

Global Journal of Business, Economics and Management: Current Issues



Global Journal of
Business, Economics and
Management: Current Issues

Volume 9, Issue 2, (2019) 63-75

www.wjbem.eu

Assessment of political risk factors influencing the corporate performance of multinationals construction companies in northeastern Nigeria

John Adebisi*, Quantity Surveying Department, University of Benin, Benin City 300283, Nigeria

Gabriel A. Sanni, Quantity Surveying Department, University of Benin, Benin City 300283, Nigeria

Abiodun Kolawole Oyetunji, Quantity Surveying Department, University of Benin, Benin City 300283, Nigeria

Suggested Citation:

Adebisi, J., Sanni, G. A. & Oyetunji, A. K. (2019). Assessment of political risk factors influencing the corporate performance of multinationals construction companies in northeastern Nigeria. *Global Journal of Business, Economics and Management: Current Issues*. 9(2), 63-75. <https://doi.org/10.18844/gjbem.v9i2.4232>

Received from February 10, 2018; revised from May 05, 2019; accepted from July 02, 2019.

Selection and peer review under responsibility of Prof.Dr. Cetin Bektas, Gaziosmanpasa University, Turkey.

©2019 United World Center of Research Innovation and Publication. All rights reserved.

Abstract

The transborder extension of the services offered by multinationals construction companies that have settled in Africa exposes them to the political risk factors pertinent to the host country. This paper seeks to identify and assess the prevalence of political risk factors influencing the corporate performance of multinational companies in the North-eastern zones of Nigeria. Structured questionnaires were administered to 78 expatriates project managers from six multinationals construction companies within six states of Nigeria's North-east area. Data collected were analysed using the relative importance index and factor analysis. Findings showed terrorism, corruption, insurgencies, sabotages and kidnapping were the five major political risk factors with the highest level of occurrence, while terrorism, kidnappings, sabotage, corruption and change in government are those with the highest impact on operations in the region. The recommendation includes the need for the Federal, State and Local Governments to provide adequate security for lives, properties and investments.

Keywords: Construction companies, corporate performance, multinationals, political risk, terrorism.

* ADDRESS FOR CORRESPONDENCE: **John Adebisi**, University of Benin, Benin City 300283, Nigeria.

E-mail address: abiodun.oyetunji@uniben.edu

1. Introduction

According to Aswathappa (2008), multinationals are constantly striving to break into international terrains and markets, by providing improved and innovative goods and services, in a bid to stay relevant in fast-moving international economies. It is trite in decision theory that every decision has its risks and they are largely influenced by external factors. Different countries have diverse jurisdictions, political, social and environmental risks that corporate firms must manage as part of their business threats. The ability to control the varied risk factors, which can affect the quality of service delivery, by these multinational construction companies has been a major reason for their sustained success. Dikmen, Birgonul and Han (2007) concluded that the ineffective management of these risks can lead to failure of the companies. Nigeria's economy was initially dominated by agriculture until the discovery and exploration of crude oil in 1973; which in turn became the major source of income to the country. Although Nigeria also has many other solid mineral deposits which are presently underexploited. A combination of Nigeria's population size and huge income makes her a potential economic force in Africa. Indeed, she is referred to as the Giant of Africa. This has made Nigeria, a magnet for multinational companies, seeking comparative advantage or any means possible, to profit from the robust and aspiring economy.

Poor economic opportunities and illiteracy have exposed some African countries including Nigeria to violent social and political unrest. These disturbances associated with political and/or religious undertones have devastating effects on the performance of organisations trading therein. Nigeria has unofficial fault lines dividing the country into the Muslim majority north and Christian majority south. In between these poles are mosaic of ethnic groups and faith affiliations in varying proportions. Recently, the North-Eastern (NE) Nigeria has witnessed the terror-destructive activities of Boko Haram means 'western education is forbidden' in Hausa (a language commonly spoken in the region). This sect of a terrorist is a group whose primary mission is to establish an Islamic caliphate in the region. The group operation is violent, its agitations are militarised and its attendant humanitarian crisis is catastrophic. The Boko Haram insurgency has lately introduced a terrorist dimension into the crime space in Nigeria. The trademarks of the Boko Haram are wanton destruction of lives and property with reckless abandon, through bombings, abduction and slaughtering of human beings like rams, especially in Northern Nigeria. Between 2000 and 2014, the sect has killed more than 20,000 people, destroyed private/public properties and infrastructures like roads, bridges, buildings, electricity installations, waterworks among others (Olaniyan, 2015). Nigerian military forces have been trying to contain these terrorism sects and the government trying to rehabilitate the destroyed infrastructure in the region.

Government intervention programmes are massive physical development requiring construction activities. According to Omotola and Patrick (2010), the government of Nigeria has sort ways to reduce the suffering of the populace in the North East of Nigeria, by the provision and improvement of infrastructures in the region. This infrastructure lacuna in the North East of Nigeria has attracted various international construction companies to the region. These companies bid for intended projects and engage in on-going civil engineering and construction projects. In the quest to stay afloat and relevant in the Nigerian economy, international construction companies are constantly working on various construction projects in the NE part of Nigeria; this has made them susceptible to political risk factors in the region. According to Aaron (2010) and Jakobsen (2010), international construction companies operating in the NE part of the country have been plagued with political and religious interference with their work. Osumah (2013) also added that insurgencies in the North East of Nigeria have caused huge economic losses to international investors and the Nigerian Government. Burutai (2017) stated that the North East of Nigeria has lost \$9b (Nine billion Dollars) worth of investments by government, local and international investors due to the political instability in the region fuelled by Boko Haram.

Political risks and their effects on projects and multinational companies' performance are becoming severe in Nigeria. Research and policy thrusts on the Boko Haram insurgency seem to be focusing on

its political, religious, economic and military dimensions or combination of these. Studies that focus on the economic implication of Boko Haram insurgency on multinationals companies are scarce. To rebuild the damaged infrastructure like schools, hospitals, roads, bridges among others; the services of construction companies are needed. For some development, technology and expertise-related reasons, multinational construction companies are more involved in heavy engineering and infrastructure construction in Nigeria than the Nigerian-owned companies commonly called local contractors. In the light of the above, the study seeks to assess the exposure of multinationals construction companies operating in the NE part of Nigeria to political risks with a view to enhancing the corporate performance of the firms.

2. Political risk in northeast Nigeria: an overview

The political turmoil caused by the Boko Haram sect in the NE part of Nigeria is a subject of concern for all businesses operating in the region. The state of chaos instituted by the Boko Haram Militia in the North East of Nigeria is a cankerworm that is slowly crippling developmental activities ongoing in the area. The advent of the ruinous sect and its nefarious activities has brought untold hardship, alienation, death, wanton destruction of property owned by government, private individuals, international companies and threatens to sniff out western presence and education as it exists presently in the country (Adetoro, 2012; Ogbonnaya & Ehigiamusoe, 2013; Olaniyan, 2015). The era of enormous technological advancements and knowledge transfer has made it imminent for international construction companies to cross borders in a bid to survive and succeed in the harsh economic climates and the ever-dynamic world. According to Aswathappa (2008), corporate firms are constantly seeking ways to stay relevant and important in the constantly advancing and competitive global market, by providing various services borne out of technological breakthroughs, in various countries. Dikmen et al. (2007) stated that the reason for the sustained accomplishments of certain multinationals in continually providing high-quality services, on international projects, is in their ability to closely monitor and manage the various risk factors associated with their business.

Political risk can be described as risk spurred by political activities (De-Mortanges & Allers 1996), government interference (Zhuang, Ritchie & Zhang, 1998) and social occurrences (Howell & Chaddick, 1994). Political risk studies and forecasting is becoming popular with recent political activities occurring daily around the world. According to Kettis (2004), the close study of political risk is more significant than ever. However, Adebisi (2011, p. 3) argued that there has been very little work done in regards to investigating this area of knowledge, especially in developing countries like Nigeria. Over time, political risk has been seen in different perspectives. Conceptual overview of political risks was carried out by Brink (2004); Howell (2001); Deng and Low (2013) and Low, Liu and He (2009) examined the effect of political risk on foreign direct investments (FDIs), multinational enterprises and International joint ventures at country and industry level. Others are Adebisi (2011); Deng and Low (2013); Deng, Low, Li and Zhao (2014); De-Mortanges and Allers (1996); Hashmi and Guveli (1992); Hood and Nawaz (2004); Rice and Mahmoud (1990). Most of these studies were carried out in developed countries without any relations to developing countries. An overview of the literature shows the paucity of research on the political risk exposure of international construction companies operating in Nigeria, hence the need for the study.

In the past 30 years, political risk has transformed into various dimensions (MIGA, 2010). Investors and stakeholders have not paid keen attention to the consequences of the risk factors associated with political risk on their investments in the diaspora, until recently. According to Weber (2010), the Iranian revolution and the oil crises in 1973 were practical evidence of political risk negligence, this awakened political risk awareness in stakeholders thereby initiating the need for proper political risk analysis and assessment when investing in business ventures overseas. Nigeria also had its fair share of the repercussion of paying little attention to political risk factors, examples include; the challenges experienced by international firms exploring oil and gas in the Niger-delta, the Boko Haram insurgency in the Northeast of Nigeria. Across the African continent, there was the Aluminium companies and

expropriation in Guinea. Lastly, the political wind of change that blew across Northern Africa and the middle east, e.g., Bahrain, Libya, Egypt and Tunisia. These events have made political risk assessment a high priority among cross-border multinationals (Alon, Gurumoorthy, Mitchell & Steen, 2006; Jakobsen, 2010). To comprehend the dynamics of political risk, a review of the literature was carried out to explore the various definitions of political risk by researchers.

According to Al Khattab, Anchor and Davies (2007), the vast amount of research on political risk can be seen in two perspectives; the first dimension defines political risk with regard to government intervention in the operations of business ventures while the other defines it in relation to the incidences of any political and social events on international projects. The intervention of the host government in the operations of international firms is a political risk indicator. Butler and Joaquin (1998) defined political risk as the risk that a host-government will unpredictably alter the 'rules of the game' under which a business operates. However, Hood and Nawaz (2004) and Stosberg (2005) argued that the idea of defining political risk with regard to the intervention of the host government in businesses owned by international firms, may be limited for the dynamic nature of international business over time, also, risk is not all about positive variations, but it must also comprise negative disparities. Morales-Rios, Gamberger, Smuc and Azuaje (2009) simply defined political risk as the likelihood that political terrain in a country overseas will depreciate. However, Voelker, Permana, Sachs and & Tiong (2008) argued that though political risk factors are driven by the host government's political actions, the negative effects of these risk factors affect international investments which include international construction firms and the general economy of the host country. Also, MIGA (2009) argued that the disturbances in the operations of international businesses by events associated with political risk forces could be inspired by the host government's attitude and the changes in the international business climate based on current or past events.

3. Political risk factors associated with insurgency in Nigeria

Host governments are key players in international business transactions. They can alter the business environment of their countries by enforcing economic policies in a bid to secure their interests (Al Khattab et al., 2007). However, Jakobsen (2010) argued that countries could resolve to soft pedal for the sake of international companies operating in their countries; they opined that host countries can choose to formulate and enforce economic policies that can reduce FDIs and hence cause economic hardship on the international construction investors operating in these countries. Political risk factors can be categorised into host government-caused risk factors and society-caused risk factors. Political risks relating to host government are those caused by the government that has jurisdiction over the territory that the company operates while the society-caused risk is those induced by the society where these organisations situate.

3.1. The host governments related risks include

3.1.1. Expropriation/confiscation

According to Erkan (2011), expropriation is the resolution of a host government to seize one or several assets of international business within a single area of economic activity. Jakobsen (2010) listed Chile, Ethiopia, Angola, Zambia, Zimbabwe, Peru and the Dominican Republic as countries that have confiscated the assets of international firms.

3.1.2. Contract repudiation

According to Choi, Chung and Lee (2010), Host governments can breach the terms of reference and rules of engagements between them and the foreign companies involved in developmental projects and infrastructural provisions in their country by taking advantage of lacunas in their porous legal framework. An investigation carried out on Indonesia's power projects revealed that breach of

contractual agreements was the second-highest political risk factor affecting the countries power projects (Voelker et al., 2008).

3.1.3. Currency inconvertibility

Since 2015, Nigeria has experienced a shortage of hard foreign currency. Consequently, there is a restriction on international foreign exchange (forex) transfers and this affects international companies operating in the country. It has become impossible to repatriate their profits and dividends on investment to their home. Baas (2010) stated this policy could aid the economic growth of the home country's economy, particularly if the country is facing economic hardship.

3.1.4. Ownership/personnel restriction

This happens when the host government makes laws that make it compulsory for the indigenes or political office holders to own large shares in the company or impose a percentage of indigenes as staff in the company irrespective of their qualifications (Brink, 2004).

3.1.5. Tax restrictions

According to Zayed, Amer and Pan (2007), this political risk factor is of great importance when investing or executing business transactions overseas. This must be analysed carefully by international multinational firms operating in different climes because this risk factor can affect the level of profit recorded by these companies.

3.1.6. Import and export restrictions

Keillor, Wilkinson and Owens (2005) stated that host countries could choose to enforce import and export restrictions due to industrial policies with the sole purpose of protecting domestic consumers of locally produced goods. Al Khattab et al. (2007) argued that import and export restrictions have negative effects on the balance of payments of the host country.

3.1.7. Corruption

The continuous existence of corrupt practices in Nigeria has become a bane of its development. This mostly involves greasing the palms of politicians and government officials in order to get contracts. Sometimes, it involves, agreeing to the terms of corrupt officials in a bid to ensure that approvals for payments for works are received as at when due. This act affects the quality of the project negatively.

3.1.8. Default in payment

Delay in payments is a problem contractor have to deal with in Nigeria. The likelihood of recording payment delay in the projects executed in Nigeria is high and this usually results in cost and time overrun in projects (Adebiyi, 2011). According to Brink (2004), the two sources where political risk can emanate from our politics and society. According to Alon and Herbert (2009) and Chukwuma and Philip (2014), host society risk factors are mostly triggered by the citizens of the host country. Minor (2003) added that risks associated with the host society are triggered in resistance to the actions of a constituted authority at the various levels of government, they adversely affect the level of performance and output of the international firms operating in the country.

3.2. Society-related risks factors associated include

3.2.1. Terrorism

According to Chukwuma and Philip (2014), terrorism is the violence irrationally demonstrated by individuals, groups or states against human beings. It includes, unjustly terrifying, harming, threatening, killing of people and banditry. It also includes any violent act or threat carried out as part of an individual or collective criminal plan aimed at terrifying or harming people or endangering their lives, freedom or security. Most of the time international companies operating on foreign soils are

most vulnerable to this act of hostility. Terrorism negatively affects the level of production, labour availability, supply chain and business relations between countries (Czinkota, Knight, Liesch & Steen, 2010).

3.2.2. Kidnapping

Ngwama (2014) defined kidnapping as the illegal confinement or imprisonment of individuals against his or her own will by another individual or group of people, in such a way as to violate the confined individual's, right to be free from the restraint of movement. Aaron (2010) and Obi (2009) stated that the kidnapping of the staff of multinationals working in the Niger-Delta region by militants is a political risk factor of great concern. There has been an increase in the kidnap of local and especially foreigner workers in the Northern part of Nigeria since Boko Haram started terrorising the region. According to Mohammed (2014), a Korean doctor and employees of an international construction company, Setraco Construction Company, were kidnapped and killed in Jama'are town in Bauchi State.

3.2.3. Riots and insurrections

Bohstedt (2010) defined riots and insurrections as chaotic disturbance of the peace by three or more people, gathering by their own will, with collective intent to assist each other against any who oppose them. According to Al Khattab et al. (2007), the occurrence of this risk factor would lead to the temporal or permanent closure of international construction companies operating in the affected areas, which translates to a loss of revenue by the companies and the host country.

3.2.4. Revolutions, coup d'état and civil wars

It can be deduced that the occurrence of this risk factor will lead to the destruction of property, looting, injuries to persons and loss of lives, this would also lead to huge losses to local and international construction companies operating in the affected regions (Al Khattab et al., 2007; Brink, 2004).

3.2.5. Destruction and sabotage

This is always a product of riots, insurrections, revolutions and coup d'états. It has become a norm for private and public businesses to be torched and looted dry during this occurrence. In most cases, international businesses are always targeted for destruction. It also takes a twist in most cases when people target on-going construction works for destruction. They sabotage the work in progress to make a political statement, hence, causing time and cost over-run and making these international businesses to run at a loss.

3.2.6. Change of government

Change of government in Nigeria always comes with changes to existing programmes, projects and priorities. The new government can decide to cut funding to projects or sometimes abandon projects. This always spells doom for contractors who are involved with these affected projects. This is a very crucial risk factor to be considered by local and most especially international contractors.

4. Research method

The study was conducted in the NE part of Nigeria. This geopolitical zone consists of six states, which include Adamawa, Bauchi, Borno, Gombe, Taraba and Yobe state. The northeast of Nigeria is slightly below a third of the country land area. This region from agricultural products and exploration mineral resources contributes significantly to the Gross Domestic Product of the country. The agricultural products from this region are mainly for export while solid mineral resources have been discovered in large commercial quantities such as limestone, marble, kaolin and barite. The mining of these minerals has begun at a very small scale but there is a concerted effort by the federal government to attract foreign investors and companies to the area. In a bid to improve the

infrastructure of the region, the government has embarked on various development projects, including the construction of highways, bridges, dams, water reservoirs, power plants, water networks, schools, hospitals among others. These projects have attracted contractors from within and outside the country. These project managers are directly involved in the design and construction of the various civil engineering infrastructural projects across North-East Nigeria. Due to this, the region has experienced an influx of foreign expatriates in recent years. Figure 1 depicts the map of Nigeria showing the study location.

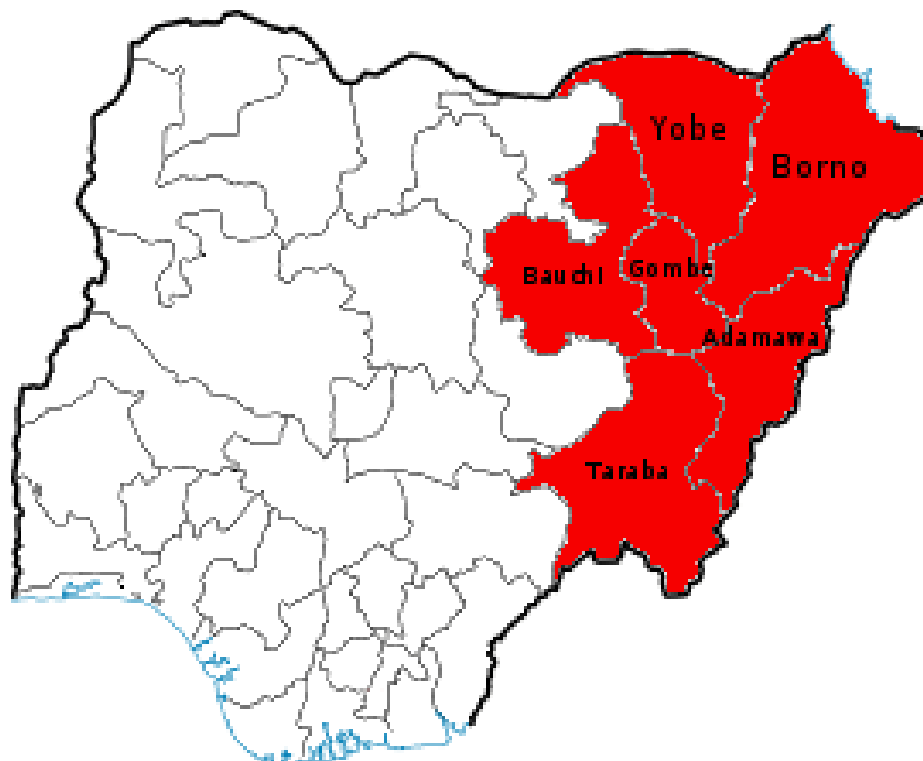


Figure 1. Map of Nigeria showing the study location

The data employed for this study were collected using a structured questionnaire administered to 78 expatriates project managers from the six states in the Northeast of Nigeria. The questionnaire was designed to capture the views of the project managers on the frequency of occurrence and impact of political risks on the corporate performance of multinational construction companies in the NE region of Nigeria. The retrieved data were analysed using the factor analysis and relative importance index (RII). The evaluation of the risk impact was assessed based on a five-point Likert scale RII while the frequency of occurrence is based on a factor analytical tool. This was used to assess the multivariate relationship between the identified political risk factors. Principal component analysis method of extraction was used to determine possible cluster relationships among the risk factors.

5. Results and discussion

Table 1. Factor matrix (loading) on the frequency of occurrence political risk occurrence

Factor components	Factor naming	Eigen value	Percentage (%) of variance explained (PVE)	Cumulative PVE	1	2	3	4	5
Expropriation	Protectio	4.34	18.08	18.08	0.532				

Confiscation	nism				0.783
Contract repudiation					0.739
Tax restriction					0.673
Import restriction					0.842
Export restriction					0.407
Currency inconvertibility					-0.577
<hr/>					
Terrorism					0.946
Kidnapping	Insurgency	3.80	15.84	33.92	0.852
Sabotages					0.865
Destructions					0.524
<hr/>					
Insurrections	Violent civil disorders	3.70	15.44	49.36	0.874
Revolutions					0.793
Civil wars					-0.594
Coup D'etat					-0.849
<hr/>					
Change in government					0.839
Default in payment					0.836
Ownership Restrictions	Regime volatility	2.75	11.46	60.83	0.815
Personnel Restrictions					-0.450
<hr/>					
Corruption					0.895
Bureaucratic Bottlenecks					0.814
Demonstrations	Corrupt practices	2.11	8.81	69.63	0.568
Riots					-0.770

Source: Author's field survey (2018)

Table 1 shows the factor matrix on the frequency of occurrence of 30 identified political risk factors in the corporate practice of multinational construction companies operating in NE Nigeria. The five categories as presented show the grouping order of frequency of occurrence of these political risks. These were labelled protectionism, insurgency, violent civil disorders, regime instability and corruption. Protectionism which implies giving government-back support to national companies over multinational companies has an eigenvalue of 4.34 with 18.08% PVE. Hence, it grouped as the first category of political risk occurrence facing the corporate practice of the multinational construction companies. Its components are expropriation, confiscation, contract repudiation, tax restriction, import restriction, export restriction and currency inconvertibility. The Nigerian government policy to stimulate the national economy through developing local content and nationalisation policy implemented in the 1970s could be responsible for this. Despite the spread of globalisation, countries usually 'protect' companies that are wholly or significantly owned by their nationals from competitions that are capable of stifling their growth. Insurgency grouped as the second category is forms of political risk factor that could affect the corporate performance of multinational construction companies operating in NE Nigeria. It has 3.80 EV and 15.84% PVE and its components are terrorism, kidnapping, sabotage and destructions. The sabotaging activity of the Boko Haram sect in addition to kidnap-for-ransom that is prevalent in the NE explains this risk factor. Construction activities could be destroyed, or workers attacked as an act of sabotage by Boko Haram or community members that may feel alienated as a way of communicating their grievances.

Violent civil disorders are grouped as the third classes of the political risk factor. It has 3.70 EV and 15.44% PVE. Its components are insurrection, revolutions, civil wars and coup d'état. The activities of ethnic militias, cattle rustling, farmers/herders clashes that are common in the NE region are deduced to be responsible for this risk factor. Also, the proximity of countries like Niger, Chad and Cameroun with their militias to the NE region states encourages the proliferation of illegal firearms. Illegal possession of firearms is allegedly caused by poor border security and policing with these countries and it constitutes a security risk to economic activities in the NE region. Regime volatility has 2.75 EV and 11.46% PVE and is the risk factor that accounts for the fourth form of occurrence in the NE region. The immunity of Nigerian political regimes to economic, political and religious forces is relatively low. For instance, ethnic and religious forces often expose Nigeria state volatility during general elections. To the multinationals construction companies that have fixed capital investment in plants/equipment and have trained local/expatriate staff, this is a serious political risk factor. Insurance corporations that underwrite these investments would bill the multinationals construction company higher premium due to the volatility and this will increase the cost of doing business in the NE region.

The fifth category of political risk is corrupt practices with 2.11 EV and 8.81% PVE. The corruption and bureaucratic bottlenecks associated with doing business in Nigeria could be responsible for this. In Nigeria, the government is more involved in formal construction contracting than corporate and individual clients. Consequently, the interface would expose them to corruption and bureaucratic bottlenecks that may be associated with doing business with the government in Nigeria. Generally, the study reveals that risk factors caused by society are higher than the risks caused by the host government. This agrees with the government policy of strengthening FDI and has been making efforts at minimising host government-related risks. This finding is in line with Gilbert (2014); Olaniyan (2015); Perouse de Montclos (2014) that the emergence of the religious sect 'Boko Haram' in the region has brought about terrorist actions, kidnapping, sabotages and insurrection.

Table 2. Impact of political risk factors on the corporate practice of multinationals construction companies

Factors	Mean	RII
Terrorism	4.43	1
Kidnapping	4.24	2
Sabotages	3.95	3
Corruption	3.81	4
Change in government	3.75	5
Riots	3.67	6
Demonstrations	3.62	7
Delay in payment	3.62	7
Revolutions	3.61	9
Expropriation	3.57	10
Civil wars	3.43	11
Confiscation	3.36	12
Export restrictions	3.29	13
Currency inconvertibility	3.26	14
Bureaucratic bottlenecks	3.25	15
Taxation restrictions	3.25	15
Insurrections	3.22	17
Economic position	3.12	18
Change in government priorities	3.07	19
Destructions	3.05	20
Import restrictions	3.01	21
Personnel restriction	3.01	21

Forex restrictions	2.96	23
Scarcity of forex	2.93	24
Cost over-run	2.92	25
Ownership restrictions	2.86	26
Bribery	2.63	27
Government policies	2.61	28
Currency devaluation	2.53	29
Coup d'etat	2.49	30

Source: Author's field survey (2018)

Table 2 shows the level of impact of the listed political risk factors on the corporate performance of international construction companies. The table shows that terrorism, kidnappings and sabotages are the political risk factors with the highest impact on their operations in the region. This could reduce multinational construction company revenues and increase construction cost and delivery time. It shows that the occurrence of risks and its impact do no complementary relationships. Protectionism and its components that had the highest frequency of occurrence did not appear in the first 10 in terms of impact. The prevalence of the activities of the Boko Haram sect could be the reason why terrorism, kidnappings and sabotages have a high impact on the corporate operations of multinational construction companies operating in the NE region. Local and foreign mass media often report cases of suicide bombers targeting people on the streets and in their homes for killing. The kidnap of scores of secondary school female students in Chibok and Dapchi in Yobe State by the Boko Hara sect attests to the prevalence of terrorism, kidnappings and sabotages in the area. The kidnap of defenceless female students should be a security concern to multinational construction companies and their interests that are located in the NE region. Others political risk factors that have a high impact are corruption and change in government. Corruption has not been defeated to its barest minimal in Nigeria despite government interventions through the Economic and Financial Crimes Commission and Independent Corrupt Practices Commission. However, it may be argued that these interventions could have mitigated corruption to the fourth rank in the order of impact. Continuity of political programme continuity among successive regimes in Nigeria is relatively low especially in infrastructure development and financing. This could be one of the reasons why project abandonment is relatively common in Nigeria. Currency devaluations and coup d'etat have the least impact on multinationals construction companies operating in the NE region. The reasons for these risks' factors are not far-fetched. In construction contracts administration, currency devaluation risks could be mitigated through making claims for price fluctuation especially contracts that allow payment in hard foreign currencies. The last coup d'etat in Nigeria occurred in 1993 and Nigeria has been practising democracy since 1999 without putsch. This is the longest time it has had without the military forcefully taking over the government and its occurrence might not divert government attention from NE due to destruction and security risks it poses to Nigeria interests. This could be the reason why its impact would be minimal on the corporate activities of multinational construction companies operating in the NE. This finding agrees with Gilbert (2014); Ohihon (2016); Ogbonnaya and Ehigiamusoe (2013), that activities of Boko Haram sect have affected the operations of international companies in the area by kidnapping expatriates, sabotaging the development projects and causing civil unrest in the region to prevent the development of the region.

6. Conclusion

The study reveals the various political risk factors that affect the corporate performance of multinational construction companies operating in the North East of Nigeria. The research sought to find the frequency and impact of political risk factors on the operations of multinational construction companies in the region. It was discovered that terrorism, corruption, insurrections, sabotage and kidnapping were the political risk factors with the highest frequency of occurrence. This research is

limited to northeast Nigeria, its findings should not be generalised for entire Northern Nigeria. This research can be replicated to other regions of the country for an in-depth study of the subject matter. In view of the findings of this study, it is recommended that multinational construction companies operating in the NE region should partner with the federal, state and local governments to foster security and community relations programmes that are capable of protecting their interests from these political risks. It is also important for multinationals companies operating in the NE to deepen their community engagement programmes such as corporate social responsibilities. This would increase community-company relationship and reduce hostility to the company interests. Also, multinational companies need to deepen their insurance policies to adequately safeguard their investments from political risks.

References

- Aaron, K. K. (2010). Two theses on corporate social responsibility failure in Niger-Delta Nigeria. In Aaron, K. K. & George, D. (Eds.), *Placebo as medicine: the poverty of development intervention and conflict resolution strategies in the Niger-Delta region of Nigeria* (pp. 158–177). Port-Harcourt, Nigeria: Kemulea Publications.
- Adebiyi, J. O., (2011). *Managerial perception of political risk by international construction companies operating in port harcourt, Nigeria* (Unpublished Masters' Thesis), Northumbria University, Newcastle upon Tyne, UK.
- Adetoro, R. A. (2012). Boko Haram insurgency in Nigeria as a symptom of poverty and political alienation. *Journal of Humanities and Social Sciences*, 3(5), 21–26.
- Alon, I., Gurumoorthy, R., Mitchell, M. C. & Steen, T. (2006). Managing micro political risk: a cross-sector examination. *Thunderbird International Business Review*, 48(5), 623–642.
- Al Khattab, A., Anchor, J. & Davies, E. (2007). Managerial perceptions of political risk in international projects. *International Journal of Project Management*, 25(7), 734–743.
- Aswathappa, K. (2008). *International business* (3rd ed.). New Delhi, India: Tata McGraw Hill.
- Baas, D. (2010). Approaches and challenges to political risk assessment: the view from export development in Canada. *Risk Management*, 12(2), 135–162. https://www.jstor.org/stable/40660658?seq=1#metadata_info_tab_contents
- Bohstedt, J. (2010). *The politics of provisions: food riots, moral economy and market transition in England*. Surrey, UK: Ashgate Publishing Company.
- Brink, C. (2004). *Measuring political risk: risks to foreign investment*. Farnham, UK: Ashgate Publishing Limited.
- Burutai, T. (2017). *Insurgency and the role of the Army in creating a conducive environment for Nigeria's Economic Development*. Retrieved September 1, 2018, from <https://www.vanguardngr.com/2017/08/economic-impact-boko-haram-terro-ne-estimated-9bn-burutai>
- Butler, K. & Joaquin, D. (1998). A note on political risk and the required return on foreign direct investment. *Journal of International Business Studies*, 29(3), 599–608.
- Choi, J., Chung, J. & Lee, D. (2010). Risk perception analysis: participation in Chinas water PPP market. *International Journal of Project Management*, 28(6), 580–592. <https://doi.org/10.1016/j.ijproman.2009.10.010>
- Czinkota, M. R., Knight, G., Liesch, P. W. & Steen, J. (2010). Terrorism and international business: a research agenda. *Journal of International Business Studies*, 41(5), 826–843. <https://doi.org/10.1057/jibs.2010.12>
- De-Mortanges, C. & Allers, V. (1996). Political risk assessment: theory and the experience of Dutch firms. *International Business Review*, 5(3), 303–318.
- Deng, X., Low, S. P., Li, Q. & Zhao, X. (2014). Developing competitive advantages in political risk management for international construction enterprises. *Journal of Construction Engineering and Management*, 140(9), 4–14.
- Deng, X. P. & Low, S. P. (2013). Understanding the critical variables affecting the level of political risks in international construction projects. *Korea Society of Civil Engineers Journal of Civil Engineering*, 17(5), 895–907. <https://doi.org/10.1007/s12205-013-0354-5>

- Adebisi, J., Sanni, G. A. & Oyetunji, A. K. (2019). Assessment of political risk factors influencing the corporate performance of multinationals construction companies in northeastern Nigeria. *Global Journal of Business, Economics and Management: Current Issues*, 9(2), 63-75. <https://doi.org/10.18844/gjbem.v9i2.4232>
- Dikmen, I., Birgonul, M. T. & Han, S. (2007). Using fuzzy risk assessment to rate cost overrun risks in international construction projects. *International Journal of Project Management*, 25(7), 494–505. DOI: 10.1016/j.ijproman.2006.12.002
- Erkan, M. (2011). *International energy investment law: stability through contractual clauses*. Amsterdam, Alphen aan den Rijn, The Netherlands: Kluwer Law International.
- Gilbert, L. D. (2014). Prolongation of Boko Haram insurgency in Nigeria: the international dimensions. *Research on Humanities and Social Sciences*, 4(11), 150–156.
- Hardcastle, D. A., Powers, P. R. & Wenocur, S. (2004). *Community practice: theories and skills for social workers*. Oxford, UK: Oxford University Press.
- Hardcastle, C., Edwards, P. J., Akintoye, A. & Li, L. (2004). *Critical success factors for PPP/PFI projects in the UK construction industry*. Retrieved 26 June, 2014, from www.rics.org/site/
- Hashmi, A. & Guvenli, T. (1992). Importance of political risk assessment functions in U.S. multinational corporations. *Global Finance Journal*, 3(2), 137–144. [https://doi.org/10.1016/1044-0283\(92\)90009-A](https://doi.org/10.1016/1044-0283(92)90009-A)
- Hood, J. & Nawaz, M. (2004). Political risk exposure and management in multi-national companies: is there a role for the corporate risk manager? *International Journal of Risk Management*, 6(1), 7–18.
- Howell, L. D. (2001). *The handbook of country and political risk analysis* (3rd edition). Colorado, CO: Political Risk Services Group.
- Howell, L. D. & Chaddick, B. (1994). Models of political risk for foreign investment and trade. *Columbia Journal of World Business*, 29(3), 70–90. [https://doi.org/10.1016/0022-5428\(94\)90048-5](https://doi.org/10.1016/0022-5428(94)90048-5)
- Jakobsen, J. (2010). Old problems remain, new ones crop up: political risk in the 21st century. *Business Horizons*, 53(5), 481–490. <https://doi.org/10.1016/j.bushor.2010.04.003>
- Keillor, B. D., Wilkinson, T. J. & Owens, D. (2005). Threats to international operations: dealing with political risk at the firm level. *Journal of Business Research*, 58(5), 629–635. DOI: 10.1016/j.jbusres.2003.08.006
- Kettis, M. (2004). *The challenge of political risk: exploring the political risk management of Swedish multinational corporations* (Unpublished Doctoral Dissertation). Stockholm University, Stockholm, Sweden.
- Low, S. P., Liu, J. Y. & He, Q. S. (2009). External risk management practices of Chinese construction firms in Singapore. *Korea Society of Civil Engineers Journal of Civil Engineering*, 13(2), 85–95.
- MIGA. (2009). *World investment and political risk*. Washington, DC: World Bank Group.
- Minor, J. (2003). Mapping the new political risk. *Risk Management Journal*, 50(3), 16–22.
- Mohammed, K. (2014). The message and methods of Boko Haram. *Islamism, politics, security and the state in Nigeria* (pp. 9–32).
- Morales-Rios, R., Gamberger, D., Smuc, T. & Azuaje, F. (2009). Innovative methods in assessing the political risk of business internationalization. *Research in International Business and Finance*, 23(1), 144–156.
- Ngwama, J. C. (2014). Kidnapping in Nigeria: an emerging social crime and the implications for the labour market. *International Journal of Humanities and Social Science*, 4(1), 133–145.
- Obi, C. (2009). Nigeria's Niger-delta: understanding the complex drivers of violent oil-related conflict. *Council for Development of Social Science Research in Africa*, 34(2), 103–128.
- Ogbonnaya, U. M. & Ehigiamusoe, U. K. (2013). Niger delta militancy and Boko Haram insurgency: national security in Nigeria. *Global Security Studies*, 4(3), 1–14.
- Ohihon, I. B. (2016). Boko Haram: Islamism, politics, security and the state in Nigeria. *Politics and Religion Journal*, 9(1), 135–137.
- Okoli, A. C. & Iortyer, P. (2014). Terrorism and humanitarian crisis in Nigeria: insights from Boko Haram insurgency. *Global Journal of Human-Social Science Research*, 14(1), 38–50.
- Olaniyan, O. D. (2015). Effect of Boko Haram insurgency on The Nigerian education system. *Journal of Research*, 24(2), 1–9.
- Omotola, J. S., Patrick, J. M. (2010). State response to the Niger-Delta question: the OMPADEC and NDDC compared. In Aaron, K.K. & George, D. (eds.), *Placebo as medicine: the poverty of development intervention and conflict resolution strategies in the Niger-Delta region of Nigeria* (pp. 158–177). Port-Harcourt, Nigeria: Kemulea Publications.
- Osumah, O. (2013). Boko Haram insurgencies in Northern Nigeria and the vicious cycle of international security. *Journal of Small Wars and Insurgencies*, 24(3), 536–560. <https://doi.org/10.1080/09592318.2013.802605>

- Adebiyi, J., Sanni, G. A. & Oyetunji, A. K. (2019). Assessment of political risk factors influencing the corporate performance of multinationals construction companies in northeastern Nigeria. *Global Journal of Business, Economics and Management: Current Issues*, 9(2), 63-75. <https://doi.org/10.18844/gjbem.v9i2.4232>
- Perouse de Montclos, M. A. (2014). *Boko Haram: Islamism, politics, security and the state in Nigeria* (p. 275). Leiden: African Studies Centre.
- Public Administration Programme (PAP). (n.d.). Factor analysis: statistical notes of North Carolina State University. Retrieved 23 August, 2015, from <http://faculty.chass.ncsu.edu/garson/PA765/factor.htm>
- Rice, G. & Mahmoud, E. (1990). Political risk forecasting by Canadian firms. *International Journal of Forecasting*, 6, 89–102.
- Stosberg, J. (2005). *Political risk and the institutional environment for foreign direct investment in Latin America*. Frankfurt, Germany: Peter Lang Publishers.
- Voelker, C., Permana, A., Sachs, T. & Tiong, R. (2008). Political risk perception in Indonesian. *Journal of Financial Management of Property and Construction*, 13(1), 18–34. DOI: 10.1108/13664380810882057
- Weber, C. (2010). *Quantification of political risk in energy foresight—a method overview*. Retrieved 10 August, 2018, from www.isisit.com/efonet/index.php?option=com_docman&task=doc.gid
- Zayed, T., Amer, M. & Pan, J. (2007). Assessing risk and uncertainty in Chinese highway projects using AHP. *International Journal of Project Management*, 26(4), 408–419. <https://doi.org/10.1016/j.ijproman.2007.05.012>
- Zhuang, L., Ritchie, R. & Zhang, Q. (1998). Managing business risks in China. *Long Range Planning*, 31(4), 606–614. [https://doi.org/10.1016/S0024-6301\(98\)80053-8](https://doi.org/10.1016/S0024-6301(98)80053-8)