

Exploring SMEs Responses To Official's Petty Corruption In Egypt

PERIHAN ABDELGHALY

Business School, Middlesex University, London, UK

This PhD examines small and medium-sized enterprises' responses to public officials' petty corruption in Egypt, using different streams of institutional and organisational theories. The proposed study attempts to address limitations identified in prior studies and provides empirically valid explanation to the formulated research question/s that foster the research on corruption and businesses.

Small and Medium Enterprises are key driving force in emerging economies and Egypt is not an exemption. Yet, they face a number of challenges to survive and grow, one of which is state corruption (Fayed, 2017). Corruption is a complex phenomenon. It takes place in different forms, all of which are relevant to understand businesses' responses to corruption (Collins et. al., 2009). Corruption in Egypt is ranked amongst the top five challenges that threaten businesses sustainability (Abdelbary and Benhin, 2019) and the country is considered one of the top corrupt countries in Africa and the MENA Region (Fayed, 2017). Surprisingly, little research has examined how small and medium-sized firms (SMEs) manage to survive and cope with corruption levels within these contexts. Therefore, this PhD research aims to fill some gaps in the literature by qualitatively examining the different strategies SMEs adopt in Egypt to respond to state petty corruption. This will be accomplished by firstly, drawing upon different streams of institutional and organisational theories to test a group of macro, meso and micro factors that shape state petty corruption, and that shape SMEs responses to state corruption. Secondly, by understanding state-businesses and corruption relationships and consequences of corruption on SMEs prior to identifying and categorising their responses to such phenomenon. The research will address the following research question: How small and medium-sized enterprises respond to state petty corruption?

The research is divided into two parts. The first part explores the theoretical underpinnings of corruption, the different forms of corruption, state-business relationship and corruption and the consequences of corruption on SMEs with particular focus on Egypt. This part will end with the development of a multilevel conceptual framework to understand factors shaping corruption and that shape SMEs responses to corruption. The research also draws upon an original empirical research with SMEs' owner-managers from where empirical data will be generated and tested against existing theoretical assumptions on corruption. Data collection will take place through mono-qualitative methods of semi-structured interviews with i) SMEs' owners-manager, independent policy advisors and ii) business leaders and independent policy advisors iii) government policy makers. Findings are expected to provide an in-depth understanding of the underlying factors that shape state petty corruption and contextual factors (e.g. political, socio-economic and cultural) that influence SMEs responses to corruption. The primary data collection and secondary data analysis together will contribute to knowledge concerning how businesses survive state corruption which can be applied to foster businesses management in research and practice. As part of the transfer from MPhil to PhD, this report presents the research progress and overview of my work to date. It also describes the future research plan and thesis structure to complete within the expected timeline.

Expected Contributions

Theoretical Contributions

- *There are remarkably a few studies that look at the corruption-businesses relationship; most studies on the topic focus on developed countries, thus, there is a gap of knowledge on the relationship between firms at the micro-level and corruption in emerging markets. There is a need for more in-depth studies of single-context study with consideration for contextual factors, political and cultural (Carrick et. al., 2019)*
- *Despite the argument that corruption is a greater issue for small businesses in emerging economies (Barkemeyer, Preuss and Ohana, 2018), literature on*

businesses' responses to institutional voids largely focuses on large and multinational firms (Ge et. al., 2019). Therefore, this research focuses on how SMEs address the challenge of corruption in Egypt.

- *Businesses' circle culture (meso factor) influence on employees' behavior (micro level) are quantitatively presented in the literature (Gorsira, 2018; Cohn et al., 2014). Further qualitative-longitudinal studies are required to examine the culture of business circles as meso indicator and other indicators such as leadership and extent of authority and power over decisions.*
- *To methodology: corruption in Egypt in the literature has been measured/quantitatively studied. This research will be one of the first using a qualitative research methodology in order to better understands the views on corruption and responses of SMEs owner-managers to corruption.*

Empirically

- *To practice: the research assumes policy complexity in Egypt has led to weak governance and created fertile ground for public sector corruption. The research will end with policy recommendations that may help in minimizing corruption.*

Relying on literature review analysis, it is concluded that:

- *Firms' responses to corruption may change over time with the change of institutional performance and culture*
- *Understand contextual factors contributing to corruption and SMEs responses to petty corruption*

Possible responses are as follows:

- *Small enterprises may find it difficult to sustain their business, with the possibility of termination. They tend to escalate or utilize informal networks to overcome corruption*
- *Medium enterprises confront less invasive consequences such as budget constraints or increasing cost of operation; affecting Performance/expansion/reputation). They tend to pay bribes or gifts to survive*
- *Relocation of investors to other countries (UAE, UK and Singapore)*
- *Collective Action Initiatives*
- *Hiring a third party or an agency to carryout communications with the government*

Keywords: Egypt, SMEs