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The Impact of Narco-Terrorism on HRM Systems

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The Impact of Narco-Terrorism on HRM Systems

Abstract

This paper presents a study on the emergence of human resource management (HRM) systems in a narco-terrorism context based on a mixed-method approach. We conducted 40 interviews at 24 firms in Mexico to explore emerging HRM systems in narco-terrorism environments. The interviews were complemented with a quantitative content analysis of 204 news stories to explore the direct and indirect impacts of narco-terrorism on firms. Our analysis of firms' responses with respect to HRM systems, which is supported by our quantitative analysis on the impacts of narco-terrorism, indicates that trust appears to shape HRM systems. We identified an adaptation strategy to design HRM systems based on a combination of strict employee's screening and control an emphasis on humanistic practices such as soft-skills training and development, and a flexible work schedule, which appears to facilitate the development of trust in narco-terrorism environments. Identifying the

similarities of objects and issues in the narco-terrorism context can help develop an understanding of this local phenomenon, with implications for the HRM and terrorism literatures on a global scale. Our findings highlight the importance of reinforcing values such as trust, openness, involvement and participation to develop a strong HRM system to adapt to narco-terrorism environments.

Keywords: Strategic HRM, HRM systems, Mexico, terrorism, narco-terrorism

Introduction

Numerous organisations manage strategic resources that are scarce, valuable, inimitable and non-tradable (Hayton, 2003) in countries plagued with substantial constraints, such as terrorism (Harvey, 1993; Suder 2004; Czinkota, Knight, Liesch, & Steen, 2010; Bader & Berg, 2014). Direct impacts of terrorism include the destruction of firms' infrastructure and the kidnapping or murder of employees, while indirect impacts include the loss of customers, interruptions in production and supply chain disruptions (e.g., Liou & Lin, 2008; Bader & Berg, 2013). It is likely that terrorist attacks will continue to occur, as evidenced by the rise of terrorist groups such as narco-terrorists around the world (e.g., Davids, 2002; Durbin, 2013; US Department of State, 2015). Firms are required to develop proactive antiterrorism strategies to protect their resources not only in areas subject to terrorism (Wilson & Gielissen, 2004) but also in more stable contexts, as terrorist attacks traumatise and horrify members of civil society and employees who are not necessarily

directly or indirectly affected by such attacks (e.g., Howie, 2007). In this paper, we focus on firms located in narco-terrorism environments in Latin America, specifically Mexico.

We developed our study based on strategic human resource management (HRM) and terrorism theory and research. The strategic HRM literature suggests designing HRM systems according to internal and external environments to meet expected outcomes for internal and external stakeholders (Jackson, Schuler, & Jiang, 2014). Traditionally, HRM systems in the Latin American context are designed based on culturalistic realities, such as power distance and collectivism, among others (Hofstede, 2001; House, Hanges, Javidan, Dorfman, & Gupta, 2004), with the goal of designing egalitarian-elitist HRM systems (Gómez-Mejía, Balkin & Cardy, 2012; Bonache, Trullen & Sanchez, 2012) and implementing calculative and humanistic (Gooderham, Nordhaug, & Ringdal, 1999) HRM systems characterised by strict control (Davila & Elvira, 2009) policies and practices that might not correspond to narco-terrorism realities derived from illegal drug trafficking (Davids, 2002).

HRM research in relation to the high-security context tends to focus on terrorism and HRM's role in expatriate management (Bader, 2014; Fee, McGrath-Champ, & Liu, 2013) or on specific HRM policies and practices, such training to prepare employees for terrorism contingencies (e.g., Wernick & Von Glinow, 2012). Current HRM theory cannot explain the cause-effect relationships of terrorism in HRM systems and, thus, the content of HRM systems. The purpose of this research is to enrich existing HRM theory by understanding and explaining emerging HRM systems in a narco-terrorism context, posing the following emerging questions: 1) how does the narco-terrorism context influence calculative, culturalist or humanistic policies and practices? 2) What is the content of HRM systems in a narco-terrorism context?

The answer to our research question is that narco-terrorism in Mexico has a moderate effect on the design of HRM systems based on a combination of strict employee control with humanistic policies and practices (Gooderham et al., 1999; Davila & Elvira, 2009). We posit that HRM can play a strategic role (Chow, Teo & Chew, 2013) not only in facilitating firms to prepare for and respond to direct and indirect impacts of narco-terrorism but also in helping firms adapt to narco-terrorism environments, for example by designing HRM systems to protect from narco-terrorists seeking employment.

Our results are based on a mixed-method study (Creswell, 2009) as our subjects avoided discussing narco-terrorism's direct impacts. We selected an extreme case that appears to be independent from culturalist realities. By investigating particularities in the specific context of narco-terrorism, we aim to advance the research conducted in high-security terrorism environments in relation to HRM systems. The context-specific setting of our research involving different security risk issues that can be used to develop a naturalistic generalisation recognised by researchers and practitioners of local and international firms (Stake, 1995). This can be achieved by taking into account the similarities of objects and issues in the narco-terrorism context that facilitate an understanding of this local phenomenon, providing implications for the HRM and terrorism literatures on a global scale.

The remainder of this paper is organised as follows. First, we present strategic HRM and discuss previous research on terrorism and narco-terrorism in relation to HRM systems. Then, we describe the mixed-method design developed to present and discuss our findings.

Theory

Strategic Human Resource Management

The strategic links among HRM policies and practices, a firm's business needs, and organisational effectiveness have been recognised as 'strategic HRM' (Jackson et al., 2014). Schuler and Jackson (2005, p. 13) summarise strategic HRM as

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

Jackson et al. (2014) propose an aspirational framework to study strategic HRM, which integrates interrelationships between an organisation's external and internal environments, the multiple players who enact HRM systems, and the multiple stakeholders who evaluate the organisation's effectiveness and determine its long-term survival. HRM systems refer to 'a group of separate but interconnected HRM practices' (Takeuchi et al., 2009, p. 1), principles, policies and programs (Lawler, Chen, Wu, Bae, & Bai, 2011) or bundles, 'which shape the pattern of interactions between and among managers and employees' (MacDuffie, 1995, p. 200).

Researchers claim that certain HRM policies and practices labelled performance-centred, also referred to as calculative HRM (Goodrham et al., 1999), emphasise the resource aspect of employees and their contribution to reach a firm's goals; on the other hand, those referred to as person-centred HRM practices, which highlight the humanistic side and the resourcefulness of employees (Cristiani & Peiró, 2015, p. 382), are linked to HRM 'best' practices, for example, in Latin America (e.g., Davila & Elvira, 2009). The proposed HRM framework (Jackson et al., 2014, p. 3) is less explicit regarding the impacts of the particularities of local culture (Hofstede, 2001) and sudden changes in the external environment, such as narco-terrorism, that might shape HRM systems. These arguments as they relate to the Mexican context are further described in the following section.

HRM systems in Mexico.

Typically, researchers addressing HRM systems in the Latin American context highlight values such as family, dignity and loyalty (e.g., Gomez & Sanchez, 2005; Ruiz-Gutierrez et al., 2012) and cultural dimensions such as high power distance, collectivism (Hofstede, 2001; House et al., 2004) and hierarchical (top-down) decision making to portray Mexico and other Latin American countries and thus to design HRM systems. For example, based on a sample of foreign subsidiaries of Spanish MNEs around the world, Lertxundi and Landeta (2011) conclude that high-performance work systems (HPWS), which include investment in training programmes for problem solving, technical skills, rigorous selection, open communication and participation mechanisms, teamwork and contingent compensation, ‘appear to have a more positive influence on results when they are applied to companies located in countries characterised by strong masculinity and individualism, and with low power distance and low uncertainty avoidance’ (p. 3963). Mexico scores low in individualism (30, cut-off point ≤ 60) and high in power distance (81, cut-off point ≥ 50), (Lertxundi & Landeta, 2011), which suggests that the content of HRM systems in this context should emphasise policies and practices that highlight the status symbols of top managers (Bonache et al., 2012), providing expensive cars or large offices as part of their compensation and incentive management rewards, for example (Gómez Mejía et al., 1995 in Bonache et al., 2012). In calculative HRM systems, which emphasise strict control, decisions are based on a hierarchical level (Ramirez & Zapata-Cantú, 2012) in Mexico. In this cultural context, it is reported that Mexican workers tend to expect instructions, decision making is generally based on status roles, and workers have little individual control over their tasks or work processes (Ramirez & Zapata-Cantú, 2012). Additionally, Mexico is frequently described as a low-trust society (e.g., Kühlmann, 2005) in which reluctance to share information is common; therefore, senior managers are typically unwilling to allow power, authority and knowledge (Ramirez & Zapata-Cantú, 2012).

HRM systems based on person-centred, or humanistic, orientations (Davila & Elvira, 2009), which implies private health insurance should be provided to employees and their families in Latin America, given the lack of investment in public services and infrastructure (e.g., Ruiz-Gutierrez et al., 2012). For example, in ‘Mexico, community hospitals are seldom well-staffed, and private hospitals are too expensive for the majority of the people’ (Rao, 2014, p. 20). In highly intensive manufacturing plants in Mexico, known as *Maquiladoras* (e.g., Paik, Parboteeah, & Shim, 2007), Miller, Hom, & Gomez-Mejia (2001) find that the compensation systems of 155 *Maquiladoras* were based on Christmas bonuses, high fixed pay, seniority, attendance rewards, food subsidies, vocational training benefits. Romero & Cruthirds (2009) argue that such practices are ‘so common, they do not differentiate firms or encourage workers to stay with one particular company’ (p. 69), as these policies and practices are used by most *Maquiladoras*. Davila and Elvira (2009) argue that collaborative or ‘soft’ HRM orientations (Gooderham et al., 1999, p. 511), such as economic support to pay for private schooling and private day care for employees’ children, among other policies and practices in Mexico, denote a humanistic approach to HRM systems (Davila & Elvira, 2009). These and other humanistic HRM policies and practices are also believed to be crucial from a strategic HRM perspective (Liou & Lin, 2008) in security-risk contexts (Bader & Berg, 2013). However, little research has been conducted on the strategic role of HRM in devising the bundles of policies and practices to adapt to narco-terrorism contexts that extend beyond typical HR roles, such as ‘expatriate compensation’ (Fee, McGrath-Champ, & Liu, 2013, p. 256). This argument is further discussed in the following section.

Terrorism

The United States Department of State (2004, p. 9) defines terrorism as ‘premeditated, politically motivated violence perpetrated against non-combatant targets by subnational groups or clandestine agents, usually intended to influence an audience’. We

understand subnational groups or clandestine agents as terrorists who can have non-political motivations to commit terrorist acts, such as economic, religious, and ideological determinations (e.g., Comas, Shrivastava & Martin, 2014). Taking the economic perspective, we classify narco-terrorists (Campbell & Hansen, 2014; Davids, 2002) as a terrorist group.

The United States Drug Enforcement Agency (DEA) defines narco-terrorism as the ‘participation of groups or associated individuals in taxing, providing security for, otherwise aiding or abetting drug trafficking endeavours in an effort to further, or fund, terrorist activities’ (Talbot, 2010, p. 10). To develop their business activities related to drug trafficking, narco-terrorists utilise methods including assassinations, extortion, hijacking, bombing, and kidnapping directed at public and private members of society, which are motivated by terror, the obstruction of justice (Hartelius, 2008), and the ‘disruption of a legitimate government to divert attention from drug operations’ (Davids, 2002, p. 2). Narco-terrorism has intensified and worsened in Mexico since 1990 ‘because of the decline of the major Colombian cartels’ (Campbell & Hansen, 2014, p. 158).

Felipe Calderón, the former Mexican president (2006 - 2012), decided to fight narco-terrorists directly. This initiative became known as the ‘war against drugs’, which was transformed into an inter-cartel competition and led to a string of crime and violent executions, destruction of infrastructure, and narco-*bloqueos*, according to the Mexican ‘National survey of victimisation and perceptions of public safety’ (INEGI, 2013). *Narco-bloqueos* are defined as a ‘disrupting traffic and limiting access to parts of the city’ (Campbell & Hansen, 2014, p. 168), which is a tactical *manoeuvre* executed by narco-terrorists as a means to distract the Mexican army and law enforcement. To understand the specific context of narco-terrorism, it is important to introduce the concept of state efficiency, understood as ‘elements such as governmental transparency and the honesty of governmental officials, along with the general openness of the political and legal

environments of business and competitiveness' (Lawler et al., 2011, p. 205). The relevance of state efficiency in the context of our research is related to the incapability of the Mexican government to fight narco-terrorism, which produced a homicide toll of 110,061 victims at the end of Calderón's presidency (Bowden & Molly, 2012). Along these lines, an impact on state efficiency is corruption, defined at the political level as 'the activities of public officials which result in an abuse of public power for the purpose personal gain' (Luiz & Stewart, 2014, p. 384), where narco-terrorists might influence public officials and private firms to develop their economic activities of drug-trafficking through corruption. Next, we present previous research conducted on terrorist and/or high security risk environments in relation to HRM and then relate these studies to narco-terrorism.

Terrorism and HRM

Research conducted on HRM in high security risk environments such as terrorism tend to coincide on the negative effects of this environment on employees and their families, such as stress, a lack of commitment and anxiety (Howie, 2007; Liou & Lin, 2008; Reade & Lee, 2012; Reade, 2009; Bader, 2014). Stress related to terrorism threats is argued to impede expatriates from performing their work (Bader & Berg, 2013; Bader, 2014) however, we argue that terrorism-related threats also have effects on local employees' workplaces, causing disruptions to organisational culture, harmony, and productivity as well as interpersonal and industrial disputes, absenteeism and turnover (Howie, 2007). Liou and Lin (2008) suggest that managers must have a procedure to account for employees and to work with families to cope with the enormous stress that accompanies disasters. Bader (2014), who surveyed expatriates in high security risk countries, suggests that organisational support to expatriates, which can be achieved through barbecues or theatre visits, for example, can help to create a better work atmosphere in terrorism environments. In a case study of terrorist attacks on luxury hotels, Wernick and Von Glinow (2012) demonstrate how hotels adapt to terrorism

circumstances and thus develop training and communication programs to cultivate a heightened sense of awareness of such circumstances among employees and to empower them to act accordingly.

The US-based Chiquita Brands has acknowledged making payments to paramilitary groups in Colombia to protect its executives and banana plantations (Maurer, 2009). A similar strategy is also found among local firms in Guatemala, City (Sutter, Webb, Kistruck, & Bailey, 2013) to avoid destruction of firms' infrastructure or physical assault to employees. However, Andonova, Guitierrez, and Avella (2009), whose research focuses on Colombia, suggest that firms' deep understanding of the external context leads them to promote the community's social development. The Colombian firms these authors studied implemented certain HRM policies and practices, such as providing protection and guaranteeing peace in the areas in which they operated (Andonova et al., 2009). Leguizamon, Ickis and Ogliastri (2009) identify 'contingent' practices that firms adopt in response to war, violence, poverty, and natural disasters (Leguizamon et al., 2009, p. 88). During the civil war in El Salvador in the 1980s, Grupo San Nicolás, a pharmaceutical company in El Salvador, offered its employees flexible schedules and private transport between the firm and their homes at night. As a result of these policies, employees perceived that 'this is a family, and all of us feel that we are a part of it' (Leguizamon et al., 2009, p. 89).

Harvey (1993) suggests that HRM systems have changed by investment in 'hardware' securitisation upgrades, such as (1) investments in security devices/equipment, such as closed circuit cameras (CCTV), (2) the protection of infrastructure, and (3) the training of expatriates (Harvey, 1993). In addition, the literature proposes to develop evacuation programs (Fee et al. 2013) and provide bodyguards and varied travel routes (Kondrasuk, 2004), which might enable firms to protect employees. We identify two patterns in the extant findings. First, firms in environments challenged by narco-terrorism, terrorism and/or crime

and violence bend to extortion demands by paying for the protection of employees and infrastructure. The second pattern implies that firms operating in such environments may embrace ‘a more strategic standpoint’ (Harvey, 1993, p. 471), which may involve investments in ‘hardware’ security to buffer terrorist demands and/or investments in employees and individuals related to the firm to adapt to external high security constraints. Based on the theoretical background presented and the research on HRM systems and HRM in terrorism environments, we developed the following research questions: 1) How does the narco-terrorism context influence calculative, culturalist or humanistic policies and practices? 2) What is the content of HRM systems in the narco-terrorism context?

Methods

In the process of developing this project, we were confronted with a reality in which our subjects felt uncomfortable using the words ‘narco’ and/or ‘narco-terrorism’ and thus to talk about these subjects. Therefore, we developed a mixed-method strategy (Creswell, 2009) divided into two stages, which are presented in the following section.

Stage one: semi-structured interviews

We developed a protocol for our interviews divided into two sections. Section I, entitled ‘Impacts of organised crime and violence’, was based on the national survey of victimisation and perceptions of public safety (INEGI, 2013) to ‘understand the organisation’ in the narco-terrorism context. Section II, entitled ‘Strategic HRM and organised crime and violence’, was based on Schuler and Jackson’s (2005) conceptualisation of strategic HRM to explore calculative, humanistic (Goodrham et al., 1999; Davila, Rodriguez-Lluesma and Elvira, 2013) and culturalist (Hofstede, 2001; Bonache et al., 2012; Davila & Elvira, 2009) HRM policies and practices in our context. We pre-tested our interview protocol with five HR managers at a manufacturing firm located in Monterrey, Mexico and thus, we deleted words such as ‘narco-terrorism’ or ‘narco’. Our final interview protocol is presented in

Appendix A. Given the intricate nature of our research, we relied on our personal networks to construct the interview sample. We gained access to 18 Mexican firms, three Danish MNCs (Firms 18, 22 and 23), one Brazilian MNC (Firm 21) and two US MNCs (Firms 19 and 24), where two of the authors conducted interviews. In total, we conducted 40 interviews over a period of 15 months at 24 firms; see table 1.

[Insert Table 1 near here]

Because of the confidentiality agreements signed with the interviewees, we do not provide a detailed account of each firm in this article. The interviews lasted approximately 45 minutes on average and were tape-recorded and transcribed. We took notes of the fieldwork conducted. We interactively analysed our qualitative data with our theoretical framework to code our data in Nvivo10 (qualitative software) in accordance with the texts that evoked (Gioia, Corley, & Hamilton, 2013) and referred to impacts of crime and violence to firms and emerging HRM policies and practices. The coding yielded an initial scheme with 45 codes that facilitated the comparison of topics across data sources. The data had seven main second-order themes associated with two aggregate dimensions: consequences of ‘narco-terrorism’ and HRM system in narco-terrorism environments; see Table 2. To ensure trustworthiness, 10 months after the first coding, we recoded our data again and calculated in NVivo the reliability coefficient, which shows intra-coder reliability (Miles & Huberman, 1994) over 0.93.

[Insert Table 2 near here]

Stage two: quantitative content analysis

The second stage of our mixed-method strategy consisted of a quantitative content analysis (Gitlin, 2003) of international news reports to provide an account of the direct impacts of narco-terrorism on firms in Mexico, as this topic was not directly discussed with our subjects, as mentioned before. We retrieved news reports published between December

1, 2006 and November 30, 2012 for the corpus of the dataset, using the database FACTIVA (<http://global.factiva.com>). Our newspaper database integrates 204 articles from the following number of newspaper articles per region: the US (105), Mexico (53) and the European Union (EU) (42).

The quantitative content analysis was conducted using a codebook that was developed based on (1) a typology of direct and indirect impacts of terrorism (Czinkota et al., 2010; INEGI, 2013; Liou & Lin, 2008), from which we identified 13 possible impacts of narco-terrorism, (2) a typology of corruption inspired by North (1990) and Luiz and Stewart, (2014), and (3) a typology of strategic responses to narco-terrorism contexts inspired by Sutter and colleagues (2013); see Appendix B. Using an Excel document, two independent coding assistants developed a binary coding (zero or one) method to analyse the content of the 204 newspapers articles, and then converted into a SPSS (quantitative software) dataset. First, the inter-coder reliability, measured by the coefficient kappa (Brennan & Prediger, 1981), of a random subsample of 50 media reports for all variables was .90, ranging between minimum and maximum values of .81 and 1, respectively, for the individual variables. Then, we conducted a principal component analysis with varimax rotation to group 13 different violence and crime episodes, which resulted in two orthogonal factors (eigenvalues > 1) that explain 60% of the total variance: Factor 1 is direct impact ($\alpha=.769$), and Factor 2 is indirect impact ($\alpha=.747$). Table 3 presents the results.

[Insert Table 3 near here]

Second, based on the emerging evidence on terrorism environments and firm responses, we developed a list of six possibilities presented in previous research, such as ‘make extortion payments’, ‘move the firm to another location’, ‘close down the firm’ or ‘develop collaborative actions with other firms’, (e.g., Sutter et al., 2013) to code our sample in order to investigate the underlying firms’ strategic responses to narco-terrorism. Then, we

conducted a principal component analysis with varimax rotation to group the six possible responses, which resulted in two orthogonal factors (eigenvalues > 1) that explain 53% of the total variance: Factor 1 is adaptation ($\alpha=.831$), and Factor 2 is acceptance ($\alpha=.817$); see Table 4.

[Insert Table 4 near here]

Findings

To understand the context in which the firms visited operate, we first present the impacts of narco-terrorism based on our thematic analysis, complemented by a quantitative content analysis. Then, we present our thematic analysis to address HRM policies and practices adapted to the indirect impacts of narco-terrorism.

Direct and indirect impacts of narco-terrorism on firms

Table 2 presents representative quotations that substantiate the second-order themes we identified. The first two themes present a general overview of the direct and indirect impacts of narco-terrorism, which are discussed in terms of organised crime and violence in the firms visited and help to elaborate the third theme: the consequences of direct and indirect impacts of narco-terrorism on firms' operation-related issues. The latter five second-order themes present emerging HRM policies and practices implemented in the firms to buffer the impacts and consequences of narco-terrorism. Together, these themes led us to propose an HRM system that appeared to function in narco-terrorism contexts.

Theme: Direct impacts of narco-terrorism

The first step of understanding the narco-terrorism context in which the firms visited operate was to cautiously explore the direct impacts of narco-terrorism on firms and firms' responses. During our interviews sessions, our subjects discussed in general terms the impacts of organised crime and violence as a consequence of narco-terrorism at the societal level. Our subjects elaborated on typical direct impacts such destruction or theft of equipment

and/or material, see Table 2. An HR manager provided a clear example:

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

However, none of our subjects mentioned that their firms were subject of narco-terrorism direct impacts such as extortion, kidnap of employees, as presented in our quantitative content analysis (see Table 2).

Theme: Indirect impacts of narco-terrorism

The narrative of our interviews allowed us to identify indirect impacts of narco-terrorism on employees. According to our subjects, employees fear taking public transport, working night shifts, or travelling in dangerous areas, which according to our subjects impact employees' feelings of anxiety and stress. The following quote provides a sense of the indirect impacts of narco-terrorism on employees:

There have been several shootings just outside the plant... Now, employees are afraid to come to work. As a result, we have registered higher levels of absenteeism. (Firm 1)

It [crime and violence] has created a climate of uncertainty. Employees fear for the lives of family members and themselves. In the plant, we have an atmosphere of tension and stress. (Firm 4)

One impression gleaned from our fieldwork is that firms struggle with the direct and indirect impacts of narco-terrorism, particularly those on trust. The informants indicated that the lack of trust appeared to be escalating, not only in terms of the government's inefficiency in fighting drug cartels but also at the civil society level, as anyone could be involved with narco-cartels. As we developed our interviews, we realised that our subjects 'avoided' and

‘evaded’ references to narco or cartels (field notes), as presented in our methodology section. We learned through experience (field notes) that in public places, such as restaurants and bars, Mexicans and foreigners avoid using the words ‘narco’ and ‘cartels’. As a subject commented, ‘...you never know who might be sitting at the table next to us...so it is better not to talk about it [narco/cartels] in public places in order to avoid any risk...’. As we aimed to find casual explanations for the influence of narco-terrorism on HRM systems, we needed to build a more robust understanding of the specificity of the narco-terrorism context; however, we were limited by the constraints of obtaining rich insights from our subjects. Thus, we further analyse our quantitative content analysis, which is presented below.

Quantitative content analysis.

The analysis derived from our quantitative content analysis involved estimating a multiple linear regression in which our dependent variables (acceptation and adaptation) were regressed on all our independent variables (direct and indirect impacts, political and legal environments, corruption, and year). The multiple linear regression analysis was conducted to determine the importance of the political and legal environments in Mexico (independent variables) in determining firm strategies in a narco-terrorism context.

[Insert Table 5 near here]

Table 5 indicates that the regression yields statistically significant results for two strategies: acceptance $F(5, 198) = 12.780, p < .000$ and adaptation $F(5, 198) = 12.780, p < .000$. These strategies explain 24.4% and 19.7% of our model, respectively. Our analysis of the news reports suggests that with larger direct impacts of narco-terrorism ($\beta = .295, p < .001$) and corruption confronted by firms ($\beta = .202, p < .01$), the acceptance response is more likely to be adopted. This response tended to increase at the end of former president Felipe Calderón’s administration (2006-2012), according to the independent variable ‘year’ ($\beta = .162, p < .01$). The same trend is observed for the adaptation response in relation to higher

levels of corruption ($\beta = .251, p < .001$). The direct impacts of narco-terrorism on firms do not statistically significantly explain the use of the adaptation response ($\beta = .147, p < .10$). However, the result of this equation reveals the same tendency as that of the acceptance strategy. We interpret the results as the ‘war on drugs’ strategy implemented in Mexico generated sudden change for firms operating in Mexico. This means that our emerged aggregate dimension effects of narco-terrorism on firms suggests that firms heavily invested in ‘hardware’ to adapt to the sudden increase in organised violence and crime derived as a result of the implementation of the ‘war on drugs’ by Mr. Calderon in 2006. As time passed and no effective solution from the government to fight narco-terrorism was given, for example, in terms of the increased homicide toll, we interpreted that firms accepted these conditions to operate in Mexico.

Our results do not offer a statistically significant explanation for the implementation of either of the two responses based on indirect impacts. However, we observe emerging indications in the thematic interview analysis (Table 2). According to the results of the quantitative content analysis presented, the ‘war on drugs’ strategy implemented in Mexico in 2006, together with firms’ confrontation against corruption, suggest a firm acceptance strategy, indicating that firms take the narco-terrorism environment for granted. These elements provide initial evidence of the causes of the adaptation and acceptance strategies implemented by firms operating in Mexico. Evidence to support these arguments is presented in the following section.

Theme: Consequences of direct and indirect impacts on operation-related issues.

According to the HR managers interviewed, anxiety, fear and stress (field notes) had an impact on employees’ absenteeism and turnover (see Table 2). Our thematic analysis also indicates that stress and fear impact employees’ concentration at work and thus disrupts work schedules because when there is a security issue, employees cannot travel to their

workplaces, which, according to our subjects, impacts firms' productivity (see Table 2). The following observation from a general manager exemplifies this argument:

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

The narrative of our transcripts and field work allowed us to develop our third second-order theme: consequences of indirect impacts on firms, which are integrated by disrupted value chains, investment in hardware, disrupted work schedules, disrupted production, and security certification; see Table 2. The first three categories were mainly identified at the eight commerce and service firms visited, as these firms have revoked providing or transporting services and goods to high-risk areas (see Table 1), as a strategy to protect their employees and firms' assets. Investment in hardware such as lighting, CCTV systems, security guards, and reinforced doors and windows was a first-order category that emerged across all firms visited and represented typical actions implemented by firms to adapt to the abrupt increase of crime and violence in 2006 (field notes) identified in our initial coding.

The security certification category emerged mainly at the sixteen manufacturing firms visited. We found that only six firms (firms: 14, 18, 19, 21, 23 and 24) had a written security policy, and only firm 23 had C-TPAT (CUSTOM-Trade partnership against Terrorism) certification, while firm 21 implemented a programme to apply for C-TPAT certification. The C-TPAT is a certification developed by the US Customs and Border Protection to protect the US border from terrorism (field notes). According to our subjects, the C-TPAT is not a requirement to export to the US; although most of the firms visited export to the US, some firms were not aware of this certification. A manager of foreign MNEs commented on C-TPAT certification:

...this plant is ‘new’; I was the second employee hired. We ‘built’ this plant according to security risk prevention protocols, which could eventually allow us to apply for C-TPAT certification. However, right now, we have other priorities...there isn’t pressure to have it [C-TPAT], right now, our concern is to increase production...
(Firm 24)

...tell me more about it, as next month we will be in Mexico... I have never heard of C-TPAT, what is it? (Firm 23)

Our quantitative (Tables 3-5) and qualitative results (Table 2) show a pragmatic approach to adapting to the direct and indirect impacts and consequences of narco-terrorism on the firms visited, which, in turn, constitutes the basis of designing the content of HRM systems tailored to the narco-terrorism context, which is presented below.

Theme: flexibility and alternative work schedules

The direct and indirect consequences of narco-terrorism presented in our mixed-method design see Table 3, led us to analyse the adaptation strategy in terms of HR systems. Employees’ late arrival at work and/or absenteeism and fear are common indirect impacts of narco-terrorism identified in the firms visited. Our subjects appeared to be aware of the sudden changes in the challenging external environment of the firm and thus ‘understood’ employees’ lateness, for example, and adapted their HRM systems to these impacts. Adaptation was identified in terms of policies and practices such as flexitime and work schedules introduced by the firms (see Table 2). Flexitime was identified as allowing employees to arrive to the workplace late or leave early in case of *narco-bloqueos* or another security risk adversity. Our thematic analysis allows us to compare and contrasts reasons for lateness in relation to working hours between blue-collar and white-collar employees among the 24 firms visited (see Table 1). Mexican Labour Law mandates a maximum of 48 hours of work per week, which, for the eight services and commerce firms visited, were distributed

from 8am to 8pm. The sixteen manufacturing firms reported two typical shifts for white-collar employees, from 8am to 5pm or from 7am to 4pm, and three typical shifts for blue-collar employees, from 7am to 4pm, from 4pm to 11:30pm, or from 11:30pm to 5am (field notes). HR and general managers claimed that lateness to work for members of senior manager positions were due to changing their routes from home to office in order to avoid kidnapping, for example. On the other hand, according to our subjects, firms' own buses to transport blue-collar employees from designed locations within the city to industrial parks also make changes to their driving routes from time to time to avoid crossfire and/or assaults.

Flexitime, which, according to the HR managers, also means 'work from home' for senior managerial positions, was a policy introduced by some firms in our sample to adapt to the 'new' security conditions. Flexitime was implemented to reduce the consequences of narco-terrorism, such as absenteeism related to fear arising from street shootings. The following quotation provides a glimpse of the situation:

Given *narco-bloqueos*... we allow workers to be late or absent in order to avoid putting their lives at risk... We have more flexible schedules... Now, our executive-level employees can work from home, for example. (Firm 6)

As narco-terrorist attacks are unpredictable (field notes), our subjects explained that they needed to adapt work schedules to the security contingencies presented, including changing working hours, closing the office at 6:00pm (service firms), and cancelling night shifts (e.g., 11:30pm to 5am) and extra shifts, as a strategy to motivate employees to go to work and avoid quitting their jobs. A general manager commented on these policies:

We try to leave work before 8pm... before it gets dark... In the morning, we start one hour later. (Firm 13)

However, our subjects also discussed that cost appeared to be a negative consequence of implementing flexitime and work schedule policies and practices. The recurrent theme of

flexibility and alternative work schedules centres on the effects of the narco-terrorism context on the firms visited. According to our transcripts, our subjects felt vulnerable to random attacks in public places and tended to accept that the government had a limited capacity to fight narco-terrorists. The narratives that emerged from our transcript allowed us to identify that firms protect their infrastructure and equipment not only by investing in hardware, for example, but also by investing in protection measures to prevent hiring narco-terrorists. These arguments are developed in the following theme.

Theme: Recruitment and selection (R&S)

An emerging pattern from our thematic analysis suggests that a lack of trust is not only related to the government's strategy to fight narco-cartels but also reflected at the civil society level. This means that 'we do not know if you are from the 'good' or 'bad' guys' (field notes). According to our subjects, this uncertainty implies the need to redesign the R&S process to meet challenges derived from narco-terrorism, as highlighted by an HR manager:

We trust people less. Therefore, we need to be stricter in the hiring process. (Firm 2)

This response suggests that firms also need to protect themselves from candidates with connections to narco-cartels. According to our subjects, it appears that certain candidates' value scales and moral behaviour have weakened, which could be a potential threat to firms' work environments and resources. The following quotation from an HR manager illustrates this concern:

...even here [in this plant], we had a person who was in an organised crime group. I did not realise this because I requested [from] him [only] the information and documents that were regularly assessed in our former recruitment and selection process...everything was 'fine'... (Firm 19)

We identified a common pattern to redesign R&S according to the adaptation

strategy. According to the first-order categories we identified (see Table 2), redesigning practices means recruitment based on recommendations and security screenings of candidates, such as in-depth interviews, in-depth research into candidates' background information, and toxicological and addiction tests, together with visits to candidates' homes, as an HR manager suggested:

We assess the environment where the candidate lives by visiting his/her neighbourhood and home. We want to make sure that there is not a connection or relation between crime-violence issues and the candidate. (Firm 19)

This redesign of R&S is challenged by a pattern identified in the episodes of our transcripts coded in our first-order category, the challenges of attracting candidates to firms (see Table 2). One HR manager portrayed this challenge as follows:

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

As a consequence, the firms visited implemented practicalities such as changing timetables for candidates' appointment for interviews and psychometric and medical tests. Firms visited avoided scheduling appointments after dark, a practice related to physical security (e.g., being caught in a crossfire fight or kidnapping). This is associated with the location of the industrial parks visited, which requires an approximately 45-minute drive from Monterrey's downtown (field notes). Blue-collar workers need to take up to three public transport buses to reach the industrial parks, which, according to the managers at the manufacturing firms visited, presents a barrier to attracting employees and thus creates an additional challenge to the R&S process. The HR managers at manufacturing firms tended to agree that to some extent, they are 'forced' to recruit employees who live close to their firms and not necessarily recruit based on employees' competences (field notes). According to our thematic analysis, the causal effect of such R&S restriction is more investment in training,

among other measures, which are elaborated below.

Theme: Training and development

According to our subjects, certain employees use the narco-terrorism factor as an excuse for work absence. The account of our transcripts and field visits suggests that it is important to develop training programs focused on ‘hard’ skills, as our subjects commented that in certain circumstances, firms tend to hire employees who they can trust even though these candidates lack certain ‘competences’ (field notes). However, such training programs ‘must’ (field notes) integrate soft skills training to develop ethics and values, identified as our first-order category, which, according to our subjects, is a priority in an environment of mistrust. The following quotations serve as examples of these concerns:

Some employees use organised crime and the violence factor as a way to avoid showing up for work. (Firm 5)

[We need to] further promote the ethical values and goals of the organisation, as well as staff training. (Firm 4)

Together with ethics- and values-related training, firms provide workshops on security/prevention and counselling (first-order category), which are pragmatic approaches considered in their re-designed training and development programs. For example, several firms offer workshops on self-defence and awareness training. One HR manager (Firm 9) stated that firms seek to provide unique training and development opportunities in combination with counselling sessions, which are available to employees and their family members who have also suffered from the consequences of narco-terrorism. The following statement exemplifies this account:

We are trying to introduce many initiatives, such as workshops and seminars, to encourage employees to come to work... We want to help the staff feel comfortable

in the workplace again... to find a way to get the *good* working environment back.

(Firm 9)

Our thematic analysis allowed us to identify the prevalence of employee participation in the design of such training programs, as the HR managers interviewed tended to agree that they welcomed employees' suggestions for designing and implementing training courses in order to buffer the direct and indirect consequences of narco-terrorism. However, HR managers also suggested that there is a need to develop a 'professionalisation' of training programs among other HR policies and practices, together with budget concerns, which we named as our first-order theme, challenges to training and development. This means that training courses should be provided by a professional in securitisation. The challenge is that such professionals are seldom found for example, in Monterrey, Mexico. A General Manager commented:

We are going to have training on personal security matters by a British consulting firm. It will be until summer...it is not possible to find another alternative here [Mexico]...our firm just provides in-house general 'security' advice...however, we need more professional training... (Firm 18)

According to the arguments developed by our subjects, the sixteen manufacturing firms visited do not have a particular budget with which to design and implement a security-training programme. An alternative observed is that the firms post security bulletins in common areas in the plant and present security prevention videos in the cafeteria (field notes). A HRM manager elaborated on these alternatives:

We alert our employees by sending e-mails to our managers and posting bulletins to our blue-collar employees in the event of a security alert. (Firm 21)

Theme: Compensation systems

The first-order categories identified in our compensation system theme are employees' protection benefits, ambidextrous compensation and budget concerns. According to our subjects, attracting new employees and making current employees feel safe at the workplace were some of the challenges discussed in our visits. Investment in hardware (alarms, security guards, lighting, etc.) and software (training, communication, etc.) were some of the strategies implemented, as presented above, which appeared to be complemented by a variety of benefits offered to employees. It is important to highlight that traditional benefits such as private transport, financial assistance for schooling and medical treatments, and paid lunch, among others, are motivators that are highly appreciated and not new to the firms visited (field notes). However, our subjects also highlighted that such benefits needed to be complemented with higher salaries and the provision of private security guards and private transportation (buses) with guards on board and life and medical insurance in conjunction with other nonmonetary rewards, such as access to sport clubs and recreational parks for employees and their families.

Our emerging ambidextrous compensation first-order theme was developed throughout the narratives documented during our fieldwork. We identified two patterns in this regard: on one hand, the HR managers reported that higher salaries were frequently offered to employees occupying higher positions and having higher levels of education (higher managerial positions), as these employees tend to emigrate from Mexico, typically to the US. On the other hand, the firms reported that they also offered company cars as part of the compensation package to top executives and expatriates. However, our subjects agreed that 'keeping a low profile' (field notes) is a strategy to diminish the danger of the indirect impact of narco-terrorism. In practice, this strategy has resulted in avoiding 'elitist' benefits, such as expensive company cars. An HR manager commented on this topic:

...people here did not accept the firm's program to buy a new car (our car renewal

benefit of changing from an old to a new car [every second year] is voluntary), some managers have told me, *‘why not stick with my old car? ... I do not want to take any chances...I am happy with the ‘old’ car’*. (Firm 19)

At the operational, employee level, we find that private transportation for employees, including a guard on buses, is appreciated. In terms to access to sport clubs and recreational activities, HR managers elaborated that the main purpose of having such benefits is to encourage the integration and participation of employees in social activities as a way to build attachment to the workplace. Overall, the interviewees indicated that it is crucial for the organisation to demonstrate its support for its employees. The following quotation serves as an illustration:

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

Our third second-order theme, budget concerns, evolved in accordance with the difficulty of the expatriates who typically approve a subsidiary’s budget to understand the impact of narco-terrorism on local employees. Subsidiaries of foreign MNCs in our sample face pressure to keep their budgets low. Our results suggest a difficulty for such subsidiaries of foreign MNCs, which typically do not provide such benefits (such as buses) in their own countries to justify investments in benefits and services that attempt to diminish the indirect impacts of narco-terrorism on employees (such as fear and stress) to the MNC’s headquarters. The following statement from a Mexican HR manager illustrates this challenge:

... in the US, transport is not widely provided to employees. The plant director [from the US] would not agree... he enquired... *‘why is it needed, if all [of the blue-collar workers] live near the plant?’* (Firm 19)

Theme: Extreme measures

One recurrent pattern evident in the interviews is that managers encourage employees from all areas and organisational levels to participate in brainstorming sessions to propose and develop security policies and practices. We found that these sessions resulted in a radical influence on the HR systems identified as a second-order theme: extreme measures integrated by screening employees and managing expatriates as first-order categories (see Table 2). The following quotations illustrate such practices:

[We] remove company logos and avoid wearing uniforms off-site... (Firm 11)

We implemented a policy that if any employee needs to travel for work-related issues, s/he must notify us that s/he has arrived safely. (Firm 13)

We interviewed all employees again...to verify their trustworthiness... (Firm 5)

Our subjects indicated that the design and introduction of these ‘extreme measures’ needed to be aligned to the firm’s values and ethics, with the aim of promoting trust. Additionally, we found that MNCs have developed security policies for expatriates working in Mexico. HR managers at the foreign MNC commented that they constantly consult the warning releases to travel to Mexico on the US Department of State –Bureau of Consular Affairs webpage. Given that the US Department of State has imposed restrictions on US government employees’ travel to Mexico for more than six years, (field notes), some of these policies have also been imposed on expatriates in foreign MNCs in Mexico. A HR manager of US-based firms in Monterrey elaborated on this argument:

...we have an agreement with the Hampton Inn [Hotel] Apodaca [an industrial district near Monterrey]. The hotel transports the expats to the plant. We have a policy that they [expats] cannot..., well, they are urged not to leave the Apodaca area. In other words, airport to hotel and hotel to plant. (Firm 19)

Additionally, to avoid indirect impacts of narco-terrorism, some foreign executives avoid travelling to Mexico at all. According to our subjects at a foreign MNC in Monterrey,

this posture has created a different scheme for holding meetings. The following quotation gives a sense of this scheme:

Production-related meetings have been moved from Monterrey to a central point, like Dallas, Atlanta or Houston; we local (Mexican) and headquarters (foreign) managers meet up... this setting leads to high costs and lost time in travelling. (Firm 24)

Discussion

The key purpose of this study is to provide an initial examination of how the narco-terrorism context influences HRM systems by drawing on theories and research on strategic HRM and terrorism with two specific questions: 1) How does the narco-terrorism context influence calculative, culturalist or humanistic policies and practices? and 2) What is the content of HRM systems in narco-terrorism contexts?

First, as terrorism appears to continue to dictate the course of HR management, one of the most significant findings of this study is that narco-terrorism's direct and indirect impacts and consequences are a dominant influence on the design and implementation of HRM systems that integrate a 'bundle' of 'best' HRM policies and practices, which tend to contradict the common notion of HRM systems in Latin America, such as culturalist approaches (Bonache et al., 2012; Lertxundi & Landeta, 2011). The causal relationships in the narco-terrorism context produce regularities not explained by HRM systems developed based on culturalist dimensions, such as status, power and symbols (House et al, 2004; Hofstede, 2001), which might conflict with the narco-terrorism context in Mexico. Our findings indicate the opportunity to further research the causal relationships between narco-terrorism and HRM systems, which can be explained independently (e.g., Sayer, 1992) of culturalist, calculative or humanistic HRM systems.

Second, our results support the importance of managers and HR specialists being highly proactive and adaptive (Dicke & Ott, 2003) in designing and implementing HRM

systems tailored to environments characterised by uncertainties and volatility as a result of narco-terrorism. Previous research supports that in volatile and uncertain times, firms face increased pressure to ensure that their operations and staff are secure and safe from threats to their physical and emotional health (e.g., Fee et al, 2013) that might put pressure on employees' intellectual competences. Based on our results, we argue that constructing a balance between stability and flexibility, which is one of the strategic dilemmas of HRM (Boxall, 2013), is a key element of adapting HRM systems to the specific narco-terrorism context. This balance is achieved by designing the content of HRM systems, which, according to our results, presents an inherent duality between (1) strong and strict employee protection and screening and (2) a humanistic orientation, such as flexibility (Gooderham et al., 1999; Davila et al., 2013); see Table 2. This duality could send signals to employees that they are 'at the centre of the business strategy' (Leguizamon et al., 2009, p. 94). We discuss the implications of our research in the following section.

Implications for theory and practice

The results of the quantitative content analysis provide an indication of the challenges facing firms operating in political and legal environments plagued with narco-terrorism and corruption and offer initial explanations for the acceptance strategy adopted in Mexico. We interpret acceptance as an acknowledgement that nothing can be done to resolve the impact of narco-terrorism on firms; thus, firms must learn to mitigate direct and indirect impacts by developing an adaptation strategy. For example, according to our quantitative content analysis, certain firms surrender to narco-terrorist demands and make payments to terrorists in order to ensure that their organisations continue their operations. However, our qualitative thematic analysis does not support this conjecture. Although respondents were reluctant to discuss such issues, the thematic analysis supports the quantitative results regarding the adaptation strategy. Our findings provide evidence of HRM systems designed to build

employees' commitment to decrease turnover in the narco-terrorism context by integrating flexible work schedules and flexitime, among other policies (see Table 2) that are in accordance with HPWS developed in stable context (MacDuffie, 1995). However, humanistic HRM policies and practices (Gooderham et al., 1999) need to be accompanied by pragmatic investment in security hardware and calculative policies and practices that, according to our results, are based on strict candidate and employee control, such as employee screening, which tends to support the adaptation strategy proposed in this research. Practitioners should be aware of the additional financial cost to a firm's budget as a result of implementing and maintaining such HRM systems. There is a budget concern in adapting HRM systems to the indirect and direct consequences of narco-terrorism in the sixteen Mexican and foreign manufacturing firms in our sample, where emphasis might be placed on cost reduction.

It is important to highlight that the implementation of flexible work schedules, recruitment based on recommendations and benefits, among other policies and practices (see Table 2), are not entirely new in Mexico (e.g., Elvira & Davila, 2005; Rao, 2014). Our results indicate that managers understand employees' absenteeism or lateness due to narco-terrorism attacks and design humanistic policies and practices, such as counselling or work-from-home arrangements to employees in such circumstances. Thus, the logic of designing the content of HRM systems by relying on professionals' deep understanding of the narco-terrorism context, which might make HR professionals act ambidextrously (e.g., Patel, Messersmith, & Lepak, 2013) in adapting HRM systems (Prieto-Pastor & Martin-Perez, 2015) by combining humanistic, calculative, pragmatic and financial support to employees (Davila & Elvira, 2009) in HRM systems that are consistent with firms' strategies and that may respond to the external narco-terrorism context, is supported by previous empirical research (e.g., Andonova et al., 2009). Our data suggest that in narco-terrorism environments, such policies and

practices are employed to motivate employees to remain in their jobs and to reduce the rate of absenteeism, as they are frightened of travelling to work.

Another key finding is employees' involvement in designing HRM systems based on brainstorming sessions in an active attempt to diminish, alter, or reject the business environment associated with narco-terrorism, which suggests moving away from common culturalist dimensions of power distance (e.g., House et al., 2004) to design HRM systems. Typically, the power distance dimension of strict and top-down relationships in Mexico is characterised as giving orders or receiving instructions. We suggest that the narco-terrorism context modifies these relationships, as both employees and employers might suffer from the resulting narco-terrorism constraints. Involving employees in the design of HRM systems is implemented more frequently in more advanced societies (Jackson et al., 2014). However, in narco-terrorism settings, open communication can serve as a tool for discovering alternative solutions. Notably, employees' involvement and participation in designing security policies is suggestive of key factors of strategic HRM. Given the above mentioned considerations, employers may need to reconsider whether the typical Mexican top-down dimension (Hofstede, 2001) of HRM systems is the most appropriate when implementing management practices that may not match employees' beliefs and expectations. We interpret open communication as a method for strategically devising HRM systems that can positively engage employees in their workplaces, for example, introducing strict R&S policies and practices to avoid hiring terrorists, self-defence training, and crisis counselling. Employers send signals through such HRM systems to demonstrate that they are concerned about employees and their families in dramatic circumstances, and 'participants and builders of the organisation itself' (Cristiani & Peiró, 2015, p. 383).

The context-specific setting of our research, which involves different security risk issues, can be recognised by practitioners of local and international firms and can serve as a

basis for understanding a local phenomenon with implications for the HRM and terrorism literatures on a global scale. We posit that HRM can play a strategic role (Chow, Teo & Chew, 2013) not only in helping firms prepare for and respond to direct and indirect impacts of narco-terrorism but also in helping firms adapt to narco-terrorism environments in Mexico. This finding supports previous research on HRM and terrorism that indicates that HRM systems designed to develop social support and expatriates' work attitudes in terrorism environments can be improved (Bader, 2014, p. 16).

We advance the strategic HRM framework (Jackson et al., 2014) by providing novel evidence on firms' role in contexts characterised by narco-terrorism. In such settings, trust (e.g., Robinson, 1996) emerged in our study as an important aspect influencing HRM systems. Trust clearly poses a challenge—firms in our study were reluctant to elaborate on issues such as corruption at the government level; however, our results provide evidence that HRM systems might impact society. This is a critical issue in the narco-terrorism context, in which firms might fill institutional gaps (e.g., Davila & Elvira, 2012), such as the lack of rule of law.

Our results suggest that the role of employers in narco-terrorism environments is not limited to understanding and accepting HRM systems as strategic tools and/or complying with laws. Rather, employers understand that they can use HRM systems as a strategy to alter the impacts and consequences of narco-terrorism that they confront; however, this may be not a direct strategy to combat narco-terrorism. For example, HR managers were more open to sharing with fellow HR managers of industrial parks the HRM systems implemented in their firms to learn from each other and to find alternatives (Perry & Mankin, 2005) to 'fight against' narco-terrorism. As suggested by Luiz and Stewart (2014), 'they [firms] are not neutral 'institution takers' (p. 385) and might 'exert influence in less direct ways' (p. 394). We interpret this as a strategic pattern implemented by HR managers to address the lack of

trust in political and legal systems and among members of social society owing to the proliferation of the direct and indirect impacts of narco-terrorism. Thus, introducing HRM systems, which involves calculative and humanistic HR policies and practices together with strict R&S and training programs on ethics and values, might communicate to civil society the behaviour expected by their firms to fight narco-terrorism. Thus, employees welcome the unconditional support of employers, as they may be unable to quit their jobs or leave the city. However, this situation also creates concern, as firms reject candidates that happen to have some links to narco-terrorism even if these candidates are not narco-terrorists. Therefore, we call for future research that tests the relationships proposed in this study.

Strengths and limitations

Our study serves as an important step towards improving the classification of terrorism's impacts on firms (e.g., Czinkota et al., 2010), see table 3, as well as their influence on HRM policies and practices, see table 2. We addressed validity concerns in relation to the mixed-method strategy implemented in this research based on the procedures of collecting and analysing our data. Inter-coded reliabilities for both the quantitative content and qualitative thematic analyses show consistencies. Context-specific conditions might be captured with a mixed-method research design in contexts where informants might be unwilling to participate if they are confronted with a narco-terrorism reality that is difficult to articulate.

Our work adds to the relevance of contextualisation, making cause-and-effect explanations (Welch, Piekkari, Plakoyiannaki, & Paavilainen-Mäntymäki, 2011) of the content of HRM systems in narco-terrorism environments that can be replicated to other high-security risk contexts. However, researchers and practitioners must be careful when generalising our findings to other terrorism contexts. Although we identify a number of direct and indirect impacts in our quantitative content analysis that are similar to findings of other

researchers (e.g., Bader, 2014), we discuss terrorists that might impact firms based on economic motivations related to drug-trafficking. Thus, the rationale of designing HRM systems in other terrorism contexts might be qualitatively different. However, because the qualitative component of our mixed-method design is challenged by a lack of statistical generalisation, it can be used ‘as readers’ experience and thus to that person a natural basis for generalisation (Stake, 1978, p. 5). Naturalistic generalisation, ‘arrived at by recognizing the similarities of objects and issues in and out context and by sensing the natural covariations of happening’ (Stake, 1995, p. 6) Thus, case-to-case inferences can be transferred without any statistical inferences (Stake, 1995). For example, HRM systems in terrorism environments emphasise psychological support for employees and their families (e.g., Bader & Berg, 2013). This finding parallels our results presented in the narco-terrorism context that employees experience tension and fear. Thus, our results expand existing HRM theory by relying on an extreme case. Future research based on our thematic analysis could focus on developing a survey instrument to obtain data from employees at all organisational levels, which could then be used to test our findings.

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Appendix A

Interview Guide

Section I: Impacts of organised crime and violence

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

Section II: Strategic HRM and organised crime and violence

- (5) How does the level of organised crime and violence affect the firm's results?
- (6) Do you feel that the firm's external environment (organised crime and violence) has affected the firm? If so, please describe this impact.
- (7) Do you feel that the level of organised crime and violence affects HRM policies and practices? If so, please explain.
- (8) What are the main strategies designed and implemented to respond to organised violence and crime?
- (9) When organised violence and crime was highest (between 2009 and 2012), how was HRM affected?
- (10) What were (are) the HRM policies and practices implemented to 'deal' with organised crime and violence?
- (11) Describe how organised crime and violence have affected the firm's work environment.

Appendix B

Codebook

Direct & Indirect Impacts (based on INEGI, 2013, Czinkota et al., 2010, and Liou & Lin, 2008)

Does the story present any of the following impacts derived from organised crime and violence?

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

Political and legal environments (based on North, 1990, and Luiz and Stewart, 2014)

- (1) The report/document mentions or presents characteristics of formal rules in relation to organised crime and violence (e.g., laws, norms, and regulations).
- (1) The report/document mentions or presents enforcement mechanisms related to formal rules covering organised crime and violence (e.g., sanctions or punishments).

- (2) The report/document mentions or presents examples of political corruption (e.g., bribery). [Negative impact]
- (3) The report/document mentions or presents a lack of law enforcement or rule of law. [Negative impact]

Strategic responses to institutional constraints (based on Sutter et al., 2013)

Acceptation

- (1) Does the story suggest an unconscious or blind adherence to preconscious or taken-for-granted value rules? In other words, does the story suggest that managers/the firm/people generally accept the cartels' and gangs' demands and/or violence without thinking?
- (2) Does the story suggest a conscious avoidance or voluntary participation (e.g., payment to gangs (derecho piso))?
- (3) Does the story suggest institutional pressures? In other words, does the news suggest that managers/the firm/people are pressured by cartels, gangs, and/or violence when attempting to develop the business?

Adaptation

- (4) Does the story suggest that the firm attempts to neutralise institutional opposition and enhance legitimacy? In other words, does the story indicate that managers/the firm/people invest in or develop projects in order to develop society and denounce violence in general terms?
- (5) Does the story suggest that the managers/the firm/people undertake public demonstrations to demand that the government resolve problems of violence and crime?

- (6) *Does the story suggest that managers/the firm/people work with the government with the aim of solving problems of violence and crime?*

Tables

Table 1.

Data sources: interview data

Firms	Position	Size (employees)	Year Established	Industry	Ownership	Location: City/State	Risk Assessment*
1	General Manager	3000	1995	Manufacturing	Mexican	Escobedo/ N.L.	High
2	General Manager	120	2003	Manufacturing	Mexican	Monterrey/N.L.	High
3	HRM	250	1940	Commerce	Mexican	Monterrey/N.L.	High
4	Owner	50	2007	Manufacturing	Mexican	Monterrey/N.L.	High
5	General Manager	500	1989	Services	Mexican	Monterrey/N.L.	High
6	HRM	220	2004	Manufacturing	Mexican	Ciénega de Flores/ N.L.	High
7	General Manager	150	1987	Manufacturing	Mexican	Monterrey/N.L.	High
8	General Manager	40	2000	Commerce	Mexican	Monterrey/N.L.	High
9	General Manager	600	1980	Manufacturing	Mexican	Hermosillo/ Sonora	Medium
10	HRM	30	2003	Services	Mexican	Guadalupe/ N.L.	High
11	General Manager	50	1994	Manufacturing	Mexican	San Luis Potosí/ S.L.	Medium
12	General Manager	1000	1990	Commerce	Mexican	Monterrey/N.L.	High
13	General Manager	30	1980	Services	Mexican	Monterrey/N.L.	High
14	HRM	500	1906	Manufacturing	Mexican	Monterrey/N.L.	High
15	HR Manager	480	1985	Commerce	Mexican	Veracruz/VER.	High
16	HRM	500	1948	Manufacturing	Mexican	Monterrey/N.L.	High
17	General Manager	110	1969	Manufacturing	Mexican	Monterrey/N.L.	High
18	General Manager	10	2013	Commerce	Danish	Mexico City	High
19	HRM	1000	1995	Manufacturing	USA	Apodaca/ N.L.	High
20	General Manager	280	1974	Manufacturing	Mexican	Monterrey/N.L.	High
21	HRM	1,300	2009	Manufacturing	Brazilian	Monterrey/N.L.	High
22	General Manager	2500	2008	Manufacturing	Danish	Ciénegas de Flores/N.L.	High
23	General Manager	25	2015	Manufacturing	Danish	Tijuana/B.C.	High
24	General Manager	500	2014	Manufacturing	USA	Ramos Arispe, COAH.	Medium

Abbreviations: B.C.: Baja California, COAH: Coahuila, N.L.: Nuevo León, S.L.: San Luis Potosí, VER: Veracruz

*According to US Secretary of State, Retrieved from

<http://travel.state.gov/content/passports/english/alertswarnings/mexico-travel-warning.html>

Table 2.

Representative quotations underlying second-order themes

Second-Order Theme: Direct impacts of narco-terrorism	
Destruction of firms' vehicles or infrastructure	We have registered partial or total damage or theft in our transportation fleet...(Firm 21)
	Specialised transportation for employees, improved security system, as our vehicles are a target of gangs... (Firm 2)
Theft	...our products arrive via the port of Veracruz; then, the containers are transport by road to Mexico City. We lose a least one container about every two months. We do not know what they [gangs] do with our products, as they are raw materials to be manufactured in Mexico...(Firm 18)
	...thanks to insecurity, we changed shifts...now, we have shorter working hours, and there have been assaults on trucks with merchandise... (Firm 16)
Second-Order Theme: Indirect impacts of narco-terrorism	
Mistrust	We are less confident people. Therefore, the HR department needs to be more demanding when examining candidates for positions. (Firm 2)
	...we have major problems if the reason (violence) that the employees provide for being late to work or for not showing up is true. (Firm 10)
Stress	...especially affects the night shifts. Employees do not want to work overtime. They suffer from stress and psychosis, and

	employee turnover has increased. (Firm 6)
	It has created a climate of uncertainty—employees fear for their families’ lives and for their own. We have an atmosphere of tension and stress. (Firm 4)
Fear	As our blue-collar employees are afraid to take public transport at night, we have registered an increase in the number of resignations because employees refuse to work during the night shift. (Firm 1)
	Employees who have family members that have suffered ‘express’ kidnapping, for example, are worried and distracted. (Firm 5)
Lack of concentration	Employees lose focus at work. Therefore, their performance has dropped. (Firm 2)
	Employees are distracted and become less efficient. In addition, they leave much earlier than they should. (Firm 13)

Table 2

Representative quotations underlying second-order themes (continued)

Second-Order Theme: Consequences of direct and indirect impacts on firms' operation-related issues	
Disrupted production	Shootings have occurred just outside the plant. On those occasions, we have had to stop the production lines. (Firm 1)
	Attacks have not affected us in terms of sales but they have affected other processes... we are particularly cautious and vigilant, especially when it comes to delivering supplies to our stores. (Firm 12)
Investment in hardware	All of our vehicles have a GPS system and transit routes connected to our security department so that we can monitor roads and prevent unfortunate events. (Firm 12)
	...security cameras with closed-circuit television. Now, we have guards at all plant-access sites. (Firm 7)
Disrupted value chain	Given the type of market in which our firm is active... we have implemented new strategies for logistics for imports and exports. (Firm 8)
	So far, two of our employees have been assaulted on the street. They suffered no injuries. The aim was only the theft of personal belongings... So, we stopped delivering our products in 'dangerous' areas. (Firm 20)
Security certification	...we have a written policy, as we are applying to be certified by 'C-TPAT'...(Firm 21)

	...we do not have it [security certification]...no one told us about it...but now [after this interview], we will discuss it...(Firm 22)
Disrupted work schedules	In 2013, we had a 20% rate of absenteeism, which was 70% higher than the previous year. One aspect that is closely related to this issue is that staff members are unable to travel to the plant because they cannot use various means of transport, mainly for security reasons. (Firm 20)
	Employees are leaving much earlier to avoid driving or taking public transport after 6:00pm. (Firm 5)

Table 2

Representative quotations underlying second-order themes (continued)

Second-Order Theme: Flexibility and alternative work schedules	
Flexitime	We allow employees to arrive or stay late in the event of a violent attack...(Firm 6)
	We are more alert...I never take the same route from home to the office and back... This takes more time [to arrive at the office], but it might help to avoid a kidnapping... I always tweet with colleagues and other expats to be up-to-date on narco-bloqueos. (Firm 18)
Work schedule	Insecurity has led us to change our shifts and work schedules... This means that we are working fewer hours... Night shifts are cancelled. (Firm 16)
	Our staff must leave the office before dark. (Firm 8)
Cost	If there is a contingency in the production line during the night shift, the costs are very high...as the technicians stop providing service during the night as a result of crime and violence...(Firm 14)
	We need to adapt to this situation [crime and violence]; changing work schedules means an increase in production costs...(Firm 20)
Second-Order Theme: Recruitment and selection	
Recruitment based on recommendations	We modified our recruitment scheme... for attracting staff... It is based on recommendations from former employers, employees, clients, and suppliers... We had not previously clearly defined the HR department... Mainly due to the wave of insecurity... we have

	improved the recruitment and selection processes. (Firm 6)
	We have a program that if an employee recommends a candidate and s/he works well, then we pay a bonus of 500 pesos [approx. US\$40] to our employee. We try to recruit family and friends, and in this way, we diminish risk. (Firm 3)
Candidates' security screening	It is currently difficult to find reliable staff... Our process needed high-quality tools, such as interviews, with more in-depth review... We now demand more references; in short, filters to better scan candidates... This is why attracting staff is a challenge... There is a certain level of mistrust. (Firm 16)
	...there is a potential risk of interviewing a candidate or even hiring him/her [a drug dealer] whose only purpose is to obtain information about the firm or personnel. (Firm 24)
Challenge of attracting candidates	The recruitment of new, qualified personnel is hard.... as many have moved away from Monterrey... Many prefer to work in other cities. (Firm 5)
	... because the industrial park where our firm is located is considered to be in a 'high-risk zone' ...we decided to hire people who live close to the firm. (Firm 23)

Table 2

Representative quotations underlying second-order themes (continued)

Second-Order Theme: Training and development	
Providing training on values and ethics	...our main focus is on promoting ethical values and organisational goals. (Firm 4)
	We schedule safety workshops, which are given by a security company. Additionally, we are working hard on seminars related to values and integrity, and on promoting loyalty to the firm. (Firm 5)
Workshop on security/prevention	We have workshops on how to act in a dangerous situation... (Firm 4)
	We know that [violence and crime] is a concern, but we have not yet implemented a training program. We have developed a list of things that should be done and things that should be avoided for foreign employees that come on short visits to Mexico... We are talking with a consulting firm based in the UK about holding a workshop or seminar on security/prevention issues for our executives. (Firm 18)
Providing counselling	We have implemented some anti-stress and consoling coaching programmes for the employees and their families. (Firm 1)
	It was made by brainstorming with employees at all levels... Together, we analysed the situation, and we proposed workshops and coaching sessions. (Firm 2)
Challenges to training and development	...we did not consider it [personal development training] in our training budget...(Firm 22)

	...one of the major concerns in relation to training programmes is the time to provide training and budget concerns...as sometimes, we need to hire consulting firms to train on high security-related issues...(Firm 19)
	Professionalisation of the training and development programmes...particularly in relation to security issues is a need in the HR department...(Firm 18)

Table 2

Representative quotations underlying second-order themes (continued)

Second-Order Theme: Compensation and benefits	
Employees' protection benefits	We have introduced more security at the firm's parking facility and security guards to escort employees, especially women, in the firm's parking area. (Firm 5)
	We provide a company car for employees who live far from the firm and need to leave the office late [after 6:00pm]... We also have hired special transportation, mainly for operational-level staff. (Firm 19)
Budget concerns	...the biggest concern to the top management team is to keep the budget...therefore, implementing benefits such as private transport sometimes is difficult to justify. (Firm 19)
	...we have been in the market for many years...our employees have learned to live with insecurity issues...we do not provide such security-related benefits as part of the compensation package because we cannot afford them... (Firm 3)
Ambidextrous compensation	...including general directors and other functional levels, now, it seems that everyone has a low profile, you can even see it in the way they dress, wear jewellery...even if they are [directors], who typically have high income...they try to maintain an average profile... (Firm 14)

	...in order to retain and keep our senior management team...we needed to increase their salaries... (Firm 24)
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Table 2

Representative quotations underlying second-order themes (continued)

Second-Order Theme: Extreme measures	
Screening employees	We interviewed all employees again ... to verify their trustworthiness... We also block incoming calls from unknown numbers, and we have stopped delivering and/or providing the firm's products or services in conflict areas. (Firm 5)
	We introduced medical tests for all employees. These tests cover drugs, addictions, and toxicological elements. (Firm 19)
Managing expatriates	Expatriates were sent home. Now, they make short visits to the plant between Monday and Friday, and they stay at a hotel close to the airport. (Firm 17)
	. . .we do not have a policy...we just recommend to our foreign employees not leave the area where they live... (Firm 1)

Table 3

Varimax-Rotated Factor Solution for narco-terrorism's impacts

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

Table 4

Varimax-Rotated Factor Solution for strategic responses to institutional pressures

Tactics	Factor 2 Adaptation ($\alpha=.831$)	Factor 3 Acceptation ($\alpha=.817$)
Taken-for-granted institutional context	.141	.811
‘Voluntary’ payment to gangs/crime entrepreneurs	.008	.911
Pressure from crime entrepreneurs	-.003	.833
Firms’ denouncement of violence	.879	.100
Firms’ demand that the government resolve the problem	.819	.056
Firms’ partnerships with external stakeholders	.878	-.005

Table 5

Multiple linear regressions

	Acceptation	Adaptation
Direct impacts	.295***	.147 ⁺
Indirect impacts	.114	-.093
Political and legal Environments	.070	-.020
Corruption	.202*	.251**
Year	.162*	-.221**
R^2	.244	.197

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