When political instability devaluates home-host ties

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Abstract
This study aims to shed light on how the value of home-host ties is contingent on political instability (i.e., political conflict and major institutional transitions). We hypothesize that by increasing the risk within the institutional structure, small political conflict positively moderates the relationship between home-host ties and location attractiveness, whereas full-fledged wars, in which risk to the institutional structure dominates erode the value of ties. Examining location choice decisions in Sub-Saharan Africa, we find evidence that home-host ties are not affected by small political conflict, while wars and major institutional transitions devaluate home-host ties.

Keywords
Foreign direct investment, Home-host ties, Political instability, Political conflict, Institutional change, Political risk.

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