 233922, 234214, 238373, 232888
119.	International Oilfield Servs Nig Limited (Iosl)	Plot 20 East/West Road Rumuodara Port Harcourt. Phone: +234 84 610456-7, 334969,090-5015543
120.	Japaul Oil And Maritime Services Plc	Plot 39 Eastern-By-Pass, Marine Base, Port Harcourt Phone: +234 84 231622 Fax: 234 84 238030
121.	Halliburton Energy Services Nig Limited	Plot 158 Trans Amadi Industrial Layout, Port Harcourt Phone: +234 84 335619, 332591
122.	Global Offshore Drilling Limited	Km 14 Port Harcourt/ Aba Expressway Port Harcourt. Phone: +234 84 231356, 231354, 239220
123.	Dorman Long & Amalgamated Engineering Ltd	UTC Nigeria Plc Compound 16 Nnamdi Azikiwe Road Port Harcourt. Phone: +234 84 233704, 233707
124.	Dowell Schlumberger Oilfield Services Limited	Plot 33 Trans Amadi Industrial Layout, Port Harcourt. Phone: +234 84 237951-2, 237879; Fax: +234 84 237951.
125.	Deutag Nig Ltd Drilling Services	Km 16 Port Harcourt Express Way Port Harcourt. Phone: +234 84 333989, 334230
126.	Anadrill Schlumberger Nigeria Limited	Plot 161 Trans Amadi Industrial Layout Port Harcourt. Phone: +234 84 239551, 230362, 232649
127.	Atlantic Mediterranean Oil Services Company Limited	18, Chief Nwuke Street, Trans-Amadi Industrial Layout, Port Harcourt Phone: +234 84 233004, 233647, 236889

128.	Baker Hughes	175 Trans Amadi Industrial Layout, Po Box 225, Port Harcourt. Phone: +234 84 238884
129.	Total Nigeria Plc	: Total House, 4 Afribank Street, Victoria Island, Lagos. Phone: +234 1 2621780-3;
130.	Statoil (Nigeria) Ltd	1a Bourdillon Road, P.O.Box 56190, Falomo, Ikoyi, Lagos. Phone: +234 1 269 0491;
131.	Esso Exploration & Production(Nig) Ltd	Plot Pc 35 Idowu Taylor Street, Victoria Island, Lagos. Phone: +234 1 2622740-3.
132.	Elf Petroleum Nigeria Limited	Plot 25 Trans Amadi Industrial Layout, Port Harcourt, Rivers State. Phone: +234 84 236310-23.
133.	Shell Petroleum Development Company Nigeria Limited	Freeman House, 21/22 Marina Lagos Island, Lagos. Phone: +234 1 2769999, 2631455, 2601600-17;
134.	Conoco Energy Nigeria Ltd	252e Muri Okunola Street, Victoria Island, Lagos. Phone: +234 1 262 2226;
135.	Chevrontexaco Nigeria Limited	2 Chevron Drive, Lekki Peninsula, Lekki, Lagos. Phone: +234 1 2600600;
136.	Vhelbherg International	Plot 112/112a, Along 34 Road, Off Ordinance Road, Port Harcourt. Mobile: +234 (0) 803 339 1354
137.	Addax Petroleum Development Company Ltd	Addax House 10 Bishop Aboyade Cole Street, Victoria Island, Lagos. Phone: +234 1 2613334, 2614277, 2617787, 26258201
138.	Amni International Petroleum Development Company	Plot 1337 Tiamiyu Savage Street, Victoria Island, Lagos. Phone: +234 1 2621522-5;
139.	Apel Exploration & Production Company Ltd	14 Ajose Adeogun Street , Victoria Island Phone: +234 1 2633465, 6111085, 611087.
140.	Atlas Petroleum International Limited	4, Akin Olugbade Street, Victoria Island Phone: +234 1 2612566, 2615689.
141.	Cavendish Petroleum Nigeria Limited	22, Adeleke Adedoyin Street, Victoria Island, Lagos. Phone: +234 1 2647069, 2647072.
142.	Noble Drilling Nigeria Ltd	18 Thompson Avenue, Ikoyi, Lagos.Phone: +234 1 2693504, 2694116.
143.	SDV Oilfield Nigeria	Plot 3-4 Trans Amadi Industrial Layout, Port Harcourt. Phone: +234 84 238 579.
144.	John Holt Fire Protection (Angus)	25 Creek Road, Apapa, Lagos. Phone: +234 1 277 7765;
145.	Crestville Engineering And Technology Company Limited	Nitp/Franklin Akinyemi House, Pc 10, Engineering Close, Victoria Island Lagos. Phone: +234 1 2629784, 7915370;
146.	Deltaafrik Engineering Limited (Deltatek/Worly Parsons)	6/7th Fl, City Express Building, Plot 1637 Adetokunbo Ademola Str, Victoria Island, Lagos. Phone: +234 1 4618508, 46161374
147.	National Engineering & Technical Co. Ltd. (Netco)	Heritage Court, 146b Ligali Ayoride Street, Victoria Island, Lagos. Phone: +234 1 2716040, 2716043, 7737304;
148.	Lordmart Nig Limited Power Systems	9a, Karimu Kotun Street, Victoria Island, Lagos Phone: +234 1 2623084, 01-2623081-5, 7751528;

149.	United Parcel Service Nigeria Ltd	United Parcel Service Nigeria Ltd Plot 16, Oworonski Expressway, Gbagada Industrial Estate, Lagos State Tel.: 234-1-2705577, Tel.: 234-1-2704989 Email ;Ng.customerservice@europe.ups.com
150.	DHL	DHL House Apapa-Oshodi Express Way Isolo Lagos State, 009 234 1 270 0908 heather.L.Smith@dhl.com

Appendix 8: Administered Questionnaire

ONLINE QUESTIONNAIRE SAMPLE

An Overview

Firms operating internationally are often faced with ever changing political, economic and social environments, exposing them to financial, cultural and political risks in the host country. This is premised on the fact that governments have different business, economic and political systems. These systems change from time to time and some of these changes result to political risk affect foreign firms' existence and their profitability. It is for this reason that international investors explore various means of assessing and managing political risk due to changes in the political environment they operate. Political risk is what alters the expected outcome and value of a given business activity by changing the probability of achieving business objectives due to changes in the political, economic and social environment of the host country. Political risk assessment provides the framework for determining the probability as well as the means of mitigating and managing political risk when or before investing in emerging markets. Political risk assessment is the process of analysing and evaluating political risk while undertaking international business activities.

Section One: Firm's Profile

Please tick the box or fill in your response in the 'space' provided for each question.

1. What **type** of business activity is your firm engaged in?
Construction Banking Manufacturing Insurance Petroleum & Gas Others (please specify)…………….……....…………………………………………

2. What **form** of international business is your firm engaged in?
Foreign Direct Investment Foreign Portfolio Investment Import/ Export Others (please specify) ……………………………………………………………..

3. What **mode** of international business is your firm engaged in?
Owning a Subsidiary Branch/Office/Affiliates Joint Venture Strategic Alliance Licensing/Franchise Agreement Manufacturing/Management Contract Others (please specify)…………………………………………………………….…………….

4. How many **years** has your firm been involved in international business? ….……........

5. What percentage of the previous fiscal year's **revenue** of your firm was attributed to international business activities? ....

6. How many **countries** does your firm have subsidiaries/branch/office/affiliates/Joint Ventures/ Strategic Alliances/Licenses/Franchises or Manufacturing/Management Contract Agreement in? Africa………………………..…….…… Others………………………………………….…………

7. Can you estimate your firm's total **assets** for the last fiscal year? ……………….……......

8. How many **employees** does your firm currently employ? ....…......

Section Two: Risk in International Business

To conduct international business, how concerned are you about each of these risks in terms of their potential harm or unfavourable consequences upon your firm?

Please tick the box or fill in your response in the 'space' provided for each question.

1. Financial risk. Concerned Unconcerned
2. Cultural risk Concerned Unconcerned
3. Country risk Concerned Unconcerned
4. Political risk Concerned Unconcerned
5. Other risk (Please specify…..……………………… Concerned Unconcerned

When undertaking any form of international businesses how concerned are you about each of the following **political risks** in terms of their potential harm or unfavorable consequences to your firm?

S/N	Statement	Not concerned 1	Slightly concerned 2	Moderately concerned 3	Very concerned 4	Extremely concerned 5
6.	Expropriation or Nationalisation					
7.	Confiscation					
8.	Contract repudiation					
9.	Currency inconvertibility					
10.	Taxation restrictions					
11.	Import/export restriction					
12.	Currency devaluation					
13.	License cancellation					
14.	Investment agreement changes					

15.	Delayed profit repatriation					
16.	Price control					
17.	Terrorism					
18.	Strikes					
19.	Demonstration, riots, insurrection					
20.	Revolutions, coups d'état, civil wars					

Section Three: Practices of Political Risk Assessment

Background

Political Risk Assessment (PRA) is a process of analysing and evaluating political risk while undertaking international business activities. The process may include the following activities; identifying the risk, estimating the risk by assigning values to the probability and consequences of each risk and deciding whether each specific risk should be accepted or treated by the stakeholder. The forecasting techniques and assessment methodologies used to analyse and evaluate political risk toward forestalling or forecasting losses are as wide-ranging as the sources that generate these political risks.

Please tick or fill in your response in the 'space' provided for each question in this section.

1. To undertake international business, does your firm conduct political risk assessment?

Yes If No (Please, specify type and/or any reason)………………………………………………. ……………………………………………………………………… ……………………………………………

2. In conducting the political risk assessment, please indicate any of the following that best describes your firm's behaviour.
   - The firm conducts such a process internally, using the firm's personnel only
   - The firm conducts such a process externally, using external institutions only
   - The firm conducts such a process internally and externally
   - None

3. Which employee(s) in the firm is/are involved in the process of political risk assessment? Please indicate any of the following that best describes your firm.
   - Top management (e.g. CEO, GM, MD) Financial management
   - Sales management Legal management
   - Export management Risk Management
   - Political Risk management A representative in the host country
   - Others (please specify) ……………………………………………………………………

4. How often is the process of political risk assessment conducted? Please indicate any that best describes your firm.
   - Never Occasionally Yearly Quarterly Day-to-day operations

5. To whom are the results of political risk assessment reported? Please mention the title only…………………………………………………………………………………………….…………………

6. Please tick from the list below what occasion mostly motivates your firm to become involved in political risk assessment process.
   - Before investment/ reinvestment in a certain country
   - When granting credit to foreign customers
   - In strategic planning processes
   - When a certain problem in the interested country(ies) occurs
   - Other (Please specify)………………………………………………………………………… …………..………… …… ………………………………………………………………………...

Please fill in your response by ticking the appropriate 'space' provided for each statement.

7. In the process of conducting political risk assessment, different risk assessment techniques are available for firms. Please indicate which technique (s) you use and to what extent such a technique (s) is/are successful in analysing risks?

S/N	Statement	Not used 1	Used with no success 2	Used with moderate degree of success 3	Used with a great degree of success 4	Used with extreme degree of success 5
8.	Judgment and intuition of manager: conducting the assessment intuitively relying on the competence of the firm's manager (s).					

9.	Expert opinion: conducting the assessment by outside consultant who is expert in a certain area or country.					
10.	Delphi technique: conducting the assessment via a group of experts, initially independently, and subsequently by consensus.					
11.	Standardised checklist: systematically reviewing items in a list of political risks.					
12.	Scenario development: developing a number of possible scenarios for a certain country.					
13.	Quantitative techniques: assessing risk by analytical procedure that is based on data that can theoretically lend itself to statistical or mathematical operations (e.g. regression analysis).					
14.	Others (please, specify)……………………………………………………… ……………………………..………………………………					

To conduct a political risk assessment, different risk assessment ratings' models/methodologies have been developed by some international organisations. Among such rating models/methodologies, kindly indicate the rating model (s) you use and to what extent such a rating model (s) is/are successful in analysing political risks in your firm?

S/N	Statement	Not Used 1	Used with No success 2	Used with Moderate degree of success 3	Used with A greet degree of success 4	Used with Extreme degree of success 5
15.	International Country Risk Guide (ICRG) provides descriptive assessment and economic data using 22 political, financial and economic variables rating 140 countries on a monthly basis.					
16.	Political Risk Services (PRS) provides historical background, forecast scenarios and basic data on government structure and economic data rating for 106 countries annually with monthly updates.					
17.	Economist Intelligent Unit (EIU) provides 'specific investment risk' in the form of currency risk sovereign, debt risk and banking sector risk reports over 100 countries on a quarterly basis with monthly updates.					
18.	Brink's Model (BM) provides political, social and economic weight variables and indicators which are purely subjective and an illustration of the model's built-in adaptability and flexibility that can be adjusted to suit a client specific model.					
19.	Euromoney provides qualitative assessment based on nine variables of economic data, political risk, debt indicators, credit rating and access to bank finance for 180 countries.					
20.	Business Environment Risk Intelligence (BERI) provides quantitative ratings on government proficiency, labour force evaluation and market opportunity every four months with qualitative information and indices for 50 countries.					
21.	Others (please, specify)………………………………………………. ………………………………………………………..					

In the process of gathering information about the international business environment in which a firm operates, different sources of information are available for firms. Please rate the importance of each source of information to your firm.

S/N	Statement	Not important 1	Slightly important 2	Moderately important 3	Very important 4	Extremely important 5
21.	Media (e.g. television, radio,)					
22.	Trade Association					
23.	International organization					
24.	Business magazine					
25.	External consultants					
26.	Government agencies					

27.	Firm's own arrangement					

Section Four: Causes or Features of Political Risk

Various features of political risk may have unfavorable consequences on the business environment in which firms engaged in international business in Nigeria operate. Please indicate the level you consider each of these causes or features of political risk in the table below.

S/N	Statement	Not a feature 1	Slightly a feature 2	Moderately a feature 3	Highly a feature 4	Extremely a feature 5
1.	Do you consider constitutional pitfalls a feature of political risk whose consequences affect the climate for doing business in Nigeria?					
2.	Do you consider poor value system a feature of political risk whose consequences affect the climate for doing business in Nigeria?					
3.	Do you consider religious intolerance a feature of political risk whose consequences affect the climate for doing business in Nigeria?					
4.	Do you consider inter-ethnic rivalry a feature of political risk whose consequences affect the climate for doing business in Nigeria?					
5.	Do you consider low per capita a feature of political risk whose consequences affect the climate for doing business in Nigeria?					
6.	Do you consider lengthy bureaucratic process a feature of political risk whose consequences affect the climate for doing business in Nigeria?					
7.	Do you consider military intervention / unstable government change a feature of political risk whose consequences affect the climate for doing business in Nigeria?					
8.	Do you consider weak political structure a feature that affects the climate for doing business in Nigeria?					

The features of political risk have various degrees of impact or unfavourable consequences upon the business environment in which firms doing international business in Nigeria operate. Please, indicate the rate of the level of impact of each feature in the table below.

S/N	Statement	No Impact 1	Slight Impact 2	Moderate Impact 3	High Impact 4	Extreme Impact 5
9.	Constitutional pitfall					
10.	A poor value system					
11.	Religious intolerance					
12.	Inter –ethnic rivalry					
13.	Low per capita income					
14.	Long bureaucratic process					
15.	Military intervention / unstable government change					
16.	Weak political structure					

Section Five: Risk Variables and Indicators used for Forecasting Political Risk

There are risks variables used to measure or forecast political risk to determine their potential unfavourable consequences on a firm. Kindly indicate the level you consider each of these risk variables of political risk in the table below.

S/N	Statement	Not a variable 1	Slightly a variable 2	Moderately a variable 3	Highly a variable 4	Extremely a variable 5
1.	Do you consider corruption a risk variable to measure political risk in Nigeria?					
2.	Do you consider democratic accountability a risk variable to measure political risk in Nigeria?					
3.	Do you consider Ethnic/political tension/religious conflicts /ideological cleavages a risk variable to measure political risk in Nigeria?					

5.	Do you consider Military intervention in governance a risk variable to measure political risk in Nigeria?					
6.	Do you consider Religious fundamentalism/radical religious forces a risk variable to measure political risk in Nigeria?					
7.	Do you consider War and armed insurrection a risk variable to measure political risk in Nigeria?					
8.	Do you consider Poor monetary and fiscal policies a risk variable to measure political risk in Nigeria?					
9.	Do you consider Political instability/lack of political will a risk variable to measure political risk in Nigeria?					
10.	Do you consider Poor socio-economic condition a risk variable to measure political risk in Nigeria?					

There are risks indicators used to measure or forecast political risk to determine their potential unfavourable consequences upon a firm, kindly indicate your level of your agreement with the following statements on each of these risk indicators in the table below.

S/N	Statement	Strongly Disagree 1	Disagree 2	Undecided 3	Agree 4	Strongly Agree 5
11.	The percentage of **unemployment** of the employable population indicates the socio-economic condition in a country.					
12.	**Inflation rate** indicates the value of the currency and the monetary and fiscal policies.					
13.	The percentage of **illiteracy** indicates the level of the economically active population’s socio-economic condition in a country.					
14.	The **interest rate** indicates the socio-economic condition and the monetary as well as fiscal policy of a country.					
15.	The percentage of **poverty rate** indicates the socio-economic condition of the people in a country.					
16.	The **crime rate** indicates the socio-economic condition and the level of insecurity.					
17.	The level of **Terrorist activities** indicates the level of insecurity.					
18.	**Balance of payment** indicates the size of the country’s public sector, corruption and democratic accountability.					
19.	The **state of physical infrastructure** such as roads, power supply and transportation indicates the socio economic condition.					
20.	The **state of the democratic** process indicates the political stability of a country.					
21.	The annual **economic growth rate** is determined by the Gross Domestic Product which indicates poverty level and economic activities.					
22.	The analysis of income and expenditure in the government financial year and high **budget deficit** indicates corruption in the country.					

23.	The existence of **militia groups** and the nature of their agitations indicate the likelihood of an outbreak of war and armed insurrection.					
24.	The inequitable **distribution of resources** amongst multi ethnic groups indicates ethnic tension and political instability					
25.	The stability in **government policy** toward repatriation of profit and degree of currency convertibility indicates monetary and fiscal policy.					
26.	**Judicial system** determines the application of the rule of law and indicates the quality of bureaucracy, corruption and crime rates.					
27.	Nepotism in the appointment of political office holders in the government indicate **level of marginalisation** and can result to ethnic tension and political instability.					
28.	**Public accountability** shows the responsiveness and democratic accountability of the government.					
29.	**Fiscal imprudence** of the government indicates corruption and democratic accountability.					
30.	The frequency of prevalent changes in the **price index** indicates the monetary and fiscal policies of a country.					
31.	**High rate population** growth per annum exceeding the percentage of employment growth per annum indicates the socio-economic condition.					
32.	The **stability in the banking system** with, its supervision laws and regulations indicates the capital base, financial state, monetary and fiscal policies of a country.					
33.	The level of **religious intolerance** indicates the state of religious fundamentalism, tension and conflicts.					
34.	The **level of corruption** reflects the perception of the quality of governance as derived from a number of surveys done by commercial risk rating agencies to indicate the presence of corruption in a country.					
25	**Level of Bureaucratic Interference** in a democratic dispensation from the arms of government indicates strength of government institutions/parastatals					
26.	**Corruption Level** reflects the perception of the quality of governance and the rule of law/judicial system.					

Section Six: Consequences associated with Political Risk in Nigeria

Kindly indicate the level of consequences associated with each form of political risk on your firm's business in Nigeria.

S/N	Statement	No Consequence 1	Low Consequence 2	Moderate Consequence 3	High Consequence 4	Severe Consequence 5
1.	Expropriation or Nationalisation					
2.	Confiscation					
3.	Contract repudiation					
4.	Currency inconvertibility					
5.	Taxation restrictions					
6.	Import/export restriction					
7.	Currency devaluation					
8.	License cancellation					
9.	Investment agreement changes					
10.	Delayed profit repatriation					
11.	Price control					

12.	Terrorism					
13.	Strikes					
14.	Demonstration, riots, insurrection					
15.	Revolutions, coups d'état, civil wars					

Section Seven: Strategies for Managing and Mitigating Political Risk

Identifying and analysing the severity and type of potential political risk is a critical function in political risk management. Please, indicate your level of agreement with the following statements.

S/N	Statement	Strongly Disagree 1	Disagree 2	Undecided 3	Agree 4	Strongly Agree 5
1.	PRA provides the framework that forms the basis for determining the probability of the occurrence of political risk for mitigation and management.					
2.	To mitigate and manage political risk the firm needs sufficient knowledge about the potential impact of the risk.					
4.	A firm needs criteria to judge the desirability or undesirability of these consequences of the risk so as to determine its value.					
5.	Risk management necessitates a mitigating strategy and approaches aimed at risk avoidance, risk control and risk recovery toward reducing the adverse impact of risk proportionately.					
6.	A firm needs adequate planning including a proper administrative risk mitigating strategy so as to have a more predictable and controlled response and an appropriate risk management policy					
7.	The probability of occurrence or potential impact is reduced to the minimum by selecting the appropriate risk mitigating strategy.					
8.	Identifying and analysing the severity and type of the potential political risk is a critical function in political risk management.					
9.	One of the best approaches is to anticipate the risk and negotiate ahead of time as part of entry strategy.					
10.	Negotiation of all conceivable areas of pitfalls of an investment agreement with host governments is part of entry strategy.					
11.	Identifying and analysing the severity and type of the potential political risk is a critical function in political risk management.					
12.	Engaging in corporate social responsibility and designing risk-reducing operating strategies to use are all part of mitigating strategies.					
13.	The negotiation on the investment agreement should spell out specific rights and responsibilities of both the foreign firm and the host country's government on all policies or financial and managerial issues.					
14.	Obtaining investment insurance and guarantee from the banks or government as a means of risk sharing.					
15.	Foreign firms and the host government need to create a mutual beneficial relationship between them.					
16.	Need pre-investment strategy in anticipation of blocked fund as a result of fund transfer and remittance restriction or for any other eventualities.					
17.	Pre-investment analysis should be conducted					

18.	Foreign firms operating in host countries with an investment agreement still require operating mitigating strategies for political risk management.					
19.	**Avoidance:** Is when the risk is not accepted and other lower risk choices are available from several alternatives.					
20.	**Retention/Acceptance:** Is when a conscious decision is made to accept the consequences should the event occurs.					
21.	**Transfer/Deflect:** Is when the risk is shared with others. Forms of sharing the risk include, insurance, warranties, guarantees, bonds etc.					
22.	**Control/Reduction:** Is a process of continual monitoring and correcting the condition which involves risk reduction and tracking plan.					
23.	Utilising economies of scale to determine the potential of cost advantage vis-a-vis the cost of the risk.					

Appendix 9: Covering letter from the University of Huddersfield

University of HUDDERSFIELD
Inspiring tomorrow's professionals

Dear Sir/Madam,

RE: RESEARCH PARTICIPATION REQUEST

The consequences of risk in international business have made firms undertaking international business and/or entering emerging markets vulnerable. It is for this reason that this research is undertaken with the objectives of exploring means of assessing, mitigating and managing political risk in international business.

Consequently, since the arrangements for assessing political risk vary widely, it is difficult for the researcher to know who would be the most appropriate person in your firm to complete the survey. I would be most grateful if you, or the person responsible for political risk assessment in your firm, would complete an on-line survey which will require 15 minutes of your time. Your views are very important to the success of this study.

All you need to do in this survey is to go to this link **http://www.survey.bris.ac.uk/hud/pra** fill in your answers in the appropriate space provided in each section of the survey and submit it. In return you will receive a summary of the research findings free of charge, if you request. All the information given will be confidential and used solely for academic research in which no individual firm can be identified.

Your significant contribution to the success of this research work is highly appreciated. If you have any queries about this survey, please do not hesitate to contact James Mshelia, the researcher, on phone +447455136786 or by email u1169206@hud.ac.uk.

Yours faithfully

John Anchor

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Head of Department of Strategy & Marketing
University of Huddersfield Business School
Queensgate
Huddersfield HD1 3DH
Tel: +44-1484-472462
Fax:+44-1484- 473148
Email: j.r.anchor@hud.ac.uk

Appendix 10: Semi-Structured Interviews

Participants A: Director of a bank. The bank is highly concerned about the issues of political risk in the country. There is a risk management department responsible for the daily assessment of all types of risk. There are difference types of political risk issues in the country that are affecting the operations of the branches of the bank. Presently the main concern is terrorism in some states in the north western part of the country and at times religious conflict in some part of north. The issues of corruption due to bureaucratic bottleneck have been a source of concern. The consequences of political risk impact have been insignificant. The consequences of political risk depend on the type of political risk. The bank has operated in Nigeria for over 25 years, has an understanding of the political environment. It maintains a good relationship with government institutions regulating them and engages in corporate social responsibility. The low financial risk coupled with the experience of operating over the years has influenced the bank's perception of political risk in the country.

Participants B: Senior manager in a manufacturing firm. The head office monitors keenly issues of political risk in the country. The company has a team of senior management staff who are responsible for the conduct of PRA, and managers of our various branches update the head office from time to time. The country is quite dynamic place to do business. Most of the branches of the company are located within the south west. The issues of 'Boko Haram' terrorist in some part of the north has affected our sales and chain distribution management. Likewise, offering of bribes that is corruption is one of our problems in the country. The consequences of political risk have been minimal, and it often depends on type of political risk. The country operates an imperfect market and an investor who understands the market can take advantage of it. The firm perception of political risk is influenced by the reward of investing in the country considering the large size of the market. The firm engages in some form of corporate social responsibility with state governments and host communities as a strategy used in managing and mitigating political risk.

Participants C: Operations manager, financial manager and sales manager of a communication firm. The company is very concerned about the issues of political risk in Nigeria. It has no risk management department, the assessment is conduct when there is a problem of interest, and it is outsourced. We notice differences in political risk issues within the country; most of our businesses are outsourced. The impact is insignificant generally on the company. Our operations are affected by the issue of terrorism by the 'Boko Haram' activities in the northern part of the country. The business environment of this country is quite different from other countries, we made our return on investment after six months instead of six years, it is quite an imperfect market, if you understand this country there are a lot of opportunities. The experiences of operating in other African countries and the return on investment influenced the company perception of political risk. Equally, the firm maintains a good relationship by paying loyalty to some government officials and engages in corporate social responsibility with federal, state and local governments as a strategy for managing and mitigating political risk in the country.

Participants D: CEO, Risk Manager and financial manager of an insurance firm. The firm is concerned about political risk issues in the country considering the nature of our business. The management is formally responsible for conducting political risk assessment in the firm when the need arises occasionally. There are quite a number of challenges operating an insurance firm in the country. Most of our clients are international companies operating mostly in the west and south part of the country. However, the impact of the consequences of political risk is low on our firm.

Participants E: General manger of a petroleum and gas firm. The firm is very concerned about political risk issues in the country. The management is also involved as well as it assigns external consultants to conduct the assessment of political risk occasionally. Most of our areas of operations are offshore in the southern part of the country. We have experienced differences types of political risk issues such as the Niger delta conflicts, with armed attacks, illegal oil bunkering, kidnapping and corruption that challenged our business operation in the country. However, the impact of the consequences of political risk is moderate on the company. The firm after so many years of operating in the country, it has been able to maintain a good relationship with government institutions and some of the communities where our operations are located. The firm pays loyalty to host communities and some government officials. The firm considered the reward on investment to be made in the country. The company does some corporate social responsibility with host communities as a means of managing and mitigating political risk.

Participants F: Senior management staff of a construction company. Even though the company monitors political risk issues in the country, no department is assigned with the responsibility for conducting PRA. Political risk has little or no impact on the company considering the type of business we operate. Most our contracts comes from the federal and state governments. There are occasions that some of our road construction projects had to be stopped in some northern part of the country due terrorist activities. Likewise, a few number of occasions due religious motivated conflicts in the north. The company has a good relationship with government officials and also engages in corporate social responsibility. The way the company perceived political risk depends on the reward of investment if it is worth it or not. The company pays loyalty to some government officials but declined to give any example of such an institution.

Appendix 11a: Ethics Approval: Reviewer Proforma

REVIEWER PROFORMA

THE UNIVERSITY OF HUDDERSFIELD
Business School

Reviewer Proforma.

Project Title:	Political Risk Assessment in Nigeria
Name of researcher (s):	James Buba Mshelia
Supervisor (where appropriate):	Dr John Anchor
Reviewer name	Gillian Byrne
Date sent to reviewer	05/10/12
Target date for review	12/10/12

Issue	**Advice / Comments to applicant**
Aim / objectives of the study	
Research methodology	Reasons for this are clear.
Permissions for study?	
Participants	
Access to participants	
How will your data be recorded and stored?	
Confidentiality	
Anonymity	
Could the research induce psychological stress or anxiety, cause harm or negative consequences for the participants (beyond the risks encountered in normal life).	
Retrospective applications.	
Supporting documents (e.g. questionnaire, interview schedule, letters etc)	
Other comments	The ethical considerations in terms of data collection, storage and use have been addressed.

OVERALL RESPONSE

APPROVE OUTRIGHT	X
APPROVE SUBJECT TO MINOR CONDITIONS [please specify]	
RESUBMISSION REQUIRED (application to be re-examined by Reviewers)	
REJECT	

.
Reviewer name Gillian Byrne
Date 10/10/12
Please send review to alex.thompson@hud.ac.uk.

Appendix 12b: Ethics Approval: Reviewer Proforma

REVIEWER PROFORMA

THE UNIVERSITY OF HUDDERSFIELD
Business School

Reviewer Proforma.

Project Title:	Political Risk Assessment in Nigeria
Name of researcher (s):	James Buba Mshelia
Supervisor (where appropriate):	Dr John Anchor
Reviewer name	Stephen Swailes
Date sent to reviewer	05/10/12
Target date for review	12/10/12

Issue	**Advice / Comments to applicant**
Aim / objectives of the study	
Research methodology	The questionnaire seems to be extremely optimistic.
Permissions for study?	
Participants	
Access to participants	
How will your data be recorded and stored?	
Confidentiality	
Anonymity	
Could the research induce psychological stress or anxiety, cause harm or negative consequences for the participants (beyond the risks encountered in normal life).	
Retrospective applications.	
Supporting documents (e.g. questionnaire, interview schedule, letters etc)	
Other comments	

OVERALL RESPONSE

APPROVE OUTRIGHT	**Yes**
APPROVE SUBJECT TO MINOR CONDITIONS [please specify]	
RESUBMISSION REQUIRED (application to be re-examined by Reviewers)	
REJECT	

Reviewer name: S Swailes
Date 9-10-12
Please send review to alex.thompson@hud.ac.uk.

Appendix 13: Participant Information Letter (PIL)

Dear Participant,

I am a postgraduate research student, enrolled for a PhD programme in Political Risk Assessment and Management with the University of Huddersfield, Business School in the United Kingdom. To fulfill the academic requirement for the award of a Ph.D, I am undertaking a research study entitled: **'Political Risk Assessment and Multination Firms in Nigeria'** which aims to assess the political risk that firms involved in international business face with a view to proffering mitigating strategies to enhance local, national and international economies.

Consequently, your firm has been selected and l most respectfully request your consent to participate in this research. It will be much appreciated if you could kindly respond to the questions asked in this questionnaire. For easy retrieval of the responded questionnaires, it would be much appreciated if you could go to this link **http: //survey.bris.ac.uk/PRA/** to fill the questionnaire and submit it.

All individual responses will remain completely confidential, with answers combined and presented in statistical form only. Therefore, identification of participants or firms participating will not be required and data will be used solely for research purposes.

If are interested in the summary of the research findings free of charge, please indicate by sending me an email.

For additional information relating to the research, please do not hesitate to contact me either by phone on 08038918777, +44757455136786 or via email u1169206@hud.ac.uk.

Your kind cooperation is highly solicited and will make a significant contribution to the success of this research. Thank you for your kind consideration.

Mshelia James

BSc, ADSOM, MSc

GLOSSARY

A

‘**Arab Spring’**: refers “to the democratic uprisings that arose independently and spread across the Arab world in 2011”. It a movement that originated form Tunisia in December 2010 and spread to Egypt, Libya, Syria and Yemen (Sourcewatch, 2015).

B

Balance of Payments: The balance of payments is an indicator of monetary transaction either in surplus or deficit over a period of time for a country (Collin, 2009).

Banking System Stability: The stability in the banking system, its supervision laws and regulations indicates the capital base, financial state, the monetary and fiscal policies of the country (Collin, 2009).

C

Cold War: ‘The name normally given to the period of intense conflict between the USA and the Soviet Union in the period after the Second World War: from the mid-1940s until the end of the 1980s’ (McLean & McMillan, 2009).

Corruption Level: The level of corruption reflects the rate of how government officials use various means to divert public funds for their personal use and the rate at which bribes are offered by individuals in a country (PRS Group, 2015).

Crime Rate: The crime rate indicates the socio-economic condition and the level of insecurity in a country (PRS Group, 2015).

D

Democratic Process: The state of the democratic process indicates the political stability of a country (PRS Group, 2015).

Developing countries (sometimes called less developed countries): ‘Countries with less advanced technology and/or lower income levels than the advanced industrial countries’ (Black et al., 2012).

Distribution of Resources: The inequitable distribution of resources amongst multi-ethnic groups could indicate ethnic tension and political instability in a country (PRS Group, 2015).

E

Economic Growth Rate: The annual economic growth rate is determined by the Gross Domestic Product, which indicates the state of economic activities (PRS Group, 2015).

Emerging markets: “The term ‘‘emerging market’’ (Emerging economies) was initially devised by the International Finance Corporation (IFC) to define objectively list of middle-to-higher income economies among the developing countries, with stock markets in which foreigners could buy securities. The term’s meaning has since been expanded to include more or less all developing countries” (Pillania, 2009, p.100).

F

Fiscal Prudence: The fiscal prudence of the government indicates how budgetary system is managed in terms of monetary and fiscal policy in a country(PRS Group, 2015).

Firm: Any business organisation (Collin, 2009).

Foreign Direct Investment (FDI): "Foreign Direct Investment (FDI) is an investment that has been made by a foreign firm into in another country" ("Chartered Institute of Management Accountants," 2010).

G

Government Budget: The analysis of income and expenditure in the government financial year and high budget deficit indicates corruption in the country (Collin, 2009).

Government Policy: Stability in government policy and the rate changes in economic or monetary regulations in a country (Collin, 2009).

H

Home country: The country in which a foreign firm's headquarters are based, from where foreign investors originate.

Host country: Recipient country of inward investment by a foreign firm.

Hypothesis: 'A statement about the relationship between variables that will be tested and ultimately accepted or rejected on the basis of statistical analysis of survey findings' (Alreck & Settle, 1995).

I

Illiteracy Rate: The rate of illiteracy indicates the number of people you who can read and write in a country (PRS Group, 2015).

Inflation Rate: The inflation rate indicates the value of the currency and the monetary and fiscal policy in a country (PRS Group, 2015).

Interest Rate: The interest rate is an indicator of what is paid or charged in monetary and fiscal policies of a country (PRS Group, 2015).

J

Judicial system: The judiciary system determines the level of the application of the rule of law in a country (PRS Group, 2015).

L

Level of Bureaucratic Interference: The rate of bureaucratic interference in a democratic dispensation indicates the strength of government institutions/parastatals (PRS Group, 2015).

Level of Marginalisation: Level of marginalisation is an indicator of likely ethnic tension and political instability in a country (PRS Group, 2015).

M

Militia Groups: The existence of militia groups and the nature of their agitations indicate the likelihood of the outbreak of war and armed insurrection (PRS Group, 2015).

P

Perception: Process in the brain whereby sensory stimuli are interpreted and are part of cognition; cognition is sense-making processes in the brain (Collin, 2009).

Price Index: The frequency of prevalent changes in the price index indicates the monetary and fiscal policies of a country (Collin, 2009).

Privatisation: "The act of a government transferring state-owned or state-run firms to the private sector, usually by selling them" (AI Khattab, 2006).

Population Growth: The rate of growth per annum particularly in relation to the percentage of employment growth per annum indicates the socio-economic condition (Collin, 2009).

Poverty Rate: The poverty rate is an indicator of the socio-economic condition of the people in a country (Collin, 2009).

Public Accountability: Public accountability shows the responsiveness of the government and indicates democratic accountability in a country (Collin, 2009).

R

Religious Intolerance: The level of religious intolerance indicates the state of religious fundamentalism, tension and conflicts.

Risk Management Standard: "The result of work by a team drawn from the major risk management organisations in the UK. These organisations include the Institute of Risk Management (IRM), the Association of Insurance and Risk Managers (AIRMIC) and the National Forum for Risk Management in the Public Sector" (Risk Management Standard 2002; AI Khattab, 2006).

S

Stakeholder: Any individual, group or organisation that can affect, be affected by, or perceived itself to be affected by, a risk (AI Khattab, 2006).

State of Physical Infrastructure: The state of physical infrastructure, such as road accessibility, electric supply and transportation is an indicator of the socio economic condition (PRS Group, 2015).

Strategic planning: "A sequence of analytical and evaluative procedures to formulate an intended strategy and the means of implementing the strategy" (Johnson, Scholes, & Whittington, 2008 AI Khattab, 2006).

T

Terrorism Rate: Terrorism rate is an indicator of the level of potential insecurity and violent acts targeted against civilians for political or religious objectives (PRS Group, 2015).

U

Unemployment Rate: The percentage of unemployment of the employable population is an indicator of the socio-economic conditions in a country (PRS Group, 2015).

V

Variable: A measurement unit that can be taken on several different values, usually used to refer to the distribution of data for one survey item (Field, 2013).