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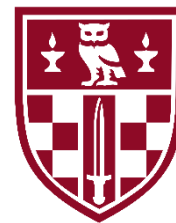
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EGYPT: A FLUID INSTITUTIONAL AFFAIR

An Institutional Theory Interrogation of the
Egyptian Business Services Sector: *The Triad
Relationship of Institutions, Entrepreneurship
and Institutional Intermediaries*



A PhD Thesis submitted to the School of Business, Economics and Informatics,
Birkbeck, University of London, in partial fulfilment of the requirements of the PhD
Degree in Management



September 9, 2022
BY DINA M MANSOUR
SUPERVISED BY PROFESSOR HELEN LAWTON SMITH

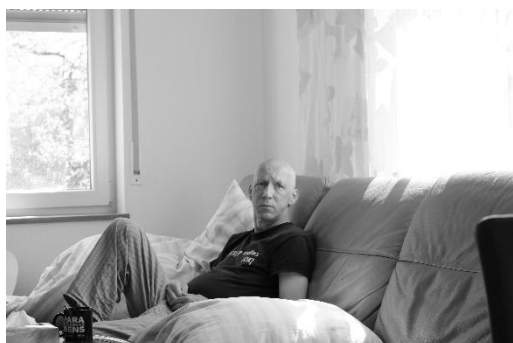
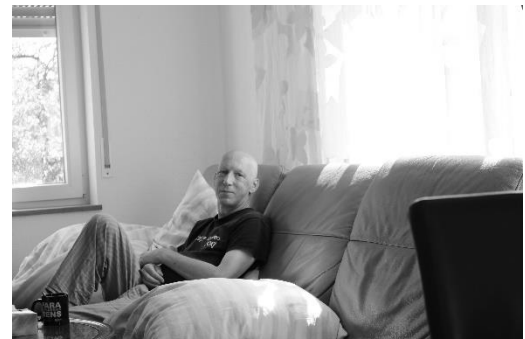
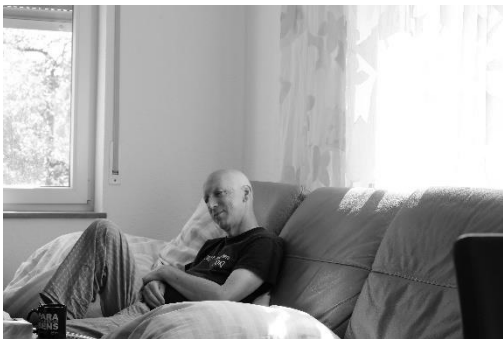
DEDICATION

In Memory of **Stefan M Petters**, to whom I dedicate this thesis,

Always Present

Never Forgotten

Forever Missed



PREFACE

For anyone, sitting still for long periods of time to undertake a challenging task, like writing a PhD thesis, is difficult. For someone like me who has been diagnosed with ADHD as an adult, amid other circumstances such as relocation to London, divorce, and other things, undertaking such a task is a formidable herculean backbreaking feat. For the lack of better expressions. Doing a PhD is a humbling experience in its entirety because no matter how much you think you know, this research journey shows you that you know very little. In fact, you will end up with more questions than answers. Another thing this journey has shown me also is that no matter how much you think you cannot push any further, or that your strength is fading away, your human boundaries will keep expanding and they will surprise you. Every time I thought I couldn't go through another day, I somehow powered through. I still have no explanation.

The thesis you are about to read will show you the extent of pushing human boundaries as well but from an entrepreneurial standpoint. In this thesis, I will demonstrate how a select group of market and political entrepreneurs are working against all odds to innovate. Entrepreneurship and high-tech innovations started evolving after the 2011 revolution in Egypt. Back when youth had hope that things will change, and that the oppression will come to an end. Ten years strong, they are still fighting. They made headlines in global business news, secured millions of dollars in funding, and they attracted Asian and European investors to finance their innovations. This has been facilitated by some brave, if not revolutionary, political entrepreneurs in the Egyptian government. Coupled with a network of support organisations (institutional intermediaries), entrepreneurship has been delivered following a complicated birth. After some time in incubation, the world is waiting for this infant to breathe on its own, without cables, without machines. I wonder if I will live long enough to witness this.

Dina M Mansour

March 2021

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I have come to London with a broken heart. You were the first I met in the cloudy city. You did not mock my American accent and you introduced me to the park just next door. I thank you, Liam, Irina, Ebere, Idike Uduma, Ibrahim Haidar, Xiaojing, Matt and Chris for simply being you.

Thank you, Ana Maria, and Jude for putting up with my extra energy and inviting me to cook in your kitchen. You made me feel like home, and like home, I felt indeed. This wouldn't have happened without Paulo Silva and Carina introducing me to both of you. Paulo, you should know that people like you do not come often in life. You are fun, protecting, wise, loving, generous, kind, old and new, all in one. You took me in your house when I had nowhere else to go. You softened the blow when I was embarking upon my London journey, and you believed I could do it, from day 1. For this and for so many other things I wish you and Carina a life full of happiness and love. Just like the happiness and love, I feel around you.

Forward a few months. Things are becoming serious. School is starting and I am still struggling with modules and writing British English! You were there, Rebecca Bednarek. Do you even have the slightest idea how much you have inspired me? I have never seen someone this lovely, this successful, this friendly, this witty and this chic! I hope you, James and the little one are enjoying the blessed Kiwi sunshine.

Thanks, Rebecca, for vouching for me when I was applying for the studentship. The studentship that I would not have won were it not for Frederick Guy. The PhD program director, who gave me a one-on-one induction. You may not remember, but I felt extra special. You sent me this short email that almost brought me back from the dead when I was stranded in Milano. You, Gilly and Zoe made it possible for me through and through to arrive on the Island, make it through the endless paperwork and still come out in one piece. Other big thanks to Konstantinos Chalkias, Muthu De Silva, and Mark Thurgood. We met a few times, but I can assure you, that they added considerable value to my professional and personal life. Federica Rossi, THANKS for supporting me, not just as a student but as a human being. I assure you it meant a lot.

Big shoutout to Simon Best and Jessy. You opened not just your home, but your arms for me. Another act of kindness I will never forget. I love you guys, just because!

From Milano, I go further north. It is a lovely small historic city called Padova. The university where Galeo Galilei spoke to the brightest minds of his time on his explorations. And I met Professor Silvia Sedita and Dr Roberta Apa. Two of the friendliest faces I met in the land of Dolce Vita. The time I spent with you marks the toughest stage I have survived as a human on this earth. Not only have you encouraged me to work, but you also brought out the best and the strongest in me. You helped me in life, in research and in landing a PhD. I am forever eternally thankful, and I will always be in your debt. My days in Padova were ending and amid it all, you came along. Thank you, Ruth and Beppe for helping me leave Padova with some good memories. Dinners, parties, laughs and even a job! When you took me to that station as I was leaving Italy forever, I knew we would be friends for as long as we live. Six years strong, and we are still in each other's lives.

Fast forward to my turbulent start in the UK, I made friends who stood by me and showed me it is not all that bad. Thanks, Hesma ElNaggar, Mohamed Sabry, Eman Abssawy, Rawya Fares, Mai Atterya, Khaled and Esraa Sharaf, Musa Ali, Claire Hodgeson, Ahmed Abo ElSeoud, Sharaf Zabady, Tahani El Harby, Idia Uduma, and Dina Tarek. Special thanks to Kirsty Lauder and CJ. The funny, the bubbly, the ones I relate to if we are from different planets.

VERY special thanks to Sandra Powell. You were never a landlady for me, you gave me a home, you listened, you talked, you helped, you pitched in, you supported me and you consoled me each time I was unwell... Which was a lot! Your sweetness and your prayers will forever be engraved in my heart.

My parents always prayed for me to find Allah's kindness in people. Those prayers were heard that they extended outside the UK. I have been blessed with friends in Egypt who though we are separated by oceans and sea, still shower me with kindness. For this, I thank you Dina Arafa, Mohamed Obiaa, Ahmed Magdi Farid, Dina Ayman, Ahmed Adel, Iman and Nidal ElSayed, Mohamed Abbas, Chef Mohamed Salah, Ahmed Ateyya, Ahmed Zeidan, Sara Haytham, Amr Herat, Hesham ElSaid, Mahdi Al Olabi. BIG shoutout for Mohamed Hamdy for editing this thesis, and much more.

Allah has not only blessed me with amazing friends, but he also blessed me with an amazing professional network. People without which this PhD would have never been possible. I first would like to thank all my interviewees without exception. Even the ones who could not meet me. Just

the fact you took time out of your busy schedule to guide me or even encourage me is more than enough.

I was also blessed with a mentor. One that you meet once in a lifetime. If you are lucky! For this, I would like to express my most sincere gratitude to Robert Croog. Bob, maybe you and I have not met in almost 12 years, but this has not deterred you from being my soundboard, my mentor, my model, and my therapist at times. I don't know what I have done to deserve you, but I am sure I must have done something right!

But what is life without loving aunts, uncles, and cousins? Thanks to Aunt Fefe, may Allah bless your soul, Uncle Abdel Rahman, Uncle Ahmed, aunt Safaa, Uncle Ahmed Mahdy, and Uncle Mohamed. Every time you included me in your prayers, I assure you I felt it! For Hesham Hassabou, Hanan, Ahmad, Salma and Sameh Hassabou, and aunt Mona. Thank you!

Same for my two BEST and oldest friends. Salama and Ghada. We have been indeed divided by an ocean but each one of you was there for me. I was appreciated and I felt it. Salama, as Allah is my witness you continue to inspire me every day. You are the woman I aspire to be and just having you in my life is an honour.

Ghada, my sweetheart, my love, my childhood friend. You gave me a second family. You gave me your children and your home. But most importantly, your love and your heart. Maybe I have been abroad for eight years, but it always takes us a hug to pick from where we left off. I simply love you!

Now. A huge thank you is in order, for the one who made this PhD possible. The one who listened, the one who talked. The one who inspired me. The one who trusted and entrusted me with things I never thought I had in me to fulfil. The one who put up with my utter lack of punctuality. The one who stood up (and is standing up) for me. The one who recommends me, the one who encourages me. The one who never for once in more than four years abandoned me. Professor Helen Lawton Smith.

I did not know you were a big deal until I worked with you. But how could I when you are as humble and modest as you are? I came to London broken and I left it broken. Somehow, you make me feel I am not that bad. Not a failure. You make me feel I am how you see me, a hardworking bright person. For this, and for so many things I cannot write on paper. THANK YOU. I owe any

piece of professional success in the last four years and the coming forty years to you and only you. You will continue to be an inspiration for as long as I am in academia.

Finally, for those who I live for, those I live with. Those I worry about, those I worry for. For those who gave me life and continue to give it to me. My parents.

I am aware I was not an easy child. How could I be! I know I caused you; pain more than my other three sisters combined. But you continued to conceal your motherly and fatherly feelings so I am encouraged to go forward. Now that I am back, I realise how much this has been hard for you. I did not realise I was that important, that loved, that cherished until I crossed that sea and came back to your arms. Mommy and Daddy, please don't expect me to express my gratitude in a foreign language in a thesis forward. But I am writing this so that it goes down in history that I LOVE YOU. So that when this thesis is accepted and printed, both of your names are the first things I see. It is the simplest and smallest act of gratitude I can give to the couple who continue to take me under their wings and in their arms, even when they are full of pain, mostly because of me.

بحبكو وهفضل اشكركم على اللي عملتوه معايا لغاية ما اموت. دينكم في رقبتي وحبكم ف قلبي واحضانكم هي امانتي وحمائتي.

Finally. A little something for my sisters. It never ceases to amaze me how different we are but how close we are. It took me eight years abroad to realise that having loving sisters, the kind you would unhesitatingly take a bullet for, is nothing short of a miracle.

Thank you Mahohy for bringing me Loly and Roro, the apple of my eye, my bundles of joy. Thank you Ahmed for being the brother I never had. I know I don't say it much, but I sincerely love and admire you.

Thank you Norty for cheering me up and being this unparalleled source of joy in my life. Honestly, I don't know how you do it! Thank you Zahroot for simply being born. I swear, just seeing you from afar makes my heart melt. Although I do not like it, I do see myself in you. However, you are much stronger, much fiercer, and way wiser. Please continue to be yourself. No more and no less!

DECLARATION

I hereby declare that the work presented in this thesis is my own, except where explicit reference is made to the work of others.

EXECUTIVE SUMMARY

This research is set out to examine the interrelation between high-growth entrepreneurship and institutions in Egypt. A triad relationship was identified among high-growth firms, formal institutions, and institutional intermediaries (hereafter IIs).

Firstly, a set of institutional voids were examined on regulative, normative, and cultural aspects. The examined voids preclude entrepreneurship from achieving its full potential amid a challenging institutional framework. This gave rise to informal institutions and different forms of response behaviours while the institutional framework adjusts itself. Entrepreneurs in the meantime had to make do with what was possible to capitalise on newly emerged market gaps following 2011. As such both market and political entrepreneurs exploited various forms of informal institutions resulting in both productive and unproductive forms of entrepreneurship.

The interaction between the Egyptian entrepreneurs and regulators resembles a game-theoretical interdependency model. Here, each party decides as per their prediction of the other party's moves. This model explains why some industries are encouraged (or discouraged) and why certain technologies are evolving.

Secondly, IIs emerged as important players in the Egyptian institutional framework. This exploratory research identified five types of institutional intermediaries: user, process, regime-based, systemic, and niche. The IIs conduct an interchangeable variety of activities including institutional support, demand articulation, capacity building and knowledge brokering.

The role of the political economy particularly emerges when the Egyptian institutions are examined up close, especially as IIs play such salient roles. Here, the political economy interacts with the economy at large, and entrepreneurship in particular in three ways: First, the 2016 economic reform program should be questioned. Albeit positive reviews by the IMF (systemic II), and observable leaps for the economy, the Egyptian political power is still owned by an unaccountable few. A political few which are not subject to auditing, or answerability, nor are they publicly voted in (or out). Secondly, Egypt has been all but receiving less development aid and concessional funding. Albeit rising voices against human rights violations and the draconian crackdown on opposition and press, western powers are striking more deals with the Sisi administration. Programs to promote entrepreneurship, develop technical and vocational

education, female-led businesses and the like (systemic and process IIs), cannot fix the flawed institutions at their core. This is especially true when the aid-disbursing agencies are left to their own devices. Thirdly, and perhaps most important, the involvement of the Egyptian military in the economy, at best as a monitoring authority, and at worst as a large market player, has been greatly disrupting the economy. State-owned and army-affiliated firms provide the market with much-needed merchandise that is both cheap and fast. This crowds out private investors, big and small. Unless, of course, they join the military-affiliated businesses. Thus, exacerbating the already challenging problems of cronyism and clientelism.

Finally, amid the rapid institutional changes, the Egyptian government, IIs and high-growth firms have been manifesting patterns of institutional entrepreneurship. In this sense, they do not simply react to the changes occurring in their environment. Rather, they display a variety of entrepreneurial behaviours and rely on their good judgement to shape the institutions around them. Through collective institutional entrepreneurship market and political entrepreneurs pool their skills, resources, and power together to challenge their surrounding institutions. However, as the political economy of Egypt introduces an extra set of complications, informal institutions will remain stronger than formal ones, giving rise to evasive behaviour and unproductive entrepreneurship. Hence, institutional and regime uncertainty will deepen, and the Egyptian institutions will remain in a constant state of flux, i.e. fluidity. Accordingly, market and political entrepreneurs will keep adapting to the fluid institutions until either side subsides. Hopefully, not the entrepreneurs.

"يا بلد معاندة نفسها
يا كل حاجة وعكسها
ازاى وانا صبري انتهى
لسه بشوف فيكي امل"

*"You are a country that is being stubborn with itself
You are everything and its opposite
How is it possible, when my patience has run out,
That I still see hope in you?"*

"مصر بلد اشخاص وليس مؤسسات"

"Egypt is ruled by persons, not ruled by institutions"

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LIST OF ABBREVIATIONS

Abbrev	Name	Abbrev	Name
AE	Advanced Economy	LDC	Less Developed Countries
CAPMAS	Egyptian Central Agency for Public Mobilization and Statistics	MCIT	Ministry of Communication and Information Technology
CIC	Collective Institutional Change	MoI	Ministry of Investment
CIE	Collective Institutional Entrepreneurship	MoP	Ministry of Planning
EE	Emerging Economy	MSME	Micro, Small and Medium Enterprises
GCI	Global Competitive Index	MSMEDA	Micro, Small and Medium Enterprise Development Agency
GEM	Global Entrepreneurship Monitor	MTI	Ministry of Trade and Industry
HGE	High-growth Entrepreneurship	NAC	New Administrative Capital
HGF	High-growth Firms	OECD	Organisation for Economic Co-operation and Development
IE	Institutional Entrepreneurship	SFD	Social Fund for Development
II	Institutional Intermediary	TI: CPI	Transparency International: Corruption Perception Index
IV	Institutional Voids	WB: DB	World Bank Doing Business
IW	Institutional Work	WEF	World Economic Forum

CHAPTER 1: INTRODUCTION

1.1. General Background: Institutional Entrepreneurship in Emerging Countries

Entrepreneurship has been long researched from a myriad of perspectives starting from the economic activity to the psychological traits of the entrepreneur to the sociological and political perspectives in the form of institutional entrepreneurship. Schumpeter has introduced the concept of “creative destruction” and the role of the entrepreneur in combining existing materials and structures (Hwang and Powell, 2005:180; Schumpeter, 1942) resulting in a state of disequilibrium. Similarly, Kirzner discussed how the “alert entrepreneur” is able to spot new opportunities in a state of equilibrating forces (Kirzner, 1973). Entrepreneurship admittedly is a strong vehicle for economic development and growth, and the entrepreneur has always been viewed as the object acted upon in the centre of environmental forces and institutions.

As the body of knowledge took off, North, (1991), Williamson, (2000) introduced institutional economics where the economic perspective extends to focus on the social and legal norms and rules, i.e. institutions (Williamson, 1975; Coase, 1988). In this sense, institutions purportedly “do matter” (Matthews, 1986) as they constitute the “rules of the game” as “humanly devised constraints that structure political, economic and social interactions” (North, 1991). Consequently, the role of the entrepreneur as an acting agent started to garner academic attention as institutions proved not static as they were once viewed.

Accordingly, institutions were no longer perceived as only influential forces of change. However, they are also impacted upon and changed by “institutional entrepreneurs” as their collective actions gain momentum over time (Dorado, 2005; Wijen and Ansari, 2007).

Construct 1: Institutional Voids in Emerging Nations

Entrepreneurship research has addressed the legal and political conditions conducive to (or hindering) the entrepreneurial behaviour. Research thus began to examine the nexus of institutions and entrepreneurship from a variety of approaches including National Systems of Innovations (NSI) (Ács *et al.*, 2014; Autio *et al.*, 2014), the entrepreneurial ecosystem (Isenberg, 2011; Stam,

2008; Stam and van Stel, 2009) entrepreneurship framework conditions (Ahmad and Hoffmann, 2008; Levie and Autio, 2008; Petersen and Ahmad, 2007) and others. In each stream of literature formal and informal institutions¹ interplayed with entrepreneurial activity in a distinctive manner. This included the effect of entrepreneurship on economic growth (Carree *et al.*, 2002; Carree and Thurik, 1999, 2010; Thurik, 2008; Wennekers *et al.*, 2005), the type of opportunity (Angulo-Guerrero *et al.*, 2017; Delmar *et al.*, 2003a; Henrekson, 2005; Lajqi and Krasniqi, 2017) and outcome of entrepreneurial activity (Baumol, 1990; Sobel, 2008). The nexus of institutions and entrepreneurship also comprised major political economy considerations. This includes the way economic resources are allocated, in addition to the accountability of the political power and the centralisation thereof (Acemoglu *et al.*, 2005; Acemoglu and Robinson, 2000; Douhan and Henrekson, 2007).

Similarly, context is a defining factor that determines this interplay. By and large advanced economies have well-functioning institutions where property rights are respected, government size is limited, and political power is held accountable (Ács and Szerb, 2007a; Audretsch, 2012; Audretsch and Elston, 2006; Wennekers *et al.*, 2002). Thus, entrepreneurial activity tends to be productive and it successfully reflects on the national economy. Conversely, in the developing world, the interplay between institutions and entrepreneurship is different. There, market institutions are underdeveloped or flawed as they are rife with institutional failures or voids (Khanna and Palepu, 2010; Naudé, 2010). This creates major entry barriers for entrepreneurial activity, rendering it costly and risky. Moreover, given the immaturity of the institutional setting, informal institutions carry more power than the formal ones, thus nonmarket activity and social capital play fundamental roles (Aparicio *et al.*, 2016; Khoury and Prasad, 2016; Krasniqi and Desai, 2016; Lajqi and Krasniqi, 2017; Puffer *et al.*, 2013).

However, this is not to rule out the role of institutional voids in entrepreneurial opportunity recognition. Institutional voids and failure can also juxtapose from problems to opportunities as emerging economies, entrepreneurs develop the need for firms to develop or utilise resources to

¹ North, (1991) defines institutions as the humanly devised constraints that structure political, economic, and social interaction. They consist of both informal institutions (sanctions, taboos, customs, traditions, and codes of conduct), and formal institutions (constitutions, laws, property rights).

mitigate their negative circumstances (McCarthy and Puffer, 2016). In developing countries and countries of poor institutions, entrepreneurs confront operational dilemmas and express agency as they work with existing institutions to offset the lack of market supporting ones (Khoury and Prasad, 2016; Mair and Martí, 2009).

Construct 2: Institutional Change and Entrepreneurship

To add another layer of complication, amid technological advances, globalisation and digitisation societies cannot help but join the world economy in a variety of ways (Elert *et al.*, 2016; Rodrigues, 2013). This triggers an institutional change at home, which involves an additional set of challenges for entrepreneurs already challenged by institutional voids. Hence, political risks and institutional uncertainties represent yet another complication in emerging economies undergoing institutional changes (Bylund and McCaffrey, 2017; Ford and Greer, 2020; Weingast, 1995).

To overcome this, entrepreneurs respond to institutional uncertainties in a variety of ways. Most common of which is through abiding, evading or altering those institutions (Henrekson and Sanandaji, 2011). In another account, they perform “institutional work” through maintaining, disrupting or creating institutions (Lawrence and Suddaby, 2006).

Institutional voids and uncertainty, however, do not deter entrepreneurial individuals from pursuing profitable economic activities where they identify and capitalise on market opportunities (Muhammad *et al.*, 2016a; Rodrigues, 2013; Tracey and Phillips, 2011; Welter and Smallbone, 2011). Literature established how emerging country entrepreneurs are particularly innovative in exploring entrepreneurial opportunities amid the voids. Not enough research, however, has examined the links between institutional voids and the type of entrepreneurial opportunity in a voids-heavy setup. For example, high-growth entrepreneurship is expected to emerge more in sound institutions of advanced economies. However, not enough research has explored how high-growth entrepreneurs have emerged and thrived in emerging economies amid various institutional failures, especially when institutional changes are at play.

This is not to say, however, that institutional changes affect only high-growth entrepreneurship. Institutional changes influence all types of entrepreneurial activity indeed. It is, however, the most capable entrepreneurs who can recognise opportunities and transform problems into opportunities

(Boudreaux *et al.*, 2019). Unfortunately, literature has been focussing mostly on the “outliers” and discounting other types of entrepreneurship such as necessity-based and informal entrepreneurship. In other words, extant research needs to embrace entrepreneurial diversity (Welter *et al.*, 2017). However, this exceeds the scope of this research work.

Similarly, research on institutional entrepreneurship in emerging economies undergoing transition is for the most part withdrawn from Eastern Europe and China, i.e. post-socialist/communist regimes. Moreover, research has only just begun exploring the role of intermediaries in promoting entrepreneurship in voids-heavy setups. However, the role of an agency is often ignored, thus a multi-level examination of institutions is in order (Autio *et al.*, 2014; Weik, 2011). In other words, to stress the role of agency, institutions have to be explored while considering their layers and “micro-foundations” (Kim *et al.*, 2016; Laranja *et al.*, 2008; Su, 2020; Sun *et al.*, 2020).

Construct 3: Institutional Entrepreneurship and Intermediaries

One important group are the institutional entrepreneurs, a group of “actors who have an interest in particular institutional arrangement, and who leverage resources to create new institutions or transform existing ones.” (Maguire *et al.*, 2004: 657). Institutional entrepreneurs operate in various fields and institutional settings. Literary attention has focused for the most part on institutional entrepreneurship in the organisation and socio-political domains. Institutional entrepreneurs play a central role in moderating the effect of institutional voids on market activity. Researchers have only started to explore their role in shaping new organisational fields (Battilana *et al.*, 2009; Garud *et al.*, 2007; Leca *et al.*, 2008; Maguire *et al.*, 2004) and in challenging environments such as emerging countries (Eijdenberg *et al.*, 2018; Jayanti and Raghunath, 2018; Mair *et al.*, 2012; Mcadam *et al.*, 2018).

In a similar vein, institutional intermediaries emerged as an important type of institutional entrepreneur. Institutional intermediaries emerge especially in voids-heavy setups to facilitate the entrepreneurial process through providing a set of services; namely capacity-building, knowledge brokering, needs assessment, policy advising and institutional support (Armanios *et al.*, 2017; Dutt *et al.*, 2016; Howells, 2006; Kivimaa *et al.*, 2019). In this sense, they partially make up for the state's failure to assume various regime and procedure roles. The services they provide depend on

their type; namely systemic, regime, niche, process or niche (Kilelu *et al.*, 2011; Kivimaa, 2014; Klerkx and Leeuwis, 2009; Van Lente *et al.*, 2003).

There is, however, little scholarship on the mechanism by which the collective actions of institutional entrepreneurs succeed in changing their challenging institutions, especially as they withstand rapid changes during structural transitions and transformations. Furthermore, the role of an agency is under-represented in the literature.

1.2. Research Objectives and Research Questions

Accordingly, the thesis in hand aims at exploring institutional voids in an emerging country, the role of institutional intermediaries and the dynamics of institutional entrepreneurship thereof. As such three research questions are posed:

1. What are the main *institutional voids* which constrain the activity of an emerging country's entrepreneurial activity?
2. What is the role of *institutional intermediaries* within the emerging country's institutional setup?
3. What are the patterns of *institutional entrepreneurship* manifested in an emerging country so as *institutional change* successfully occurs?

To address this, the researcher selected high-growth entrepreneurship as the unit of analysis (more on this in section 3.1.2.). Not only is this type of entrepreneurship crucial for the economic development of emerging nations, but it requires a threshold of institutional quality, without which entrepreneurial activity (of any type) in a less developed nation specially will fail to positively impact economic growth and institutional change.

Several determinants of the institutional environment can specifically promote or constrain entrepreneurship in general, and particularly high-growth entrepreneurship. This applies to both developing and developed nations (More on this in the literature review sections 2.1.1 and 2.1.2.). The objectives of this research are threefold:

First, highlighting the impact of institutional voids on entrepreneurship in an emerging nation, both negative and positive. Institutional voids are indeed a challenge, and they can render most of the entrepreneurial activity unproductive at best to the general economic growth. For example, they

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can be a reason why entrepreneurs in a certain nation are stuck at necessity entrepreneurship with low growth prospect and job creation. However, institutional voids carry opportunities in their folds. These opportunities can be recognised by the emerging country entrepreneurs, who collectively promote positive institutional changes.

Secondly, while emerging country entrepreneurs are developing their ventures and working around the institutional voids, they are helped by numerous supporting organisations. Those are the institutional intermediaries. This research will highlight the role (and types) of institutional intermediaries in a voids-heavy setup, and extent to which they participate in the institutional change process.

Thirdly, entrepreneurs and institutional intermediaries operate and interact within an overarching institutional setup. This setup is largely shaped by the policies put forward by regulators. Similarly, while entrepreneurs and intermediaries are expressing agency through their entrepreneurial behaviour, governments reacting either proactively or retrospectively. Consequently, institutional changes occur through a series of institutional entrepreneurship behaviours. These behaviours are manifested by not only the entrepreneurs and intermediaries, but also by the government.

This research will investigate the patterns of institutional entrepreneurship as manifested each of the three groups with varying levels.

The setting in which this empirical inquiry is conducted is Egypt. Egypt is an emerging market that is currently undergoing strong seismic shifts, typical of emerging countries transitioning to a free market. Egypt as a research context serves the research objectives as it is undergoing relentless structural transformations. Concomitantly, entrepreneurs react quickly by entering the market or adapting their offerings. Similarly, intermediaries are providing their support for both the entrepreneurs and government through capacity building, policy advising and other types of institutional support.

Moreover, this research investigates the collective actions of institutional entrepreneurs (represented by high-growth entrepreneurs, intermediaries, and government), and how their actions contribute, with varying levels, in bringing about change.

The thesis employs a qualitative methodology through a social constructionism philosophical lens.

1.3. Thesis Structure

This thesis is structured as followed. Chapter 2 presents a detailed literature review on the three central constructs explained above. More underpinnings emerge as the narrative evolves.

Next, Chapter 3 explores the research philosophy and methodological approach this research is based. Following this, the research design of this inquiry is detailed, including sampling, lines of inquiry and data analysis approaches (e.g. thematic analysis).

After this, Chapter 4 presents the study findings in two parts. Part 1 evaluates the Egyptian institutional framework following the themes that emerged from both the literature review and the secondary resources analysis. Part 2 then presents the data analysis of the primary research (e.g. interviews). This part also probes the lines of inquiry that emerged from the literature synthesis as well as the secondary research.

Chapter 5 then interprets the research results and links them to the literature review. This way, this research is positioned in the body of literature in relation to the central constructs under question: institutional voids, institutional intermediation, and institutional entrepreneurship.

Finally, Chapter 6 advances the research findings into how they contribute to the body of knowledge while considering the limitations of the study. A set of policy recommendations and avenues for future research is also presented.

CHAPTER 2: LITERATURE REVIEW

2.1. Institutions and Entrepreneurship in Emerging Countries

2.1.1. Entrepreneurship, Institutions, and the Intersection

Entrepreneurship: Types and Definitions

The economic literature identifies two types of entrepreneurs: those who contribute to market efficiency by equilibrating them (Kirzner, 1979), and those who disrupt markets by engaging in creative destruction and exploiting the monopolistic opportunities that arise (Schumpeter, 1934).

An extension to Schumpeter is introduced by Baumol, (1990) in his typological analysis of entrepreneurship. Baumol distinguishes between productive and unproductive entrepreneurship. Productive market entrepreneurship "... refers, simply, to any activity that contributes directly or indirectly to the net output of the economy or to the capacity to produce additional output" (Baumol, 1993:30). This includes introducing new materials for production, opening new markets or implementing a new organisation form. Henrekson and Sanandaji, (2011) view those examples as new combinations of resources and market technology that could create positive social value.

For example, high-growth, or "*opportunity*" entrepreneurship as per the Global Entrepreneurship Monitor's (GEM) analysis, is a type of productive entrepreneurship. Within opportunity entrepreneurship, small firms exhibit growth and create employment at a rate faster than their counterparts in the same conditions (Autio, 2007; Stam and van Stel, 2009). Here, an opportunity is an essential factor. It is argued that market opportunities emerge in part due to asymmetries of information (Stiglitz and Weiss, 1992). As such, some entrepreneurs are more capable of identifying attractive business opportunities than others (Fuentelsaz *et al.*, 2015; Lecuna *et al.*, 2017). Accordingly, high-growth firms (HGFs) show excellence on a number of factors; namely growth patterns, demographic affiliation, firm size, age, industry, and governance (Delmar *et al.*, 2003b).

It is also agreed that a country's economic development will improve when more importance is placed on an opportunity (Ács *et al.*, 2008). Naturally, this suggests that macro institutions and

policy measures strongly contribute to an environment that encourages or discourages entrepreneurial activity and firm growth (Davidsson and Henrekson, 2002; Henrekson and Johansson, 2009).

Conversely, unproductive and destructive entrepreneurship happens when the institutional structure of an economy implicitly renders unproductive activities, e.g. rent-seeking, more profitable than productive activities (Baumol, 1993). Baumol, (1993:51) refers to rent-seeking as the “expenditure of resources in a (deliberate) pursuit of economic rents by means that do not contravene the accepted rules of society”. Other than rent-seeking, destructive activities entail illegal and shadow activities, as well as different forms of corruption, litigation, takeovers, tax evasion and avoidance, in addition to acquiring a monopoly and abusing the legal system. Rent-seeking is reportedly the main threat to productive entrepreneurship (Baumol, 1990, 1993). Norms and social values could also promote unproductive entrepreneurship (Welter and Smallbone, 2003).

One example of unproductive entrepreneurship is “*necessity*” entrepreneurship as GEM describes it. This is when an individual is forced into becoming an entrepreneur when there is no better option (Reynolds *et al.*, 2001b). In Sobel's, (2008) empirical analysis of Baumol's typology, he concludes that unproductive entrepreneurship is the effort spent on the redistribution of wealth rather than the creation of additional wealth. Destructive entrepreneurship on the other hand is not only redistributive, but it could also reduce the total wealth.

In this sense, allocation of resources to either productive or unproductive for the most part are linked to weak and unstable formal institutions (Baumol, 1990).

The discussion hitherto summarises only one type of entrepreneurship: commercial or market or business entrepreneurship. This is the key form of entrepreneurship with which this research is concerned. However, there are other forms of entrepreneurship which are not less important.

For example, Boettke and Coyne, (2009:180) define *political entrepreneurship* as “individuals who operate in political institutions and who are alert to profit opportunities created by those institutions.” Entrepreneurial policymakers usually operate in less stable structures, thanks to the innovative and technological advancements, such as in the Post-Socialist societies (Kshetri, 2009;

Van Der Steen and Groenewegen, 2009). Here businesses and governments anticipate and interact with other innovative actors in society. This results in a co-generation of innovative activities (Van Der Steen and Groenewegen, 2009), in other words, co-evolution between entrepreneurship and institutions (Ahlstrom and Bruton, 2010; Su, 2020). Put differently, political movers and shakers capitalise on their power and positional field (Battilana, 2006) to maximise the economic rewards. Depending on the institutional setup, economic rewards are reaped by a powerful few or by the broad section of society (Acemoglu and Robinson, 2000).

There is also *social entrepreneurship*. Social entrepreneurs are private-sector citizens who seek to make “catalytic changes” in the public sector agenda (Waddock and Post, 1991:393). According to Hanley et al., (2015), social enterprises are a hybrid structure between profit-seeking and non-profit ventures as they combine profitable and socially-oriented activities. Their main target is to ensure that their products and services reach “the poorest of the poor.” Similarly, Mair and Schoen, (2007) define a social venture as an initiative that addresses social needs and/or catalyses social transformation. The creation of social value is the prime objective of the venture, while economic value creation represents a necessary but not sufficient condition (Mair and Martí, 2006).

In the light of this, different forms of entrepreneurship (commercial, political, social, etc.) are indeed sensitive to institutional contexts and macro policies. This naturally applies to commercial as well as political and social entrepreneurship. This is also where entrepreneurship and institutional theory intersect.

There is no shortage of literature on the impact of institutions on all types of entrepreneurship. In contrast, the influence entrepreneurial individuals have on institutions has not been researched sufficiently. For example, the political and sociology literature touched upon how institutions too are acted upon by institutional entrepreneurs (See Elert and Henrekson, 2017; Thomas B. Lawrence et al., 2009; Yu, 2001). DiMaggio, (1988) proposed the notion of *institutional entrepreneurship* in institutional analysis to characterise actors who are interested in certain institutional arrangements. To achieve their goals, *institutional entrepreneurs* mobilise resources and seize timely opportunities to create new institutions and change the existing ones. Therefore, there is a causal and bilateral relationship between entrepreneurship and institutions, although understudied from a politico-economic approach (Henrekson and Sanandaji, 2011).

Institutions: Types and Definitions

Simply put, good institutions encourage both entrepreneurship and economic growth. As the institutions or “rules of the game” improve (North, 1991), entrepreneurial activity is in turn promoted. Good institutions here include lower and less complex taxes and regulations, secure property rights, efficient contract enforcement, rule of law, smaller size of government and independent judicial system (Ács *et al.*, 2014; Autio *et al.*, 2014; Boettke and Coyne, 2009; Estrin *et al.*, 2013; Kreft and Sobel, 2005; Peng *et al.*, 2009; Sobel, 2008).

One of the most renowned institutional economists Douglas North defines institutions as “the rules of the game in a society or, more formally, are the humanly devised constraints that shape human interaction” (North, 1991:3). Institutions could be formal; namely through laws, rules and regulations, or informal;

<i>Degree of Formality (North, 1990)</i>	<i>Examples</i>	<i>Supportive Pillars (Scott, 1995)</i>	
Formal institutions	● Laws	● Regulative (coercive)	
	● Regulations		
	● Rules		
Informal institutions	● Norms	● Normative	
	● Cultures		● Cognitive
	● Ethics		

Figure 2.1. Dimensions of Institutions as per North and Scott (By Peng et al., 2009)

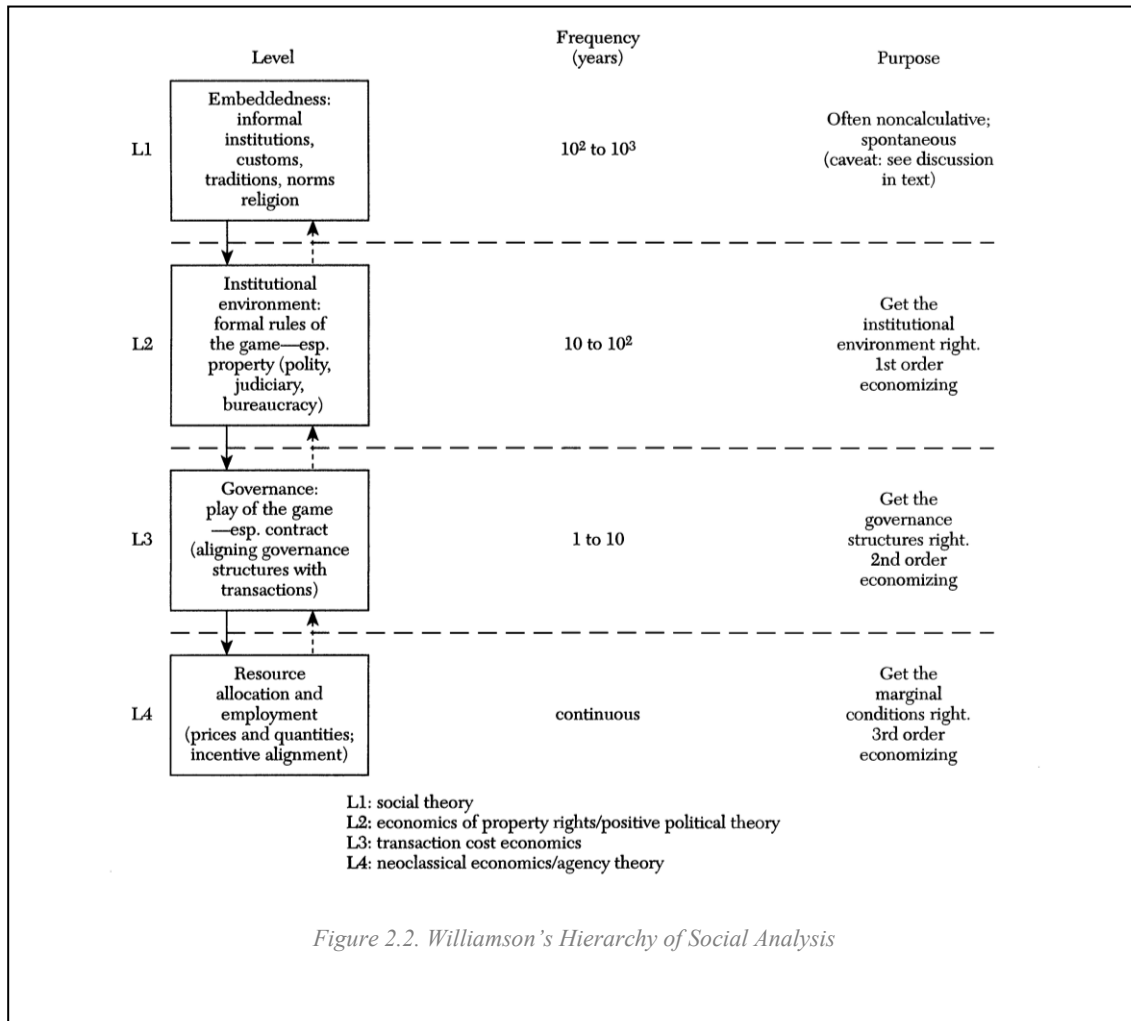
namely through culture, norms and traditions. Scott, (1995) classified North’s formal and informal aspects of institutions into three pillars: regulative, normative, and cultural-cognitive. The regulative comprises formal rule systems like laws and regulations, the normative refers primarily to professional societies and memberships, whereas the cultural-cognitive refers to shared beliefs and values of a nation (Figure 2.1.).

Williamson, (2000) then introduced New Institutional Economics to advance the discussion on institutions. He proposes four levels of social analysis which uncover aspects of political economy and transaction costs (Figure 2.2.; page 12). Each level imposes constraints on the level immediately below. The top-level (L1) refers to social embeddedness or informal constraints, i.e. culture. L2 refers to the institutional environment or the “rules of the game”; it includes the

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Chapter 2: Literature Review



executive, legislative, judicial, and bureaucratic functions of government as well as the enforcement of property rights and contract laws. L3 is where the institutions of governance are located, in other words, the “play of the game”. Lastly, L4 is the level at which market resources are allocated and reallocated through various mechanisms and price adjustments (Williamson, 1985). L3 and L4 are also where market actions are largely concentrated (Bylund and McCaffrey, 2017).

Following North and Williamson’s propositions, more research started exploring the determinants of good and bad institutions in-depth. Chong and Calderón, (2000); Gwartney et al., (2006) and Sobel, (2008) encouraged discussions on *institutional quality* and the relationship thereof to economic development. This posed a series of questions on what determines the quality of

institutions, and which aspect of economic development is relevant. La Porta et al., (1999), (2002) refer to “quality of government” as one that boosts economic development through reasonable taxation, freedom of corruption, controlled bureaucracy, and rule of law. On the other hand, Aidt, (2009) indicates that economic development policies that go hand-in-hand with lack of accountability and high corruption are in fact a hindrance to economic development. This is especially true when they fail to maintain social welfare and related well-being objectives (Valeriani and Peluso, 2011). Hence, judging institutional quality from GDP growth alone could not be an accurate sign of economic development in extreme poor societies. Other researchers relied on a variety of variables; namely control of corruption, rule of law, size of government in addition to trade openness and economic freedom to assess institutional quality (Khan *et al.*, 2019; Kreft and Sobel, 2005; Nawaz *et al.*, 2014; Peres *et al.*, 2018). Unsurprisingly, the results confirm a positive relationship between institutional quality and economic growth. However, the question of which variable holds precedence remains unanswered. Put differently, some arguments indicate that economic development leads to assigning resources for making institutions efficient. Others claim that having good institutions to begin with leads to economic prosperity.

Similarly, research conducted on emerging and less-developed economies introduce additional underpinning such as historical factors (e.g. colonialism) and ethnic fragmentation (Alonso and Garcemartin, 2010), income distribution and inequality (Chong and Calderón, 2000), attracting Foreign Direct Investment (Nguyen *et al.*, 2018; Peres *et al.*, 2018). More research agrees that the size of government and economic freedom are directly related to corruption (positively for the former, negatively for the latter) (Aidis *et al.*, 2010; Dreher and Schneider, 2010). Results commonly indicate that emerging country leaders should first and foremost address rule of law and corruption, as well as consider marginalised groups (e.g. informal sectors and people in extreme poverty) before rolling out programs of rapid development.

Some emerging country research also covered issues of political power and inequality considerations. This stream of research claims that autocrats of less developed countries prefer keeping institutions inefficient and corrupt, especially as dictatorships do not hold them accountable (Acemoglu *et al.*, 2003, 2005). This way the few political elites keep more of the small pie for themselves. Holcombe and Boudreaux, (2013) however contradicted this longstanding

view. They arrive at two conclusions: First, autocrats should fix their institutions if they want to stay longer in power. Second, corroborating with North's, (1991, 1995a) views, institutions are simply hard to change and given cultural and historical considerations, fixing longstanding institutions may simply be unachievable, even if it is desired.

In sum, institutional quality and the notion of good institutions carry various complications in their folds. However, what is commonly agreed on is that less corruption, smaller size of government, higher rule of law, higher economic freedom, and GDP growth policies which consider accountability, fairness and transparency mean better institutional quality (more on this in the entrepreneurship, institutions, and economic development sub-section below).

Purportedly institutional quality extends to entrepreneurial entry, specifically in the productive and high-growth sectors (Estrin *et al.*, 2013; Herrera-Echeverri *et al.*, 2014; Lajqi and Krasniqi, 2017; Sobel, 2008; Zhang *et al.*, 2017).

Indeed, institutional quality is directly related to economic growth which naturally comprises entrepreneurial activity. To promote entrepreneurship, research agrees that governments should target reforming basic institutions to create an environment in which creative individuals can flourish (Economidou *et al.*, 2018; Levie *et al.*, 2014; Reynolds *et al.*, 2001b; Shane and Venkataraman, 2000; Sobel, 2008; Stam *et al.*, 2009).

In sum, poor institutional quality fosters corruption and informal activity, whereas quality-institutions can promote entrepreneurship. However, little is still known about which institutions determine which types of entrepreneurship. In more detail, more examination is needed on the institutional determinants of productive and growth-oriented types of entrepreneurship.

Entrepreneurship and Institutions: The Intersection

However, the notion of good institutions and positive entrepreneurship policy does not apply equally to each economy. Policymakers may have the best intentions to promote entrepreneurship, but the same policy or reform applied in two different contexts will not ensure the same result. Research by the Global Entrepreneurship Monitor (GEM) research suggests that a country's level of economic development does indeed influence the nature and distribution of entrepreneurial

activity (van Stel *et al.*, 2005). In fact, various empirical works confirm that there is a significant negative relationship between entrepreneurship and economic growth (Thurik and Wennekers, 2004; Wennekers *et al.*, 2005; Wennekers and Thurik, 1999). This is especially true for emerging countries.

So far, the bulk of empirical research is conducted on developed economies (Ács and Virgill, 2010; Peng, 2001). One strong explanation is the availability of high-quality data. The same cannot be said for developing countries. Unlike developed economies, developing and emerging² nations collect less high-quality data, be them on institutional quality or market openness (Savoia *et al.*, 2010). In fact, entrepreneurship in developing countries is arguably the least studied significant economic and social phenomenon in the world today (Lingelbach *et al.*, 2005). Fortunately, this has not stopped the emergence of aggregate cross-country datasets such as World Bank's Ease of Doing Business, Fraser Institute Index of Economic Freedom, World Economic Forum's Global Competitive Index, Global Entrepreneurship Monitor, and others. Each of these indicators measures a set of institutional variables to draw a picture of the institutional quality (Milo, 2007). However, we must approach this data with caution given complex commensurability issues (Bruton *et al.*, 2008; Hoskisson *et al.*, 2000; Wright *et al.*, 2005). One notable issue with these "composite indices" is using them for cross-country comparisons without necessarily considering context-specific institutions (Khanna *et al.*, 2005). Especially since the "elusiveness of institutional concepts and definitions cannot easily be captured in a simple figure" (Savoia *et al.*, 2010:148).

Systems of Entrepreneurship: Determinants and Ecosystems

Research works on the determinants of entrepreneurship varies across academic and professional literature. Available knowledge provides a general idea of what a healthy national system of

² The terms "emerging market" and "developing country" are used interchangeably. Emerging market economies, however, are a subgroup of developing economies. They are characterised by being fast-growing and fuelled by economic liberalisation. They are often transitioning from coordinated markets to more open markets while increasing transparency and accountability (Doukas and Kan, 2006; Hoskisson *et al.*, 2000). The International Finance Corporation (IFC), a World Bank organisation, coined the term "emerging markets" to identify its Emerging Markets Database which contains stock market information on firms from these countries (IFC, 2006; Roztocki and Weistroffer, 2008). Economic reforms in these nations are primarily targeting more open and business-friendly markets to promote more homegrown initiatives and attract foreign investment. Compared to developed countries, emerging economies have a lower net level of economic development but faster growth rates; thus they are generally less stable than either developed or developing regions (IFC, 2016; Puffer *et al.*, 2013).

entrepreneurship (or innovation) may look like. However, this hardly defragments the disparate observations on which determines apply to which stage of economic development. Research has thus emerged on entrepreneurship ecosystem (Isenberg, 2011, 2014; Stam, 2014), entrepreneurship framework conditions (Ahmad and Hoffmann, 2008; Lunati et al., 2010; Reynolds et al., 2001a, 2002), national system of entrepreneurship (Ács et al., 2014; Guerrero and Urbano, 2017), and others. This section reviews some of the key themes on the notion of entrepreneurial ecosystems. Synthesising the various streams of literature thereof, however, is beyond the scope of this investigation.

Cohen, (2006) defines sustainable entrepreneurial ecosystems as an interconnected group of actors in a local geographic community committed to sustainable development through the support and facilitation of new sustainable ventures (p. 3). To Isenberg, (2010) an entrepreneurship ecosystem consists of a set of individual elements—such as leadership, culture, capital markets, and open-minded customers—that combine in complex ways (p. 43). Ignoring the interconnected nature of the ecosystem elements can lead to perverse outcomes (p. 50).

Entrepreneurial ecosystems have similarities with industrial districts, clusters, and innovation systems; entrepreneurs and spin-offs are present in these other frameworks but are not central as they are in entrepreneurial ecosystems. Stam and Spigel, (2016) define entrepreneurial ecosystems as a set of interdependent actors and factors coordinated in such a way that they enable productive entrepreneurship within a particular territory. Ács *et al.*, (2017) propose that the entrepreneurial ecosystem approach, just like strategy and regional development literatures, emphasises the interdependence between actors and factors, but sees entrepreneurship (new value creation by agents) as the output of the entrepreneurial ecosystem. Malecki, (2018) argues that the components of the entrepreneurial ecosystem are combined in a process that depends on the set of flows or relations within an entrepreneurial ecosystem. Key relations also include flows to and from places outside the local ecosystem. The key construct in an entrepreneurial ecosystem is that it is a system that changes over time (Spigel, 2017; Stam, 2015).

However, entrepreneurial ecosystem research is not without criticisms. Cao and Shi, (2021) stress that it focuses mostly on advanced economies. There is an absence of literature on entrepreneurial ecosystems to identify the salient features among emerging economies as a group when compared

with advanced economies. Thus, the weak theoretical grounding of the received literature makes it difficult to provide targeted policy guidance for emerging countries.

Role of Geography and Location

In the interconnection between institutions, innovation and geography, Newburry *et al.*, (2016) contend that geographic factors could include broad factors as agglomeration economies within a city or region, or the degree to which the local institutional structure supports these activities. They could similarly relate to how factors such as cities, country boundaries, and various distance types impact the operations of emerging economy firms.

Similarly, agglomeration refers to the geographic concentration of companies within certain industries. In some cases, the particular geographical or climatic characteristics of an area provide an easy explanation for the concentration of similar firm. Geographic proximity and interconnections create agglomeration externalities such that the net benefits to locating with similar firms increase as the number of firms in the location grows. The act of grouping together serves to create externalities that all firms within the cluster might enjoy (McCann and Folta, 2011).

In the same vein, Michael Porter popularised the term “cluster” to describe agglomerations (ibid). Porter, (1998) defines clusters as geographic concentrations of interconnected companies and institutions in a particular field. Clusters encompass an array of linked industries and other entities important to competition. Over the past decade, the new economic geography literature has tried to explain the development, and the economic role of geographic structures. One aspect of economic geography is the agglomeration of knowledge (Ács and Varga, 2005).

Geographic and agglomeration factors, however, have not been sufficiently investigated in the entrepreneurial ecosystem literature. Borissenko and Boschma, (2016) deduce that the ecosystem concept suffers from a number of shortcomings. 1) that it remains a challenge what institutions impact on the structure and performance of an entrepreneurial ecosystem; 2) studies have often focused on the entrepreneurial ecosystem in single regions or clusters but lack a comparative and multi-scalar perspective. Alvedalen and Boschma, (2017) also note that extant research often follows a case study approach of a region but lacks a comparative and multi-scalar perspective.

Additionally, the entrepreneurship ecosystem literature has adopted a static framework of ecosystems without considering their evolution over time.

Feldman, (2014) highlights that as the agents who recognize opportunity, mobilise resources, and create value, entrepreneurs are key to the creation of institutions and the building of capacity that will sustain regional economic development. Thus, entrepreneurs benefit from location, and to be able to transform local communities, human agency is what matters the most. Here, good working conditions affect the vibrancy of the local ecosystem and the quality of capacity in a local community. This in turn enables entrepreneurs to develop a geographic community of common interest around their new ideas and technology. Malecki, (2018) confirms that research by economic geographers will both illuminate the processes at work in entrepreneurial ecosystems in their geographical contexts and help entrepreneurs and policymakers incorporate entrepreneurial ecosystems within regional development.

O'Brien *et al.*, (2019) investigate the role of universities and inclusive entrepreneurship policies in developing entrepreneurial potential within under-represented groups, e.g. women, immigrant/ethnic minorities, disabled persons, among other groups³. The authors note that much of the focus has been on technological entrepreneurship and high-tech or potential fast-growth businesses in large urban cities, with less of a focus on the role of universities in providing greater support to entrepreneurial learning in under-represented communities.

Barca *et al.*, (2012) demonstrate that what development policies need to respond to today's challenges is being "place-aware" by taking into consideration the sheer variety of factors in diverse geographical locations that may affect the potential returns of intervention. This way tapping into unused potential in intermediate and lagging areas can enhance both growth at a local and a national level. However, this encourages a debate on whether efficiency should be concentrated in the core or there is potential for growth and development in every territory.

To this point, the discussion has been focussing solely on advanced economies. For example, Naudé *et al.*, (2008) deduce that most of the focus on the determinants of regional entrepreneurship

³ Paper discusses the distinctive challenges and barriers for each group in developing their enterprising capabilities that need to be addressed through the entrepreneurial ecosystem and inclusive policies.

has been on gathering empirical evidence in developed countries such as Sweden, Denmark, the USA and Germany. In this fashion, Cao and Shi, (2021) reveal three key findings that challenge the direct application of advanced economy entrepreneurial ecosystems model to emerging economy entrepreneurial ecosystems. In their analysis, the current studies mainly focus on exploring the constraints of entrepreneurial and innovation activities: 1) the presence of institutional voids is highlighted as key barriers for entrepreneurs in emerging economies. 2) Resource scarcities are emphasised, including financial, human, knowledge, and physical infrastructure, as inhibitors of entrepreneurial activities in emerging economies. 3) Structural gaps are brought out to illustrate the absence of actors and networks in emerging economies. Put together, these three characteristics in emerging economies exert significant barriers in their transition to a knowledge-based economy with sound market-related institutions.

For example, Fischer *et al.*, (2018) examine the determinants of Regional Systems of Entrepreneurship in the context of a developing country; Brazil. Their analysis suggests that high-growth entrepreneurship in Brazil has a strong stochastic character. Thus, the geographic dynamics of entrepreneurial activity in this country are remarkably different from what has been observed in developed countries in general. This suggests that applying policy rationales borrowed from the experience of advanced economies may render initiatives in catching-up countries ineffective. For example, the governmental role associated with the promotion of entrepreneurial ecosystems is often directed towards direct support to specific locations. However, several aspects related to a wide range of infrastructure, regulatory frameworks and institutional efficiency are not properly addressed. In other words, building functional systems of entrepreneurship can be a challenge that goes beyond subsidies allocated to new ventures.

In conclusion, more investigation is needed on the dynamics of the entrepreneurial ecosystems in emerging country and the policy implications thereof. These investigations should not view the entrepreneurial ecosystems in isolation of the regional and geographic factors.

On this note, the research at hand examines the interplay between institutions and entrepreneurship in an emerging country from a multi-level approach (more on this in section 3.1.2.). In the researcher's view, examining the institutional framework from a multi-level viewpoint is one

approach in investigating the entrepreneurial ecosystem. However, the multi-level approach considers the interaction and evolution of the system determinants.

Moreover, while this is not an economic geography account, some geography and location aspects are briefly considered in this research with some caveats (more on this in section 3.2.1.)

Going back to how entrepreneurship and institutions intersect, emerging nations are perceived as the engine of growth for the global economy (McKinsey Global Institute, 2018). In 2007, Goldman Sachs drew the world's attention to the BRIC countries⁴ (Goldman Sachs, 2007). Shortly after this, further research identified N-11⁵ or the Next Eleven as the countries expected to be the coming economic superpowers (Erdoğan *et al.*, 2020; O'Neill and Stupnytska, 2009). Most significant about these economies is their youthful populations which are both cheaper labour as well as wide consumer bases. They are also characterised by rapid rates of economic growth, a transition from closed to free markets as well as the ability to attract large amounts of Foreign Direct Investment (FDI) (OECD, 2020; Padhan *et al.*, 2019; Raghutla, 2020).

In the light of this, studying the socioeconomic and institutional dynamics of such countries is of utmost importance (European Central Bank, 2010). For example, research agrees that emerging nations possess unique, but flawed, institutional setups. Emerging countries specifically fail to provide the institutions necessary to support fundamental business functions (Eijdenberg *et al.*, 2018; Manimala and Wasdani, 2015; Voeten *et al.*, 2017). Some of the common failures⁶ include gaps in the formal structures, such as low quality of contract enforcement; lack of labour and financial market intermediaries (e.g. VC firms), and more missing enablers for entrepreneurship such as an ecosystem of mentors and advisors, incubation programs, encouraging culture and others (Foo *et al.*, 2020; Khanna and Palepu, 2010; Naudé *et al.*, 2008; Szirmai *et al.*, 2011). These institutional deficiencies are also referred to as *institutional voids* (Khanna and Palepu, 1997).

⁴ Brazil, Russia, India and China

⁵ Bangladesh, Egypt, Indonesia, Iran, Mexico, Nigeria, Pakistan, Philippines, South Korea, Turkey, and Vietnam

⁶ This thesis uses failures, voids, inefficiencies as well as misalignments interchangeably. They both refer to the state's failure to fill the institutional voids through introducing the missing enablers in the institutional setup. As such, failures and voids indicate the same thing: institutional voids.

Consequently, research on emerging countries, albeit fragmented, arrives at a set of common policy recommendations. Firstly, leaders should be aware that encouraging an increasing number of firms to take off without promoting and improving the business environment, will negatively impact their level of economic growth (Khanna *et al.*, 2005; Naudé, 2010). Governments should thus establish an infrastructure of high-quality institutions to promote business in general and Total Entrepreneurial Activity in particular (Marquis and Raynard, 2014; Zaki and Rashid, 2016). However, researchers have only begun to explore the different layers of institutions and the relationship thereof with different forms of entrepreneurship. Moreover, the body of knowledge is still widely disparate on the effect of entrepreneurs on institutions.

Contextually, entrepreneurship research on less developed economies is focused on regions such as Eastern European countries during the transition period and Latin America (Aparicio *et al.*, 2016; Brenes *et al.*, 2018; Espinal *et al.*, 2006; Forcadell and Aracil, 2019; Terjesen and Amorós, 2010). In the last decade research started to emerge on the BRIC countries (Coulibaly *et al.*, 2018; Estrin and Prevezer, 2011; McCarthy *et al.*, 2012; Puffer *et al.*, 2013; Warnecke, 2014). China especially garnered the lion's share among emerging country research in East Asia and the world (See Armanios *et al.*, 2017; Eesley, 2016; Kshetri, 2007; Lau and Bruton, 2011; Ran, 2013; Yang, 2004, 2007; Yiu *et al.*, 2007; Zhang *et al.*, 2017).

Surprisingly there is limited research on African nations with some exceptions (See Ács *et al.*, 2013; Brixiová *et al.*, 2015; Halberstadt and Spiegler, 2018; Onsongo, 2019; Sheriff and Muffatto, 2015). There is even less research on the Middle East and North African countries (Adly, 2015; Sharma, 2018; Sharpe and Schroeder, 2016; Zali and Faghih, 2018).

Returning the discussion on the institutional dynamics in entrepreneurship, there is a relatively general lack of systematic inquiry into the (multilevel) antecedents and consequences of entrepreneurship in both social science and management research (Bjørnskov and Foss, 2016). This specifically includes institutional theory research from both political and sociological standpoints (*ibid*). Consequently, during the 2000s, various conceptual works emerged to encourage discussion on the intersection between institutions and entrepreneurship (Bruton *et al.*, 2010; Shane and Venkataraman, 2000).

As empirical research accommodated institutional theory and entrepreneurship, a new dimension manifested itself, agency. Here, it was no longer convincing to view institutions and macro policies as the main acting forces on entrepreneurship. In other words, institutions are being acted upon too, by the very entrepreneurs who were long viewed only at the receiving end. As such, more specific literature streams then emerged on institutional entrepreneurship (Henrekson and Sanandaji, 2011; Lawrence and Suddaby, 2006; Leca *et al.*, 2008; Weik, 2011).

Notable researchers such as Garud *et al.*, (2007); Hardy *et al.*, (2015); Maguire *et al.*, (2004) and Dorado, (2005) view the *institutional entrepreneur* as “actors with an interest in certain institutional arrangements and use resources to create new institutions or to transform existing ones.” Here, institutional entrepreneurs challenge extant institutions by working to abide by, evade or alter them (Henrekson and Sanandaji, 2011), a notion Lawrence and Suddaby, (2006) refer to as *institutional work*. However, there is far less research in the institutional work area as compared to studies of institution-building and institutional change (*ibid*).

In conclusion, literature streams on entrepreneurship and institutional theory are approaching adulthood. However, studying entrepreneurship from an institutional theory approach, and examining the role of institutional entrepreneurs are still underrepresented. Moreover, the disparate knowledge available is concentrated in the Asian and Latin American regions.

To address those gaps, this research is thus going to examine the interplay of institutions and entrepreneurship in an emerging country in the Middle East, while considering the role of institutional entrepreneurs and intermediaries.

Therefore, this research responds to firstly the relatively limited scholarship on entrepreneurship from an institutional perspective. Secondly, this research will empirically represent a country in the Middle East and North Africa (MENA) region, Egypt. An under-investigated region, especially from an institutional lens (Bruton *et al.*, 2008; Kiss *et al.*, 2012). This investigation thus attempts to unpack some of the complex uniqueness of MENA through Egypt. Thirdly and most importantly, this research investigates the moderating effect that the national institutions of an emerging country have in producing different types of institutional entrepreneurs.

Entrepreneurship, Institutions, and Economic Development

In defining the types of institutions above, it has been established that good quality institutions foster entrepreneurship, while poor institutions foster corruption and informal activity. However, little is still known about which institutions determine which types of entrepreneurship. In more detail, more examination is needed on the institutional determinants of productive and growth-oriented types of entrepreneurship.

By and large, the consensus has been that different types of entrepreneurship affect economies in different ways in accordance with their level of economic development and growth. Grindle, (2004) shows that good governance is a pre-requisite for poverty alleviation. The study argues that to achieve good governance it is crucial to have: (i) institutions that establish sets of laws between political and economic agents; (ii) establishments that administer public services; (iii) human capital that staff government bureaucracies; and, (iv) transparency and interface of authorities and the public.

Alonso and Garcmartin, (2010) demonstrate that the development level determines institutional quality; i.e. the higher the former, the higher the latter. Wennekers *et al.*, (2005) found a U-shaped relationship suggesting that a “natural rate” of nascent entrepreneurship is governed by the level of economic development and respective government policies. Van Stel *et al.*, (2005) found a non-linear impact of the Total Entrepreneurial Activity or TEA on GDP growth. For the relatively poor countries TEA rate has a negative effect, for the relatively rich countries, on the other hand, the effect was positive. The effect could partly be explained by the rate of exploitation of economies of scale as well as the sophistication of the human capital. Additionally, necessity entrepreneurship has no effect on economic development while opportunity entrepreneurship has a positive and significant effect (Ács and Varga, 2005).

Similarly, it is hypothesized that the self-employment rate is high in less-developed countries (LDCs) whereas more highly developed countries where mass production and scale economies thrive have lower self-employment rates. Lecuna *et al.*, (2017) and Ács & Amorós, (2008) agree that opportunity-driven entrepreneurship that is associated with higher growth expectations is common in wealthy countries, whereas necessity-driven entrepreneurship is common in poor countries. Prieger *et al.*, (2016) explain that there are other factors that reduce the impact of

entrepreneurship on growth in LDCs, such as the prevalence of the wrong type of entrepreneurship. Valliere and Peterson, (2009) reported that in developed countries, a significant portion of economic growth rates can be attributed to high-expectation entrepreneurs exploiting national investments in knowledge creation and regulatory freedom. However, this effect was absent in LDCs.

In relation to the stage of economic development and the type of entrepreneurship, various policy tools can be employed. Carree *et al.*, (2002) recommend that lowering the barriers to entry and exit for business owners is necessary to establish a long-term equilibrium between economic development and business ownership. This study, however, employed a model on OECD countries. Shane, (2009) argues that American policymakers should encourage higher quality startups, and job-creating ventures as opposed to introducing policies that encourage more self-employment. Djankov *et al.*, (2002) contend that heavier regulations on business entry is generally associated with greater corruption and a larger unofficial economy. Whereas, more democratic and freer economies have fewer market failures given the easier market entry, this in turn leads to higher per capital incomes. These findings are withdrawn from observations of 85 countries, however, the entrepreneurial nature (if any) of the startups is disregarded.

Other researchers investigated the interplay between economic freedom⁷ and entrepreneurship (Ács *et al.*, 2013; Crnogaj and Hojnik, 2016; Dempster and Isaacs, 2017; Kreft and Sobel, 2005; Kuckertz *et al.*, 2016; McMullen *et al.*, 2008; Sobel, 2008; Sobel *et al.*, 2007). Empirical research substantiates some important findings: a) economic liberalisation tends to encourage opportunity or high-growth entrepreneurship and to discourage necessity entrepreneurship (Angulo-Guerrero *et al.*, 2017); b) a smaller government sector, better legal structure and security of property rights, as well as less regulation of credit, labour and business tend to increase entrepreneurship (Nyström, 2008); c) freedom to create businesses and invest has an impact on business generation in developing countries (Herrera-Echeverri *et al.*, 2014). Findings also demonstrate that economic freedom not only channels individual effort to productive entrepreneurial activities, but also affects

⁷ The measure of economic freedom includes five aspects: size of government, legal structure and security of property rights, access to sound money, freedom to trade internationally, and the regulation of credit, labour and business (Gwartney *et al.*, 2015).

the extent to which individuals' socio-cognitive resources are likely to mobilised and lead to high-growth entrepreneurship (Boudreaux *et al.*, 2019).

Thus, it appears that for entrepreneurship to “work” there must be a functional institutional setup, sound market regulations and a degree of economic freedom. However, there will remain context-specific differences (like the ones mentioned before) and other particularities which make it specifically hard to predict, say, the stage where the marginal effect of reducing regulations on business entry and entrepreneurship is zero. Fortunately, we have an idea of how institutions are generally different in developed and developing countries.

For example, Wennekers *et al.*, (2005) recommend that the most advanced nations should improve the incentive structures for business start-ups and promote the commercial exploitation of scientific findings. Developing nations, however, should exploit scale economies, foster foreign direct investment, and promote management education. Terjesen and Szerb, (2008) find that both start-up and established firm growth expectations are higher in developing countries, whereas the fastest growing young firms are mainly found in developed countries.

This conjecture opens up vast avenues of research on how institutions are different in both the developed and developing world. It is this researcher’s opinion that case studies are especially useful here so as context-specific nuances are identified.

The coming section reviews literature on high-growth entrepreneurship, entrepreneurial response to institutional voids, as well as institutional determinants of the high-growth entrepreneurship.

2.1.2. Responding to Institutional Voids and High-growth Entrepreneurship

In their seminal work on emerging countries, (Khanna *et al.*, 2005; Khanna and Palepu, 2010) refer to institutional voids as the “lacunae created by the absence of (specialised) market intermediaries” (2010:12). The market intermediaries are referred to provide the necessary information so that buyers and sellers can find each other and evaluate the quality of products and services. This, however, assumes that there is a functional physical and market infrastructure in place, e.g. roads, access to water and sanitation, internet, online platforms with reliable reviews, etc. In mature markets, the authors explain, there is a wide range of specialised intermediaries who provide the required information and contract enforcement requisite for business operations. Most developing markets on the other hand fall short on this aspect.

Accordingly, entrepreneurship in both sets of markets varies fundamentally in nature, type, and effect on economic growth. Not surprisingly innovative-driven developed economies are able to produce more productive entrepreneurship, e.g. high-growth and opportunity entrepreneurship (Ács and Szerb, 2007b; Su, 2020).

On the other hand, in developing nations with inadequate institutional infrastructure, market functionality and effectiveness are hard to predict (Lajqi and Krasniqi, 2017; Narooz and Child, 2017; Voeten *et al.*, 2017) especially given the social costs of the institutional voids (Rodrigues, 2013). Hence, entrepreneurship tends to lie on the unproductive side, e.g. necessity entrepreneurship, self-employment and a higher rate of venture births and deaths (Chowdhury *et al.*, 2015; Fuentelsaz *et al.*, 2015; Lecuna *et al.*, 2017).

However, there is still high growth and opportunity for entrepreneurship in the less-developed countries. From a research point of view, studying them could unpack rich insights into the interplay between institutions and the type of entrepreneurship. As such, it could be possible to uncover which specific institutional voids an emerging country must address so that high-growth entrepreneurship can take off (Brixiová, 2013; Krasniqi and Desai, 2016; Stam and van Stel, 2009).

On key dimension here is predictability. As markets are harder to predict, *institutional uncertainty* arises. This happens when entrepreneurs doubt the future compatibility of institutions at different levels (Bylund and McCaffrey, 2017). In this sense, there is low reliability with which economic actors can anticipate the “rules of the game”, be them positive or negative (Pritchett, 2003). And as the institutional uncertainty rises, an entire nation’s economic development could come to a halt given how poorly the institutions are managed (Milo, 2007; Pritchett, 2003; Yeyati *et al.*, 2004).

Institutional Voids, Informal Institutions, and Uncertainty

Extant literature has addressed institutional voids in emerging countries from a variety of dimensions. As has been mentioned before, cross-country research and available business indicators made it possible to compare various aspects of institutions and institutional quality (Khanna *et al.*, 2005). This, however, applies to formal institutions more than informal ones. For example, it is possible to compare the number of venture births in a given year across different

countries. The same applies to the number of days it takes to obtain manufacturing licenses and exporting permits. In contrast, comparing traditional beliefs, the effect of religion on business, women's engagement and national cultures across different countries may not be straightforward (Jayanti and Raghunath, 2018; Voeten *et al.*, 2017).

In parallel, institutional voids occur when “specialist intermediaries, regulatory systems, and contract-enforcing mechanisms” (Khanna *et al.*, 2005, p4) are absent or deficient. Salient formal institutions may include intellectual property protections, contracts enforcement, firm entry procedures, and the laws and regulations about firm competitions and bankruptcy (Autio *et al.*, 2014). Manimala and Wasdani, (2015) summarised nine types of deficiencies or voids characterising emerging economies: underdeveloped institutions, unclear and inconsistent government policies, inadequate governance, disjointed infrastructure, limited funding options, inhibiting culture, personalised networks, ill-funded and ambivalent educational system, and reluctant internationalisation.

Thus, institutional voids are a symptom of weak formal institutions like those in emerging economies. Here, informal institutions are more embedded as the “rules of the game”, which in turn creates institutional uncertainty. In such setups, social and economic actors resort to informal behaviours given they are more profitable. Productive and growth-oriented entrepreneurship unfortunately incur more transaction costs (Ting *et al.*, 2007). Arguably in emerging economy settings, formal institutions fail to arrange the economic structure to provide adequately for society (de Soto, 1989). Underperforming formal institutions are reportedly rich in informal institutional arrangements that serve as an alternative system of support (Doh *et al.*, 2017). Thus, when formal institutions are weak, they impose costly bureaucratic burdens on entrepreneurs and increase uncertainty as well as the operational and transaction costs of firms (Djankov *et al.*, 2002; Puffer *et al.*, 2010). As a result, informality provides a means of subsistence and facilitate economic and social stability in emerging regions (de Soto, 1989; Webb *et al.*, 2013).

Furthermore, where formal institutions fail or are absent informal networks and contacts often play a key role in helping entrepreneurs to mobilise resources, and to cope with the constraints imposed by highly bureaucratic structures and often unfriendly officials (Ledeneva, 1998; Welter and Smallbone, 2003). Entrepreneurs in such settings can often be faced with incoherent and constantly

changing regulations (Aidis *et al.*, 2008; Manolova *et al.*, 2008) meaning that, for example, they are unable to calculate their tax bills due to changing tax rates (Tonoyan *et al.*, 2010). Furthermore, gaining credit can be difficult, as banks tend to favour larger businesses and lack willingness to finance small enterprises (Smallbone and Welter, 2001; Williams and Vorley, 2015a).

Those challenges, among others, pose high institutional uncertainty is, such as the case with emerging countries (De Clercq *et al.*, 2010; Tracey and Phillips, 2011). As it has been discussed, the institutional infrastructure of less-developed economies is hardly on par with that of the more developed nations. As such, the role of informal institutions and institutional uncertainty comes to the fore (Chipp *et al.*, 2019; Ge *et al.*, 2019). Not surprisingly, this carries direct implications towards the type of opportunity and motivation to engage in entrepreneurship (Estrin *et al.*, 2013).

Informal institutions and institutional uncertainty are directly related. As the rule of state weakens, informal institutions gain more impetus, thus institutional uncertainty precipitates (Gel'man, 2004; Sartor and Beamish, 2014).

Informal institutions represent what North, (1991) considered to be attitudes and social beliefs that regulate individual behaviour. This includes traditions, social norms, and religious beliefs which are slow to change (Williamson, 2000). This particularly stands out in a country transitioning to a free market where informal, and sometimes illegal, practices are common and widely practised (Belitski *et al.*, 2016; Estrin *et al.*, 2013). In this sense, informal nonmarket practices are a reflection of informal institutions (Krasniqi and Desai, 2016).

There is no shortage of research on the interplay between formal institutions and entrepreneurship. However, research falls short of exploring the impact of various forms of informal institutions on entrepreneurship (Holmes *et al.*, 2013). An apparent reason for this is that the normative and cognitive institutions are hard to identify, precisely because of their informal nature (Voeten *et al.*, 2017). However investigating them is of utmost importance because of their strong influence and moderating effect on formal institutions (Hechavarría, 2015; North, 1995a). While they are not codified into documented rules and standards, informal institutions indeed reflect socially-established realities which are deeply embedded in individual and societal behaviours (Scott, 2008a).

These embedded informal institutions and the resultant institutional voids hinder entrepreneurship and its development (Estrin *et al.*, 2013; Lajqi and Krasniqi, 2017; Manolova *et al.*, 2008; Marquis and Raynard, 2015). This particularly could have adverse impacts on growth-oriented entrepreneurship. This is because growth-oriented entrepreneurs are the ones bearing the additional costs in voids-heavy setups, which would discourage them from pursuing growth or realising their objectives (Estrin *et al.*, 2013; Jacquemin and Janssen, 2015; Webb *et al.*, 2020). This confirms several logics; explaining the prevalence of necessity-oriented and unproductive entrepreneurship in emerging countries (Bruton *et al.*, 2015; Dempster and Isaacs, 2017; Urban and Muzamhindo, 2018).

Helmke and Levitsky, (2004) classify informal institutions into four types (Figure 2.3): complementary, accommodating, competing and substitutive.

The typology is based on two dimensions. First, is the extent to which formal and informal institutional outcomes converge. Second, is the effectiveness of the relevant formal institutions.

First, informal institutions are *complementary* to formal ones when they converge, and the formal institutions are effective.

In this sense, informal institutions promote the formal institutions which could otherwise not be honoured.

Outcomes	Effective formal institutions	Ineffective formal institutions
Convergent	Complementary	Substitutive
Divergent	Accommodating	Competing

Figure 2.3. Typology of Informal Institutions by Helmke and Levistky, (2004)

Helmke and Levitsky, (2004) present the US constitution as an example: had there not been shared beliefs among citizens to respect it, incentives to comply with and respect the constitution could have not been there.

Second, the informal institutions may *accommodate* the formal ones when they diverge and when formal institutions are effective. Informal institutions in this case do not violate the letter of the law but violate its spirit. In other words, they coexist with the formal institutions and result in somewhat unintended outcomes (Başkan-Canyaş and Canyaş, 2016; Estrin and Prevezer, 2011).

Third, informal institutions *compete* with formal ones when formal institutions are ineffective, and both diverge. This is the case when mechanisms of law enforcement are poor. This usually applies to emerging countries where there are contradictory rules and laws. This renders people confused among various sources of justice, as such norms do not operate in harmony with the law (Boudreaux *et al.*, 2017; Welter *et al.*, 2015).

Finally, informal institutions can *substitute* for the lack of effectiveness of formal institutions. Like complementary institutions, these informal institutions are formulated to make up for where the formal institutions fall short. In this case, however, formal institutions are neither effective nor respected. One famous example is the prevalence of “wasta” or nepotism in Egypt and the Middle East. Given the Middle Eastern regimes are run by meritocracy and business oligarchs, informal institutions and social capital are the *de facto* schemes. For example, relatives and close connections are prioritised in employment opportunities and decision-making positions (Barnett *et al.*, 2013; Mohamed and Mohamad, 2011; Risk & Compliance Portal, 2020). In the absence of political opposition, these practices gave rise to corruption, especially in the public sector, as well as informal behaviour until the two have become deeply embedded in the Arab societies (Kubbe and Varraich, 2019; Rose-Ackerman and Palifka, 2016; Schoeberlein, 2019).

High-Growth Entrepreneurship and Responding to Voids

High-growth entrepreneurship has been examined in literature on three levels: 1) entrepreneur's personal traits level such as age (Azoulay *et al.*, 2018), gender (Gupta *et al.*, 2019; Hechavarria *et al.*, 2019; Sweida and Reichard, 2013) and other personality traits (Aidis and Mickiewicz, 2006; Wallin *et al.*, 2016), 2) firm-level (firm characteristics that determine its growth patterns) (Delmar *et al.*, 2003b; Mthimkhulu and Aziakpono, 2016; Petersen and Ahmad, 2007; Siegel *et al.*, 1993; Terjesen and Szerb, 2008) and 3) institutional level (basic determinants of the institutions) (Aparicio *et al.*, 2016; Audretsch, 2012; Autio and Rannikko, 2016; Boudreaux *et al.*, 2019; Davidsson and Henrekson, 2002; Henrekson and Johansson, 2009; Smallbone and Welter, 2012). In particular, the effects of the different types of entrepreneurship affect economies in different ways in accordance with their level of economic development and growth. There is a lot of complexity pertaining to high-growth entrepreneurship in emerging nations (See section 2.1.2.).

Terjesen and Szerb, (2008) investigate determinants of growth aspirations in nascent, young and established businesses using cross-country GEM data. They find that both start-up and established firm growth expectations are higher in developing countries, whereas the fastest growing young firms are mainly found in developed countries. Lingelbach *et al.*, (2005) explain that most of the specialist research in emerging country entrepreneurship concentrates on microenterprises and low-growth lifestyle businesses, yet these firms do not contribute in a meaningful way to the sustainable economic growth needed to reduce poverty in developing countries. Conversely, high-growth firms are more likely to contribute to economic growth and prosperity. As such the authors call for more research to be conducted on the unique attributes of new and growth-oriented firms. Aparicio *et al.*, (2016) deduce that informal institutions have a higher impact on opportunity entrepreneurship than formal institutions, especially in Latin American countries. Variables such as control of corruption, confidence in one's skills and private coverage to obtain credit promote a positive effect of opportunity entrepreneurship on economic growth. Stam *et al.*, (2010) establish that the relationship between *ambitious* entrepreneurship and macroeconomic growth is stronger in low-income countries than it is in high-income countries.

Similarly, Lecuna *et al.*, (2017) and Ács & Amorós, (2008) agree that opportunity-driven entrepreneurship that is associated with higher growth expectations is common in wealthy countries, whereas necessity-driven entrepreneurship is common in poor countries.

Expectedly, this is because the insufficiently developed institutional framework in low-income countries would reduce growth intentions and curtail entrepreneurial growth.

Responding to Uncertainty and Implications on High-Growth Entrepreneurship

As it has been established informal institutions carry strong implications on entrepreneurship, especially high-growth entrepreneurship (henceforth HGE). Similarly, entrepreneurs do not stand with their hands tied before constraining institutions. They respond in a variety of ways which makes them key agents of change (Bruton *et al.*, 2013; Dorado, 2005; Pelzer *et al.*, 2019).

Lawrence and Suddaby, (2006) conducted a comprehensive review of organisation literature on the practices through which actors impact institutions. In their synthesis, they describe how both individuals and institutions aim to create, maintain and/or disrupt the institutions around them through what they refer to as “*institutional work*”. Henrekson and Sanandaji, (2011) developed a

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similar typology that is more specific for entrepreneurship (Table 2.1.). They allocate the entrepreneurial response to abiding, evading, and altering institutions.

This typology is much similar to Baumol's, (1990) allocation of entrepreneurship between productive and unproductive/destructive activities.

Table 2.1. Entrepreneurial Responses to Institutions and Institutional Voids

	Maintain	Disrupt	Create
Lawrence and Suddaby, (2006)			
Practices	-Enabling work -Policing -Deterring, valorising, and demonising -Mythologising -Embedding and routinising	-Disconnecting sanctions -Disassociating moral foundations -Undermining assumptions and beliefs	-Group 1: advocacy, defining, vesting -Group 2: constructing identities, changing normative associations, constructing normative networks -Group 3: mimicry, theorising, educating
Henrekson and Sanandaji, (2011)	Abide	Evade	Alter
Productive activities	Pursue a business opportunity within prevailing institutions.	Sidestep stifling labour market regulations through a new contractual form.	Provide a new local public good, private security firms.
Unproductive/ destructive activities	-Sue competitors for a share of their profits. -Rogue states; rivalry between warlords.	-Bribe a government official to obtain a contract. -Illegal syndicates	-Lobby for a new regulation to protect an industry. -Repeal property rights to plunder a wealthy group

Adapted from Lawrence and Suddaby, (2006); Henrekson and Sanandaji, (2011) and Baumol's, (1990)

So, what does this mean for HGE? Especially in emerging countries?

Petersen and Ahmad, (2007) of the OECD found that HGFs⁸ contribute to a large share of the employment created. The study also found that less than one percent of firms and less than two percent in terms of turnover are accounted for by firms classified as gazelles. They concluded that high-growth firms can play a key role in addressing important policy issues such as reducing unemployment and creating jobs. Stangler and Bell-Masterson, (2015) suggest that a concentration of high-growth firms (henceforth HGF) indicates whether or not entrepreneurs are able to allocate

⁸ Petersen and Ahmad, (2007) define high-growth firms as “All enterprises up to five years old with average annualized growth greater than twenty percent per annum over a three-year period, and with ten or more employees at the beginning of the observation period.”

and capitalise on resources for more productive uses. Autio, (2007) agrees that both high- and low-expectation entrepreneurship associate positively with the national cultural and societal framework that affect entrepreneurship. Thus, different forms of entrepreneurship respond differently to the macro policy and socio-cultural conditions.

Several research works identified growth factors, policy determinants and sectorial and geographical allocation of HGFs. The bulk of this research is withdrawn from developed economies where HGE is in fact acknowledged and measured (See Ács, 2008; Aidis et al., 2009; Angulo-Guerrero et al., 2017; Antony et al., 2017; Aparicio et al., 2016; Audretsch, 2012; Autio et al., 2007; Delmar et al., 2003b; Du et al., 2013; Pereira and Temouri, 2018). However, much less research is available on HGE in emerging countries, especially the interplay thereof with formal and informal institutions.

Research that examined HGE in EE addressed issues such as personal motivation and attributes (ACKAH *et al.*, 2017; Czeglédi, 2016; Goedhuys and Sleuwaegen, 2009) institutional environment and governance (Asongu *et al.*, 2018; Urban and Muzamhindo, 2018), policies and legitimacy (Brixiová, 2013; Brixiová *et al.*, 2015), and foreign direct investment through multinational companies (Becker-Ritterspach *et al.*, 2017; Chelekis and Mudambi, 2010).

Further research on entrepreneurship in EE, although not necessarily HGE, examined the moderating effects of corruption, and national culture (Avnimelech *et al.*, 2014; Ghura *et al.*, 2017; Habibov *et al.*, 2017; Hall *et al.*, 2012; Hechavarría, 2015; Khyareh, 2017; Tsai *et al.*, 2016; Wiseman and Young, 2014). In addition to the dynamics of gender and female entrepreneurship (Langowitz and Minniti, 2007; Mcadam *et al.*, 2018; Mian *et al.*, 2018; Muntean and Ozkazanc-Pan, 2016; Tuzun and Takay, 2017; Welter *et al.*, 2003).

One important literature stream, however, is the interplay of entrepreneurship and EEs which underwent a transition, such as Eastern European and Latin American nations. This is particularly important because entrepreneurship plays a fundamental role alongside institutional reforms so that a country achieves the transition successfully (Puffer *et al.*, 2010; Welter and Smallbone, 2011; Williams and Vorley, 2015b). In what is referred to as the “*Shock Therapy Model*”, governments in transition carry out immediate reforms to establish a free market economy

(Marangos, 2002; Murrell, 1993; Popov, 2000, 2006). However, there is little to no adaptation to the local context, resulting in inconsistent institutions, some evolve and some do not—a sign of what (Williams and Vorley, 2015b) refer to as “*institutional asymmetry*”. Literature, however, is shockingly limited on the interplay between HGE in EEs in transition.

In the same way, when institutional voids and uncertainty rise, entrepreneurial responses vary; e.g. through abiding, evading and altering (Henrekson and Sanandaji, 2011). Elert et al., (2016) explain that evading constraining rules is what most entrepreneurs resort to through navigating the informal areas and getting away with what they can. Interestingly, this very evasion response mostly leads to creating new institutions (Alvarez and Barney, 2007; Baumol and Blinder, 2008).

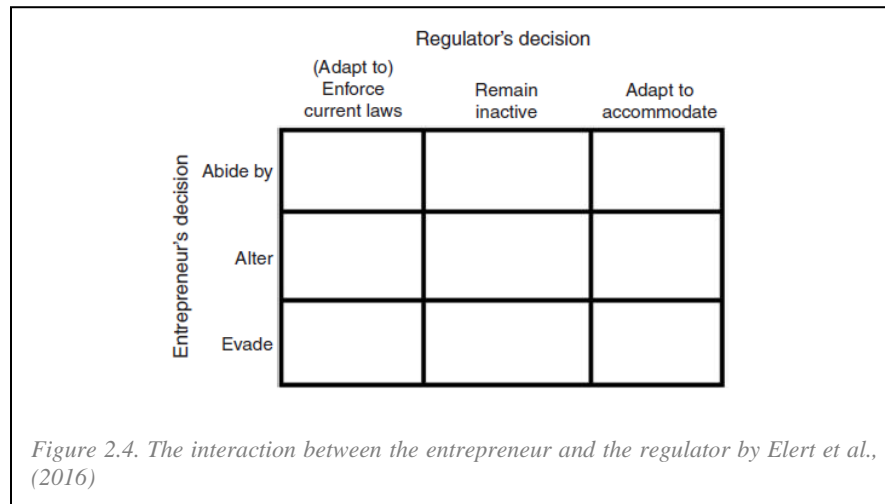
Evasive entrepreneurship specifically flourishes as economies and societies undergo globalisation, urbanisation and digitisation (Elert *et al.*, 2016; Rodrigues, 2013). Accordingly, regulators will constantly need to adapt their long-term and short-term strategies to address evasion. Elert et al., (2016) introduce a game theoretic-like model to simulate the interaction between regulators and innovators (Figure 2.4.). Where innovators decide to evade constraining institutions, regulators decide to either enforce rules more harshly, remain inactive or adapt to accommodate this evasion by introducing new institutions, thus promoting competition and market actions. Similarly, as entrepreneurship is a catalyst for structural change and institutional evolution. Evasive entrepreneurship is specifically fundamental as it elicits a response from lawmakers and regulators, leading to institutional change (Tao, 2016).

Similarly, entrepreneurs will attempt to maximise their payoffs as regulators react to evasion, namely through abiding by the rules, evading them, thus challenging their legitimacy, or engaging in altering behaviour to render the incumbent institutions obsolete.

Egypt: A Fluid Institutional Affair

An Institutional Theory Interrogation of the Egyptian Business Services Sector: *The Triad Relationship of Institutions, Entrepreneurship and Institutional Intermediaries*

Chapter 2: Literature Review



In sum, informal institutions, and voids further the institutional uncertainty. Here social and economic actors are unable to predict market dynamics. This is specifically the case as economies transition to freer markets and undergoes globalisation and digitisation. Here is where the role of innovation and HGE is salient.

As societies transition to more open markets and adopt evolving technologies and digitisation, innovators will evade constraining institutions, i.e. majority of the surrounding institutions. Regulators in turn will behave in a variety of ways in response to the evasive behaviour. Not enough research, however, has addressed HGE's response to institutional uncertainty, especially through evasive behaviour while their governments undertake aggressive reforms.

Institutional Determinants of High-Growth Entrepreneurship

Different known entrepreneurial behaviours in response to institutions have been reviewed above. This section research that has especially examined the institutional determinants for high-growth entrepreneurship. Literature mentioned the importance of the business environment in general such as the quality of the institutional environment.

A number of government policy tools arise; namely a sound tax system (Alonso and Garcemartin, 2010; Davidsson and Henrekson, 2002), sound property rights (Estrin *et al.*, 2009; Fuentelsaz *et al.*, 2015), facilitating market entry and easing regulatory burdens (Audretsch, 2012), education and enhancement of the human capital (Aidis and Mickiewicz, 2006; Bowen and De Clercq, 2008;

Brixiová *et al.*, 2015), controlling corruption (Collins *et al.*, 2016; Lecuna *et al.*, 2020) as well as institutional stability and predictability (Alonso and Garcmartin, 2010; Asongu and Joseph, 2019). Other policy tools that promote high-growth entrepreneurship include the supply of both formal and informal finance (Estrin *et al.*, 2009); such as the creation of networks of business angels, public-private venture capital, and the creation of specific initial public offering markets (Terjesen *et al.*, 2016)

Aparicio *et al.*, (2016) and Thornton *et al.*, (2011) agree that informal institutions have a higher impact on opportunity entrepreneurship than formal institution. However, they don't differentiate between developed and developing economies. Davidsson and Henrekson, (2002) encourage extending the economic arenas in which competent entrepreneurs can thrive and improve the institutions and rules of the game determining the incentive structure for entrepreneurs. Audretsch, (2012) suggests promoting small- and medium-sized enterprises (SMEs). One policy dimension involves the provision of favourable tax treatments to SMES but especially startups and micro-enterprises. Another policy involves promotion of investment activities in SMEs to foster their productivity, as well as helping SMEs access consulting services, specialised technologies, and obtaining information and expertise. Those measures, among others, can help facilitate their rapid growth.

In sum, establishing a threshold for institutional quality implies not only the type of entrepreneurship, but also the level of economic development and the nature of institutions, history, aggregate conditions such as technology, culture and other variables (Wennekers *et al.*, 2002) . This is in no way straightforward.

Furthermore, albeit the extensive prior research on high-growth entrepreneurship as well as the interrelation between institutions and entrepreneurship in general, there is limited research available on the identifying the institutions that could help high-growth entrepreneurship promote economic development in developing countries, with some notable exceptions (Ács and Amorós, 2008; Krasniqi and Desai, 2016; Valliere and Peterson, 2009). This can be justified by the fact that there is far more information on high-growth topics for developed countries than for developing countries (Olafsen and Cook, 2016).

Additionally, the identified determinants of institutional quality, as reviewed above, seem remarkably similar for both nascent and high-growth entrepreneurship. Thus, more investigation

is needed to convey the peculiarity of high-growth entrepreneurship and its perquisite determinants in developing countries.

2.2. Institutional Entrepreneurship and Intermediaries

2.2.1. Institutional Entrepreneurship and Agency

So far this literature examination discussed institutional voids in EE and how they intersect with mainstream and growth-oriented entrepreneurship. As it has been portrayed, EEs undergoing transition are characterised by a rapid rate of development in which governments undertake aggressive reforms (Ahlstrom and Bruton, 2010; Hoskisson *et al.*, 2000, 2013). These reforms, unfortunately, rarely account for domestic contexts or informal institutions. As such, institutional voids proliferate and institutional uncertainty emerged, leaving social and economic actors unable to predict market dynamics (Bylund and McCaffrey, 2017; Young *et al.*, 2018).

This, however, does not preclude social, political and economic innovators to discover and recognise entrepreneurial opportunities (Mary George *et al.*, 2016; Suddaby *et al.*, 2015; Vanevenhoven *et al.*, 2011). Such entrepreneurs are able to do so by capitalising on their field position and available resources to exploit the newly emerged market gaps (Battilana *et al.*, 2009; Hardy and Maguire, 2008; Leca *et al.*, 2008). However, research has not yet identified the threshold after which institutional voids cease to be exploitable opportunities by entrepreneurs and become outright destructive.

This line of thinking inspired the emergence of Institutional Entrepreneurship (IE). Maguire *et al.*, (2004: 657) define IE as the “*activities of actors who have an interest in particular institutional arrangements and who leverage resources to create new institutions or to transform existing ones.*”

One important implication within IE is the “*paradox of embedded agency.*” DiMaggio, (1988) aimed to examine actors’ willingness to change the institutions of which they are a part (Battilana *et al.*, 2009; Seo and Creed, 2002). Holm, (1995) then challenged this reasoning by posing this question: “*How can actors change institutions if their actions, intentions, and, rationality are all conditioned by the very institution they wish to change?*”

This inquiry inspired institutionalist theorists to propose the embedded agency paradox (Battilana *et al.*, 2009; DiMaggio and Powell, 1983; Garud *et al.*, 2007; Hardy and Maguire, 2008; Leca *et al.*, 2008; Seo and Creed, 2002; Thomas B. Lawrence *et al.*, 2009).

To solve this paradox, Holm suggests perceiving institutions as nested systems which are interconnected and multileveled. As such, each action level is a framework for, and a product of action. Lok and Willmott (2018) corroborate that embeddedness in the institutional theory conceptualises agency and structure as semi-independent forces that influence each other. This implies that “agency” is “set firmly into” the surrounding called “structure”, i.e. governing institutions. This agency paradox according to Leca *et al.*, (2008) has spawned controversy. In their view, the main challenge for IE is thus to be able to mediate between the rational choice model of agency on one side and structural determinism on the other (p.73). Likewise, Friel, (2016) holds the view that despite the consensus that institutions shape the actors’ behaviour, there is still confusion over the extent to which people can shape them. In Friel’s view, this is because social sciences failed to accurately study institutions on different levels, hence observations simply amalgamated different phenomena.

In that vein, Weik, (2011) examined if practices of collective or dispersed agency suffice to establish an agency perspective in institutionalist theory. She developed a three-tier analytical framework to settle this inquiry. One central approach in which IE can accommodate agency is considering the motivation of the institutional action. Weik’s literature synthesis uncovered that institutional actions result from purposiveness and intentionality on the one hand, and reflexivity and unintentionally on the other (especially when institutional uncertainty is salient).

Here a clear distinction is made between deliberate entrepreneurial motivation (Greenwood and Suddaby 2006) or scattered and reflexive actions leading to unintended consequences⁹ (Giddens,

⁹ In his structuration theory, British sociologist Giddens, (1984) explains the relationships that the human agency (internal motivations) has with institutions or structure (external forces). Giddens proposes that structures (institutions, moral and cultural codes) are generally constraining forces of human behaviour. However, actors’ routine behaviours have influenced the structure of society via a dynamic interaction of meaning, values, and power. Accordingly, different social aspects could be changed primarily as consequences of unintentional action. See more in (Jack and Anderson, 2002; Whittington, 2015).

1984; Whittington, 2015). However the collective action, both intended and unintended, and the notion of control remain largely underrepresented in literature (Wijen and Ansari, 2007).

2.2.2. Institutional Intermediaries in Emerging Countries

One important type of institutional entrepreneur is institutional intermediaries (Sutter *et al.*, 2017). As researchers further examined institutional voids and the effect thereof on entrepreneurship and economic development, institutional intermediation slowly emerged as a central underpinning (Dutt *et al.*, 2016; Schrammel, 2013).

Howells, (2006) denotes that the word “innovation intermediary” covers a wide array of organisations that are involved in supporting the innovation process. They could include brokers, third parties and agencies. In Howell’s detailed inquiry the term “intermediary” was indeed used before under a variety of names such as innovation brokers, bridging institutions, boundary firms, bricoleurs and even change agents. Clayton *et al.*, (2018) identified five categories of institutions which exist to support scientific entrepreneurship and innovation commercialisation: university technology licensing offices; professional service firms; workspace providers, including incubators, accelerators, and co-working spaces; organizations that provide networking and programmatic assistance; and financing entities, including venture capital, angel investment, public funding, and crowdsourcing. Its were also examined in the international business literature to highlight the role of middlemen, brokers and business groups in entering certain markets as a means to overcome institutions voids, e.g. in emerging countries (Becker-Ritterspach *et al.*, 2017; Chipp *et al.*, 2019; Luo and Chung, 2005; Peng and York, 2001).

From an institutional economics perspective, nations with more efficient institutions, sound property rights and contract enforcement enjoy a higher level of economic development. While the causal effect remains somewhat unclear, institutional voids remain significantly less in advanced economies. By extension, economies with efficient institutions have fewer transaction costs in comparison to voids-heavy setups (North, 1992, 1995b). North's macroeconomic observations on *insufficient institutions* were extended by other researchers on microeconomic and multi-level aspects (Schrammel, 2013; Uyerra, 2010). Thus, conversations about institutional voids and the role of intermediaries started emerging.

Khanna et al., (2005:4) popularised Ricart's et al., (2004) notion of institutional voids as the “absence of specialised intermediaries, regulatory systems, and contract-enforcing mechanisms”. This suggests aspects of market failure and agency problems (Khanna *et al.*, 2010; Khanna and Palepu, 2010). Mair and Martí, (2009) extended the failure of formal institutions by describing voids as “situations where institutional arrangements that support markets are absent, weak, or fail to accomplish the role expected of them” (p. 422). Thus, highlighting the role of informal institutions such as norms and cultural codes. As such, research on institutional voids establishes a link between EE economic actors and the organisations they need in overcoming their relevant institutional voids. In this sense, it can be assumed that intermediary organisations play several supporting roles for EE entrepreneurs. However, extant research is scattered and has not yet developed a predictable authority.

Schrammel, (2013) investigates cluster services and proposes that II assist companies in less efficient institutional setups. IIs address several difficulties in business transactions; namely institutional voids such as limited ICT infrastructure, limited business information and difficulty to verify informal information. Sutter et al., (2017) highlighted the role of one NGO as an II that helped small producers in Nicaragua transition from operating in informal markets to formal markets. Here the II resorted to various tactics aimed at providing “institutional scaffolding” to encourage and facilitate informal entrepreneurs' participation in formal markets.

Dutt et al., (2016) examined business incubators as commercial institutions that support business activity in emerging countries. Commercial institutions include capital markets, banking regulations, legal systems, educational systems, and labour markets. Howells, (2006) identified ten roles for innovation intermediaries including foresight and diagnostic work; accreditation, validation and regulation and standards work; independent advice and mentoring on protecting intellectual property; as well as evaluation of the outcomes of innovation collaboration (p.720). Armanios et al., (2017) delved into how IIs support EE entrepreneurs in obtaining public resources. Further research provided typologies of IIs including systemic intermediaries, regime-based, user intermediaries and process intermediaries. This also implicates their functions and their areas of intervention (Kilelu *et al.*, 2011; Kivimaa, 2014; Klerkx and Leeuwis, 2009; Van Lente *et al.*, 2003).

Granted, the types of IIs provided by the extant literature may not have been withdrawn from entrepreneurship literature, but the following sections will explain the significance of institutional intermediaries and their role in supporting entrepreneurship. Later in the empirical section, the roles and types of IIs are applied in an entrepreneurship-context to encourage more discussions on their chasms.

Institutional Intermediaries and Legitimacy

In voids-heavy institutional setups, such that of EEs, entrepreneurs seek to overcome the institutional voids governing their market. As the institutional context changes, entrepreneurs respond in a variety of ways such as abiding by, evading or altering these institutions (Henrekson and Sanandaji, 2011). Not only are they responding to the institutional challenges, entrepreneurs try to achieve legitimacy for their novel solutions in order to institutionalise and promote them as new practices (Bohnsack *et al.*, 2016; Maguire *et al.*, 2004). Here legitimacy stems from the rewards of an institutions, such as direct financial gains or more elusive rewards like long-term influence on decision-making (Pelzer *et al.*, 2019). Legitimacy is especially important to entrepreneurial firms who are more reliant upon external resources for survival and growth as compared to larger firms which are able to draw upon internal cash flows (Ashforth and Gibbs, 1990; Navis and Glynn, 2011). Suchman, (1995: 574) defines legitimacy as “a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions.”

Entrepreneurial firms are also particularly susceptible to a ‘liability of newness’ (i.e., the lack of established routines and relationships, the absence of a market reputation, etc.) which they can overcome by signalling stability, quality, or prestige (Certo, 2003; Delmar and Shane, 2004; Stinchcombe, 1965). Therefore, entrepreneurs who are perceived to adhere to existing rules and norms are believed to create an impression of trustworthiness and continuity in the minds of institutional actors (Ashforth and Gibbs, 1990; DiMaggio and Powell, 1983) which ultimately leads to increased resource availability for ventures.

From an institutional perspective, industry creation refers to building legitimacy for new business activities (Aldrich and Fiol, 1994). Initially such activities need to gain acceptance; subsequently

supportive regulatory frameworks need to be built and market institutions created. Aldrich & Fiol, (1994) distinguish between cognitive legitimacy and socio-political legitimacy in this regard. Cognitive legitimacy refers to “knowledge about the new activity and what is needed to succeed in an industry” and socio-political legitimacy refers to the “the value placed on an activity by cultural norms and political authorities” (Aldrich & Fiol, 1994: 648). To create both cognitive and socio-political legitimacy for a new industry, actors usually have to bring about fundamental changes in the institutional environment by drawing up new rules for competition (Bohnsack *et al.*, 2016).

Also from an institutional perspective, the interplay of formal and informal institutions in EEs, couples with rapid structural transformations presents a high degree of uncertainty for entrepreneurs. Institutional uncertainty exists when entrepreneurs doubt the future compatibility of institutions at different levels. For example, entrepreneurs can be uncertain about whether their daily operations will be compatible with proposed regulatory changes. In such cases, entrepreneurs believe that institutions are or will become misaligned or contradictory. Entrepreneurs can usually cope with institutional uncertainty by using a combination of good judgment and institutional entrepreneurship (Bylund and McCaffrey, 2017). This circumstance brings with it the need for “institutional work” (Suddaby and Greenwood, 2006). When cognitive institutions are widely shared and deeply embedded, even conceptualizing the possibility of change may be difficult (Scott, 2013).

As such, dealing with institutional transitions often requires a third-party actor to serve as an intermediary in the process, in order to facilitate the necessary change (Sutter *et al.*, 2017). Institutional intermediaries are a type of institutional entrepreneur that span different institutional fields and provide resources and services across institutional boundaries (Kistruck *et al.*, 2013; Mair *et al.*, 2012).

In conclusion, institutional intermediaries may act in order to facilitate entrepreneurs' navigation of voids in voids-heavy startups so as they gain legitimacy in their framework. Additionally, they can assist policymakers themselves to formulate create a more business-friendly climate for entrepreneurs through policy advising and mediation. This thesis will investigate dynamics through which IIs perform their roles and their diverse types will be discussed shortly.

As such, much attention has been drawn to the roles of IIs in voids-heavy setups. However, researchers have only begun to link IIs to institutional change and support in these very setups.

Leeson and Boettke, (2009) propose that even in setups where states are both protective and productive, property rights are safe, and law and order are maintained, there are no guarantees that governments will be performing predatory activities which may harm wealth-creation. In other words, without proper checks and balances, an inevitable institutional failure occurs such as that in the developing world. This is because sub-institutions are in place which prevents separation of power and judicial checks and balances, thus promoting rent-seeking behaviour.

Put differently, even when developing-country rules apply aggressive reforms, under low accountability and low constraints on political power, an extant institutional arrangement has very little change in promoting economic growth (Acemoglu and Robinson, 2000; Awortwi, 2011; North, 1995a).

There is where IIs become relevant. Through their capacity-building and policy advisory roles, EEs may have a chance to sustain economic reform on their governance levels (e.g. local government and public officials). As such reforms trickle down the institutional hierarchy and sub-institutions are reduced. Similarly, and perhaps more importantly, research has, for the most part, studied IIs as external actors. In other words, IIs are political and economic actors who come from outside the formal institutions to facilitate the economic transaction. However, little is still known about the role of political entrepreneurs can play as IIs to support the institutional change from the inside.

This uncovers yet another weakness in the literature which is exploring institutions as layers and levels, not as unified blocs. Recent work such as Sun et al., (2020) called for researchers to examine institutions via a “microfoundational” lens where the interplay between entrepreneurs and institutions from a multilevel approach is considered. Similarly, Ahlstrom and Bruton, (2010); Su, (2020) and Laranja et al., (2008) underline how institutional changes occur hand-in-hand with entrepreneurial innovations through various *co-evolution* mechanisms. Kim et al., (2016) also used a multilevel view of entrepreneurship where entrepreneurs are located at the micro level and governments at the macro level. The authors underline the role of IIs in helping entrepreneurs

access markets through their position: an intermediate level between entrepreneurs and the government.

However, with the exception of Kim et al., (2016), prior investigations still fail to identify the roles of IIs in setups where structural changes are occurring concomitantly with an impetus of technological and entrepreneurial innovation. Similarly, from a regional innovation perspective Uyarra, (2010) highlights that there is a lack of understanding of the multi-level dynamics of the governance of innovation, thus leading regions to act as “islands” in their policy articulation. Future research thus needs to (more specifically) associate institutional shifts with the functions, positions, and relationships of institutional intermediation.

2.3. Institutional Entrepreneurship and Change

North's, (1991) defines institutions as “humanly devised *constraints* that structure political, economic, and social interaction.” This suggests that economic actors, such as entrepreneurs are embedded in these structures. This also means that any entrepreneurial action will involve confronting those constraints. Put differently, entrepreneurial activities are to a large degree determined by whether the formal constraints are stronger, or weaker, than the informal ones (Mansour *et al.*, 2018a; Williams and Vorley, 2015a). This will in turn determine whether entrepreneurs will employ their innovative solutions for productive, unproductive or destructive purposes (Baumol, 1990).

Weingast, (1995) substantiates the belief that when the political foundations for markets are inadequate, this creates a form of equilibrium trap where economic actors are unsure of reaping the rewards of their private investment. Their worries are justified by their fear of commitment to such an uncertain political environment where wealth is unfairly redistributed. Thus, *political risk* is created, creating a gap between the private and social returns to economic activity, and eventually hindering economic actions needed for economic reform to succeed. Bylund and McCaffrey, (2017) examine the political risk in more depth and propose that *institutional uncertainty* results from conflicts between institutions on different “levels” of social activity (Williamson, 2000). To mitigate this, entrepreneurs engage in market and institutional action. In a similar vein, Kuchař, (2016) underlines that any entrepreneur compares the expected difficulties

with the expected gains when engaging in any entrepreneurial act so that the imagined product comes to life.

The pattern here is the interaction between institutional constraints and entrepreneurial activity while institutions are in a constant state of flux. From a New Institutional Economics view, it is widely accepted that entrepreneurs too influence their institutions and challenge the constraints. Understanding how institutions enable and constrain market existence, as well as the role of economic actors in shaping and transforming them, has become a fundamental research inquiry (Mair and Martí, 2009). This is especially relevant to EEs where the institutional constraints on entrepreneurs are several. In EEs institutional arrangements that support markets are either absent or weak and constraining institutions are pervasive (Khanna and Palepu, 2010; Naudé, 2010). More specifically, in EEs undergoing transition entrepreneurs are required to change their behaviour and co-evolve a number of times in order to be successful (Ahlstrom and Bruton, 2010). This makes sense given that EEs usually roll out rapid reforms and undergo periods of institutional and political instability (Bonin *et al.*, 2013; Devaux, 2017; Hoskisson *et al.*, 2000; Peng, 2003). During that time entrepreneurs withstand political risk or institutional uncertainty and react in a variety of ways. More examination, however, is still needed to explore the path dependent model of entrepreneurial interactions towards uncertainty.

As such, institutional entrepreneurs emerge to utilise and change their institutional environments. Indeed, institutional challenges create major barriers for innovators in EEs, however, they represent significant opportunities for institutional entrepreneurs to successfully bring about institutional changes (Aparicio *et al.*, 2016; Auerswald, 2014; Muhammad *et al.*, 2016b).

Research has indeed explored how entrepreneurship withstood institutional changes, especially in Eastern European nations post-socialism¹⁰. However, a more accurate examination is still needed on how entrepreneurial efforts, while reacting to institutional constraints, have collectively led to

¹⁰ See more on entrepreneurship and institutional change in Eastern European nations following their economic transition (Doern, 2009b; McMillan and Woodruff, 2002; Popov, 2006); role of informal institutions (Tonoyan *et al.*, 2010), entrepreneurial policy (Puffer *et al.*, 2010; Smallbone *et al.*, 2001; Williams and Vorley, 2015b) informal economy (Sutter *et al.*, 2017; Williams and Horodnic, 2015) and co-evolution of entrepreneurship and institutions (Ahlstrom and Bruton, 2010; Smallbone and Welter, 2012).

institutional changes. In other words, research on institutional change in transition economies concentrated more on the independent entrepreneurial responses, than the collective entrepreneurial efforts which promoted change.

2.3.1. Change and Entrepreneurial Opportunities

Institutional change has gained much importance in recent years, especially as societies continue to be transformed by digitisation, innovation and urbanisation (Block *et al.*, 2017; Elert *et al.*, 2016; Naudé, 2008). The transformation of Eastern Europe is the best example of structural change. Thankfully, researchers have examined the dynamics of entrepreneurship and change in Eastern Europe and other post-socialist societies like China (Ge *et al.*, 2017; Kshetri, 2007, 2009). This has influenced an academic dialogue on the dynamics of institutional change¹¹.

Institutional environments can change over time as competition, government regulation, or societal upheaval destabilizes them (Greenwood *et al.*, 2002). Formal institutions tend to change faster than informal institutions (norms and behaviours). Such change occurs through an adaptive process where formal institutions change first, followed by norms and culture which follow up at a much slower pace (Williamson, 2000). This is especially true for countries transitioning from a planned economy to a free market. In this case, regulators roll out rapid transformations in formal institutions, while informal ones have not yet had a chance to adjust (Su, 2020).

Models of Institutional Change and Link to Economic Development

In Tao's, (2016) synthesis, institutional change occurs in two ways: 1) demand-induced bottom-up change, and 2) supply-induced change which comes from above or outside. Demand-induced change occurs following a change in the interests of economic entities and action groups. One important underpinning here is the “information” as it connects institutional change and technological change whereby each one influences the other and could inspire a change in one

¹¹ Dynamics and sources of institutional change have been explored from several approaches. Tolbert and Zucker, (1983) have propelled to the forefront of the investigations thereof, inspiring a consistent academic dialogue. Investigating sources of institutional change in-depth are beyond the scope of this thesis. However, this research is predominantly analysing the emergence and responses of institutional entrepreneurs, concurrently and as a result of, institutional change. You can see more on institutional change in (Bakir and Jarvis, 2018; Béland, 2007; Dacin *et al.*, 2002; Hall and Thelen, 2009; Mahony and Thelen, 2010; North, 1994; Seo and Creed, 2002; Thelen, 2009).

another. Supply-induced change on the other hand is imposed from above, whether from inside the institution, or external forces. This is especially applicable in economies of strong political elite and centralisation.

Similarly, King and Szelényi, (2005: 206-7) describe three types of post-communist capitalism: capitalism from above, capitalism from below, and capitalism from without. “Capitalism from above” is where state elites try to transform the old socialist redistributive economy into a market capitalist system by following the neoliberal economist’s “blueprint”. Here, mass privatisation of state-owned enterprises, and the *nomenklatura* and the state’s old clients are enabled. As such, institutional flaws are not addressed at the core in this scenario.

On the other hand, “capitalism from below” happens through the creation of a new, market-oriented private or hybrid sector in the shadow of the old socialist redistributive economy. Here, private enterprises coexist with a large state-owned sector, creating a hybrid framework in what the authors refer to as “*state or hybrid capitalism*”. Finally, “capitalism from without” or “liberal capitalism” is an economy where market institutions are highly developed, and economies are well integrated into the world economy. Foreign ownership and cooperation with multinational companies are common approaches here.

Mahony and Thelen, (2010a) also introduce four types of institutional change: displacement, layering, drift, and conversion. 1. Displacement: the removal of existing rules and the introduction of new ones. 2. Layering: the introduction of new rules on top of or alongside existing ones. 3. Drift: the changed impact of existing rules due to shifts in the environment. 4. Conversion: the changed enactment of existing rules due to their strategic redeployment.

Whether institutions and institutional change can lead to economic development or not is still a debated topic.

Bowles, (2006) shows that poverty reinforces the institutions that cause and reproduce poverty, leading to poverty traps. Here, poor economies face endogenous forces that make it hard to promote and coordinate ‘the types of collective action necessary to “tip” a population from an unequal to a more equal set of institutions’ (Bowles, 2006: 136).

Tebaldi and Mohan, (2008) developed a model that shows poor institutions decrease the efficacy of technology and reduce both labour and capital productivity. Their model suggests that poor institutions may create poverty traps and the only way to escape is through improvements in institutions. Tebaldi and Mohan, (2010) indicate that corruption, ineffective governments, and political instability will not only hurt income levels through market inefficiencies, but also escalate poverty incidence via increased income inequality. The results also imply that the quality of the regulatory system, rule of law, voice and accountability, and expropriation risk are inversely related to poverty but their effect on poverty is via average income rather than income distribution.

Chong and Gradstein, (2004) developed a model and show empirically that institutions and income inequality reinforce each other, so that poor institutions lead to high income inequality. The theoretical explanation for this relationship is that weak institutions let the poor in a disadvantaged situation from not obtaining protection from the judicial system. On the other hand, the rich have a much stronger political influence, which allows them to subvert the institutions in their favour.

In a similar fashion, Glaeser *et al.*, (2004) prove that greater the human and social capital of a community, the more attractive its institutional opportunities. Institutions are determined by efficiency, history, and politics. Institutions are also highly persistent because history, including colonial history, shapes social choices. But institutional outcomes also get better as the society grows richer, because institutional opportunities improve. The authors' framework indicate that institutions have only a second-order effect on economic performance. The first order effect comes from human and social capital, which shape both institutional and productive capacities of a society.

Asongu and Kodila-Tedika, (2018)¹² explore the paradoxical case of China where institutional change led to economic development, but not necessarily income equality. In their analysis China indeed has questionable political governance standards (i.e., the election and replacement of political leaders), the other two governance dynamics of economic governance (regulation quality

¹² The paper draws an in-depth comparison between Beijing Model priorities economic institutions in the fight against inequality and poverty whereas the Washington Consensus places more emphasis on political institutions.

and government effectiveness) and institutional governance (corruption-control and rule of law) escape this criticism.

Entrepreneurship and Institutional Change

In a similar vein, institutional change has recently become synonymous with institutional entrepreneurship (Dacin *et al.*, 2002; Khavul *et al.*, 2013). Research uncovered how constraining institutions and voids do not deter institutional entrepreneurs from employing their creative talents. Entrepreneurs operating in EEs with institutional constraints have been characterised to have the potential to act as *institutional entrepreneurs* via adopting strategies to exploit the prevalent uncertainties (Muhammad *et al.*, 2016a; Rodrigues, 2013; Tracey and Phillips, 2011; Welter and Smallbone, 2011). Recently, some attention has been drawn to the emergence of entrepreneurial opportunities in challenging settings.

Yang, (2004) outlines that in disjointed institutions where there are poorly linked connections, there are greater opportunities for institutional entrepreneurs to create productive connections and reap economic rewards for themselves. This is especially true in economies undergoing a rapid transition from one set of institutional arrangements to another. In circumstances where institutional deficiencies prevail, alert individuals can create commercially-exploitable opportunities (Welter and Smallbone, 2011). Smallbone and Welter, (2012) analyse the relationship between institutional change and the development of entrepreneurship in countries, which until recently were operating under the rules of central planning. They use Yang's, (2007) notion of China's "double entrepreneurship" where entrepreneurs fill gaps in the market, on the one hand, and respond to opportunities resulting from gaps in institutional rules on the other. They suggest that since institutional holes are associated with ambiguous institutional rules, entrepreneurial opportunities are often open to negotiation between entrepreneurs and institutional 'rule-makers'. Drawing on evidence from China, Ge *et al.*, (2019) argue that both political and family ties can provide an institutional context that makes up for gaps in the infrastructure of emerging markets. Their study shows that family ties can substitute for political ties in filling institutional voids.

Similarly, in the Commonwealth of Independent States (CIS), Smallbone and Welter, (2012) discuss that institutional changes pertaining improving the private sector have prompted an entrepreneurial response. At the same time, entrepreneurs demanded a further institutional change when the current arrangement were not conducive to a free market. As such, entrepreneurs would engage in a widespread evasion of the rules which forced the state to tacitly accept, leading an informal institutional change. Thus, most CIS governments adopted a passive role at best (i.e. letting change happen), while entrepreneurs exerted influence over the institutional environment mainly by circumventing and avoiding the new institutions (Elert and Henrekson, 2017). This is consistent with the evidence showing that in challenging environments some entrepreneurs creatively use institutional loopholes to set up and develop their businesses (Lajqi and Krasniqi, 2017; Marquis and Raynard, 2014; McCarthy and Puffer, 2016).

Equivalently, Elert and Henrekson, (2020) highlight that in developing countries there is a lack of regulation and judicial precedence in developing countries, in addition to the failure of local governments to perform their role of creating and strengthening market institutions. As a result, evasive entrepreneurs often exploit the existence of an institutional void (ibid), thereby circumventing institutional voids (Tao, 2016).

Likewise, institutional entrepreneurs can identify and fill institutional voids via linking unconnected sets of understandings, thus exploiting entrepreneurial opportunities (Fortunato and Alter, 2011; Lim *et al.*, 2016). Put differently, institutional misalignments can be perceived as an opportunity that promotes entrepreneurs to invest (Ge *et al.*, 2017). Thereby when EEs institutional entrepreneurs recognise new opportunities, they also prompt institutional change (Alvarez *et al.*, 2015; Bruton *et al.*, 2013; Elert and Henrekson, 2020).

Therefore, the greater the institutional uncertainty in an EE with flawed institutions, the greater the chance for institutional entrepreneurs to recognise entrepreneurial opportunities via establishing ventures which may reduce the risk for other actors (Tracey and Phillips, 2011). Yet, there is a relatively little scholarship that investigates the dynamics in which entrepreneurs exploit the uncertainties resulting from institutional challenges, especially during institutional transformation. Moreover, prior studies failed to accurately identify how entrepreneurs with visionary leadership in emerging economies can also act as institutional entrepreneurs to achieve

innovations in their economies, thus overcoming the challenges of their poorly-developed institutional contexts (Sharmelly, 2016).

In sum, institutional change comprises a chain of interactions where economic, social, and political actors impact one another. However, more accurate depictions are needed of how these actors behave as change agents, especially in constraining and changing setups. Moreover, regardless of the source of change, it is still unclear whether these changes sustain amid entrepreneurial actions and reactions, especially when institutions of economies in transition are in a constant state of flux.

Furthermore, close examination is needed on the extent to which institutions withstand this change. In other words, it remains unclear the extent to which institutional changes sustain when institutions are in a constant state of flux.

2.3.2 Collective Action and Change: Arriving at the Fluid Institutions

As it has been established, institutional entrepreneurs identify entrepreneurial opportunities amid the institutional challenges and constraints. Institutional changes represent equal opportunities as they impose constraints. However, it is through collective entrepreneurial actions that institutional changes occur and sustain.

Garud and Karnøe, (2003) highlight that the development of technologies not just allows alert individuals to speculate future, but also promotes the creation of new paths through the distributed efforts of many. Technology entrepreneurship in specific involves the creation of new opportunities by a *collective*. Autio et al., (2014) also indicate that National Systems of Innovation (NSI) literature succeeded to emphasise the complex relationships of cooperation, and feedback among various institutional actors. However, the literature falls short in identifying the drivers of change in NSIs as well as in explaining factors of their evolution and growth over time, especially from an agency and micro-foundations approach. This was also corroborated by (Sun *et al.*, 2020).

Dorado, (2005) establishes that institutional change is initiated through “convening” and “institutional partaking” as it requires collective action from institutional entrepreneurs. Wijen and Ansari, (2007) explain that this is because the involved joint activities are beyond the capacity of individual actors. Thus, *collective institutional entrepreneurship* (CIE) emerges as a form of leadership endorsed by guiding actors, structures and processes embedded within a structure. In

this sense, individual skills in groups are integrated to make innovation occur in the form of group activity (Dana and Dana, 2007; Kshetri, 2009). This in turn facilitates collaboration among social networks that EE entrepreneurs direly need so the path to social change is paved (Ratten, 2014).

Consequently, the collective efforts of numerous actors are pooled together, rather than the skills of a few entrepreneurs (Lawrence and Suddaby, 2006; Suddaby and Greenwood, 2006). In other words, institutional change is the result of the accumulation of countless institutional entrepreneurs' uncoordinated divergent actions (Dorado, 2005). As such, collective institutional change occurs as a result of the institutional work of a broad category of actors (Lawrence and Suddaby, 2006; Wijen and Ansari, 2007).

Departing from usual institutionalised practices, ordinary actors trigger institutional change without necessarily meaning to do so (Battilana *et al.*, 2009). However, it is still unknown whether these changes sustain over time. As such, researchers have only begun to consider the role of agency within the collective actions of institutional entrepreneurs. Only then, collective mobilisation can explain how diverse actors can coalesce (*ibid*).

Moreover, by and large research on collective institutional change remains in the political and sociological domains, suggesting that collective actions are mediated through political institutions or by the intervention of strategic actors in given fields (Amenta and Ramsey, 2010; DiMaggio, 1988; DiMaggio and Powell, 1983; Fligstein, 2001a, 2001b; Leca *et al.*, 2008; Oliver, 1993; Ostrom, 2000; Peng, 2004; Weik, 2011).

To sum up, institutional entrepreneur literature has only begun to explore the collective action of entrepreneurs outside the political theory. Technological innovations have triggered societies to consider technological entrepreneurship in their institutional policies, thus integrating market institutional entrepreneurs in the decision-making process, thus imposing a supply-induced top-down change. Similarly, in EEs transitioning to free markets, institutional entrepreneurs, be them political, social or market, have been involved in a revolution of their own to co-evolve and adapt to a rapid-changing environment, thus a bottom-up demand-induced change. As such, collective institutional entrepreneurship needs to be closely examined across nations undergoing transitions in recent times.

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Chapter 2: Literature Review

In sum, in setups where: institutional uncertainties increase the transaction costs of market transactions, institutional changes are in place, either imposed by the political leadership, external forces, or as a result of constant evasive entrepreneurship, economic actors do their best to reduce the transaction costs of doing business.

At the same time, institutional entrepreneurs identify and exploit opportunities that emerge as their markets are shifting, and their collective actions in their respective fields impact their (already changing) institutions dramatically. As such as we arrive are the *Fluid Institutions*¹³.

Political, social and market actors co-exist with institutional uncertainties imposed by their leaders. As their environments are in a constant state of flux, visionary individuals identify and exploit entrepreneurial opportunities to capitalise on the market shifts, as well as reduce risks for other actors. With little to do, but a lot to gain, actions of institutional entrepreneurship challenge institutions, leaders, and regulators.

As such, they too, remain in a constant state of instability, thus they avoid constraining institutions via evasive behaviour so that business transaction costs are reduced. Over time, collective actions of institutional entrepreneurs change current setups and challenge the leaders. However, given the leaders too will react, and technological advancements will keep imposing societal changes, there are no guarantees that changes triggered by entrepreneurs will sustain (and how long). Thus, it is yet to be seen which party is withdrawing from the game first, which party will avoid over-investing and which party will risk investing everything. Only time will tell!

¹³ Oliver Barstow is a writer who observes cultural institutions. He introduced the term “fluid institutions” to describe intangible but binding structures that “resist documentation”. Below is an excerpt of his observation:

“The difficulty with fluid institutions, is that they resist documentation. In the pursuit of openness, they are “made” precisely in the absence of formulas, rules and methods that can be tracked and evaluated... For the fluid institution, there is no common goal, or the common goal is the understanding that the goal constantly shifts and that this is desirable. In the interests of accommodating difference, and ensuring participation, each person in the fluid institution is expected to define their own needs and outcomes, and then to negotiate these with others' expectations. Because everybody charts their own path, there is no predetermined agreement as to what is defined as a successful outcome, just so long as there is continued participation....the “inhabitants” of the fluid institution are wise not to over invest in their current set up. With nothing to lose (and everything to gain), living in a constant state of departure defines the state of existence.” (Barstow, 2019)

CHAPTER 3: METHODS & RESEARCH DESIGN

3.1 Rationale of Qualitative Research

The objective of this research is to advance the theory of institutional entrepreneurship by extending our understanding of how entrepreneurs of emerging countries interact with and influence institutions. Here, the experiences and perspectives of emerging country entrepreneurs in relation to formal and informal institutions are examined. Russell and Gregory, (2003) assert that qualitative approaches are able to capture participants' experiences, especially through interviews.

3.1.1. Interpretivist Philosophy: A Social Constructionist Approach to Entrepreneurship

According to Bygrave, (2007), Isaac Newton believed that hypotheses should be induced from experiments and that in physics every proposition should be drawn from phenomena and then generalised by induction. Supporting theory development, he trusts the findings of a well-designed empirical study with generalisable findings, especially in the field of entrepreneurship, to a paper with hypotheses solely based on theory.

Interpretivism pursues questions of why, and not just what and how. While the scientific method of the natural sciences has proven fruitful in that sphere, it is questionable whether those same methods can be as successful in dealing with human agency (Packard, 2017). Moreover, interpretivism does not view social phenomena as results of only individual action and interaction, however, it perceives that social "entities" are not ontologically separable from the components that form them, they are, however, fluid and pliable concepts emergent from their comprising components and goals.

In connection to this research, institutional entrepreneurs pursue their self-interest, individually and collectively, by formalising new "rules of the game", as well as challenging socially accepted cultural values. They do so in order to gain legitimacy with respect to diverse stakeholders and to alter their respective institutional settings (Alvarez *et al.*, 2015; Maguire *et al.*, 2004). Packard, (2017) suggests that interpretivism is a more appropriate meta-theoretical foundation for the study of entrepreneurship. Entrepreneurship is not perceived as a series of separate events; however, it

is a continually unfolding process that is not necessarily tied to any specific outcome but to the intentions and expectations of the entrepreneur (e.g. introduction of new entrepreneurship-friendly laws).

Similarly, institutional entrepreneurship occurs as a response to institutional deficiencies, hence institutional entrepreneurs lead collective attempts to endorse new norms, and values into the social order. Those attempts involve decision-making actors such as regulating agencies (e.g. governments) to promote legitimacy and social acceptance (Greenwood *et al.*, 2002).

Social Constructionism

Constructivism proposes that each individual mentally constructs the world of experience through cognitive processes whereas social constructionism has a social rather than an individual focus (Young and Colin, 2004). The origins of social constructionism can be partially traced to an interpretive approach to thinking as they share common philosophical roots; such as the emphasis on the process by which meanings are created, maintained and modified (Schwandt, 2003). Moreover, constructionists view knowledge and truth as created not discovered by the mind (*ibid*).

Reality is socially defined but this reality refers to the subjective experience of everyday life, and how the world is understood rather than to the objective reality of the natural world (Andrews, 2012). It is concerned with how objects, phenomena and knowledge are socially constructed and understood in our everyday reactions (Edley, 2001). Here social actors use language to interact, and it is this language that constitutes people's reality. As Foucault said on several occasions "*discourse constructs the objects of which it speaks*" (*ibid*).

Zimmer and Aldrich, (1987) remarked that entrepreneurship is embedded in a social context, facilitated, or constrained by the people's position in a social structure, with the entrepreneur being dependent upon the information and resources provided within this structure (Carsrud and Johnson, 1989) in (Jack and Anderson, 2002). As such, entrepreneurs and the ventures they create do not operate in a vacuum but are situated in open environments; and are susceptible to influences from structures at higher levels of analysis (Stinchcombe, 2000).

Constructivists claim that truth is relative and that it is dependent on one's perspective. This paradigm "recognizes the importance of the subjective human creation of meaning but doesn't reject outright some notion of objectivity". Constructivism is built upon the premise of the social construction of reality (Searle and Willis, 1995). Here participants describe their views and experiences of reality, which enables the researcher to comprehend the participants' actions (Baxter and Jack, 2008a).

Berger and Luckmann, (1991) were interested in ways that the meaning of the experience was shaped by social processes. They were primarily concerned with knowledge production and urged sociology to "concern itself with the social construction of reality" (p. 27). The authors argued that individuals assign meanings to the world through language use and social interaction. The vocabularies learned and language used by any group structure how its members conceive of reality, as such meanings are assigned, not inherent. As Denzin and Lincoln, (2000) confirm, researchers should approach their design and address their problem from a set paradigmatic assumption, that is "a set of beliefs and feelings about the world and how it should be understood and studied" (p.19).

The research at hand maintains a social constructionist approach. As such, it views entrepreneurial activities that lead to institutional changes as often not directly intentional, but also still purposive (Hwang and Powell, 2005). The social constructionist approach of this research is conducted through open-ended interviews as the main data collection method. In this context, social players interact together to construct knowledge and the resulting consequences influence the existing formal and informal institutions.

3.1.2. Case Study Approach

Yin, (2006) indicates that case study research is appropriate when investigators hope to "(a) define research topics broadly and not narrowly, (b) cover contextual or complex multivariate conditions and not just isolated variables, and (c) rely on multiple and not singular sources of evidence" (p.13). Dobson, (2001:285) agrees that case study research is appropriate where the analysis of the "context and the dynamics of a situation is important."

Dyer and Wilkins, (1991) also agree that case study research allows to gain an in-depth insight into the real-life context and obtain rich data. Moreover, qualitative case studies support and facilitate comprehension of phenomena that are not well understood (Flick, 2009; Gray, 2014; Rietjens, 2014) and develop existing theory “by pointing to gaps and beginning to fill them as well as providing a more convincing demonstration of conceptual argument and causal forces” (Sigglekow, 2007; Silverman, 2005a). Lastly, case study design provides the potential to generate new empirically testable theory due to creative insight arising from the concurrence of case evidence (Eisenhardt, 1989; Silverman, 2005b).

The Multi-Level Approach

It is commonly known that developing countries are characterised with resource constraints (Hoskisson *et al.*, 2000), and weak institutions which are voids-heavy (Bruton *et al.*, 2008; Khanna and Palepu, 2010). Moreover, developing countries tend to have variations and even institutional contradictions. China is one notable example. Authors on the Chinese entrepreneurship have reported a puzzling dilemma where capitalism meets a state-planned economy. There a communist regime has not stymied economic growth or entrepreneurship development (Huang, 2008; Peng *et al.*, 2009; Yang, 2007). In China, although formal institutions are not supportive to entrepreneurship and the development of its private sector, entrepreneurs could still survive under such constraints (Yang, 2004, 2007). This happens in an interactive cycle of action and inaction by entrepreneurs (micro level) and the state (macro level) respectively, mainly by evading constraining rules and being “let to operate” (Elert and Henrekson, 2017; Smallbone and Welter, 2012).

Ricart *et al.*, (2004) analysed Enright's (2000; 2002) levels of analysis framework that examines the various influences of firm performance from an international business standpoint. In their analysis, a firm performance is influenced by firm-level drivers, micro- or industry-level drivers, meso- or cluster-level drivers, macro- or national-level drivers, and meta- or supranational-level drivers. Macro or national economic performance is influenced by supranational or meta-level drivers, meso- or cluster-level drivers, micro- or industry- level drivers, and firm-level drivers, and so on.

In entrepreneurship literature, Su *et al.*, (2017) note that the majority of the entrepreneurship research was conducted on the macro level (societal level), followed by the micro level (organisational and organisational subsystem), while meso-level research has only received limited attention. They refer the dominance of macro-level research to the extensive scholarly attention on state logic. As such they called for entrepreneurship researchers to examine how institutional logics play out on the meso level. Other researchers view meso-level institutions¹⁴ as “connective tissue” given their role in supporting entrepreneurs operating in the informal economy and connecting them to the external environments where they make their decisions (e.g. (De Castro *et al.*, (2014) and Webb *et al.*, (2009)).

Furthermore, Kim *et al.*, (2016) explain that current large-sample datasets (e.g. Global Entrepreneurship Monitor, World Bank’s Doing Business Report, etc) follow a two-level analytical approach; typically how macro-level country characteristics influence individual-level entrepreneurial outcomes (micro-level). However, they note that institutional change can also occur through intermediate (meso) levels, so integrating the meso level (moderated by social groups)¹⁵ can provide a more comprehensive understanding of contextual influences in entrepreneurial mechanisms. Nevertheless, they indicate that meso-level investigation is currently underutilized in most multilevel research. Correspondingly, De Castro *et al.*, (2014) adopt a more dominant view of institutions as occurring at different levels. They observe that in emerging economies, meso institutions can be substitutes for weak macro institutions, caused by limited enforcement of legal requirements and tacit complicity at multiple levels of government to work

¹⁴ De Castro *et al.*, (2014) refer to meso-level institutions as the bridge built on community values that accrete over time into a coherent and predictable set of well-known rules and taken-for-granted norms. Institutions at this level come closest to ‘more-or-less taken-for-granted social behaviour that is underpinned by normative systems and cognitive understandings. They relate meso institutions to Helmke and Levitsky's, (2004) informal institutions in which meso institutions can be formal, with codified rules, or informal, with rules that members know and follow but that no one explicitly states.

¹⁵ Kim *et al.*, (2016) relate social groups to Cartwright and Zander's, (1968) definition: “a collection of individuals who have relations to one another that make them interdependent to some significant degree”. In their view, entrepreneurs don’t operate their businesses in a vacuum. However, they often join networking groups, seek advice from mentors, or work collaboratively with others to build their organizations. All these social groups are embedded in a broader social environment and help bridge macro-level influences and micro-level action.

around legal institutional frameworks. As such, from an institutional perspective, examining entrepreneurial actors across different levels of the institutional setup is warranted.

This research is set in an emerging country that has weak institutions, a myriad of voids as well as a state (macro level) that is pushing changes. Given several factors, many of these changes are not supportive to the entrepreneurs (micro level), who in turn respond to these unfavourable changes through different mechanisms. Like the Chinese entrepreneurs, Egyptian entrepreneurs too want to achieve legitimacy among the public and policymakers, while also growing their ventures. Here, the role of support organisations or institutional intermediaries (meso level) arises. As the coming sections will explain in detail, the intermediaries do not only support entrepreneurs navigate the market and provide with access to variety of resources. However, they also communicate with the government, provide policy-advising and connect the decision makers with innovative entrepreneurs. Consequently, this research aims to capture the multileveled environments, especially those plagued with institutional voids, in which entrepreneurs operate.

Embedded Case Study

This research investigates how three groups of entrepreneurship stakeholders construct their meaning of institutions as “contemporary events” and “social structures” within “a real-life context” (Yin, 2009). Government units (macro-level), high-growth entrepreneurship (micro-level) and support organizations or intermediaries (intermediate or meso level). Employing an embedded case study of the bidirectional relationships between institutions and entrepreneurship (Elert and Henrekson, 2017) is particularly relevant here so as to examine institutional change in an environment where the “boundaries between the phenomenon of interest and context are not clearly evident” (Yin, 2009, p.18). Maguire et al., (2004) agree that case studies are appropriate to tease out the specific mechanisms underlying the institutional entrepreneurship process.

An “embedded case study” typically refers to a case that is embedded within a larger case study (Scholz and Tietje, 2002; Yin, 2006). Here, the embedding of case studies locates multiple case

studies within a larger case study or a broader depiction of a biography. The smaller case studies or sub-units are located within a broader perspective on the biography, hence, “embedded.”¹⁶

This research looks at the bidirectional relationship between institutions and entrepreneurship at three levels of Egyptian institutional context, i.e. the

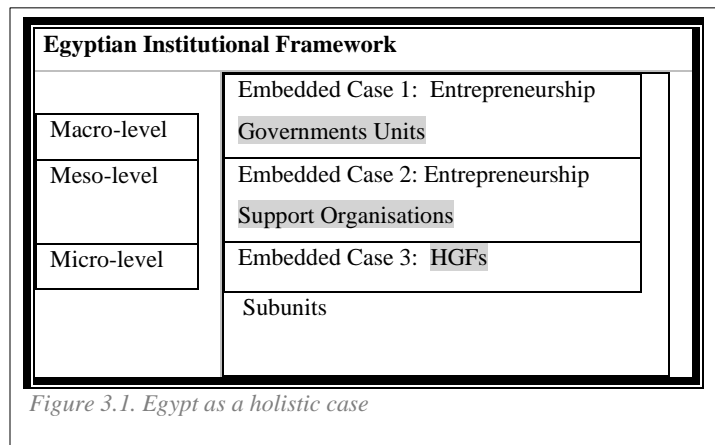


Figure 3.1. Egypt as a holistic case

holistic case study (Figure 3.1.). As such a holistic case study with embedded units enables the researcher to explore the case while considering the experiences and interactions of the selected groups at the three levels.

Therefore, Egypt is the holistic case study under which the three sub-units or sub-cases lie. This is independent from the fact that high-growth entrepreneurship is this research central unit of analysis. In other words, HGE was selected because of its undeniable impact on the economy. As such, the research studies how it navigates the Egyptian institutions (formal institutions set by the government on the macro-level), and how it supported (if any) by the support organisations (meso-level).

In sum, the ability to look at sub-units that are situated within a larger case is powerful considering that data can be analysed within, between and across all of the subunits, allowing the researcher to engage in a rich analysis that illuminates the case (Baxter and Jack, 2008b), provided that the researcher does not fail to return to the global issue that is set to be examined (Yin, 2009).

Generalisation from Case Studies

Gioia et al., (2012) pose a central question to the case study approach: Is it possible to generalise from a case study? Their answer is that: Of course, it is, if the case generates concepts or principles

¹⁶ (See Scholz and Tietje, (2002), Architecture of Knowledge Integration, page 31)

with obvious relevance to some other domain. Russell and Gregory, (2003) agree that in qualitative research, even studies with small samples may help to identify theoretically provocative ideas that merit further exploration. In fact, they indicate that an important criterion for the generalisability of a qualitative study is whether it provides a useful map for readers to understand and navigate in similar social settings themselves. Small, (2009) suggests that the most prominent solution to the problem of generalisation in case studies has been the extended case method, by which researchers analyse a particular social situation in relation to the broader social forces shaping it.

Employing case studies poses the problem of analytical generalisation, that is, the problem of how case studies contribute to a general understanding of social phenomena (Ylikoski, 2018). Eisenhardt and Graebner, (2007, p.30) demonstrate that theory building from case studies is increasing in popularity as a research strategy. Walton, (1992, p.129) agrees that ‘case studies are likely to produce the best theory’ because of their ability to offer a better channel than quantitative methods through which researchers generalize theoretically (Tsang, 2014).

Hyde, (2000) indicates that the depth of understanding in qualitative research is based on detailed knowledge and its nuances in each context. Even a single case, if studied in sufficient depth and with sufficient insight, may provide the basis for a theoretical explanation of a general phenomenon. For example, asking “What I have found true of the people in this study is likely to be true of any people placed in this situation” (Kidder and Judd, 1986).

The research in hand aims to develop a diagnostic tool to analyse inefficient institutions in contexts where emerging country entrepreneurs are obliged to make up for those inefficiencies by resorting to a variety of mechanisms. For example, “Can the acts that were done by the Egyptian high-growth entrepreneurs to challenge confusing legislation be applied to those in Turkey?” or “Do Tunisian entrepreneurship service intermediaries perceive the institutional misalignments as their Egyptian counterparts?”

While this empirical study is not intended to be representative of all high-growth entrepreneurs, support organizations and government units in Cairo or Egypt, the perceptions and experiences of the entrepreneurs provide in-depth insights into the institutional environment of an emerging country, especially in the Middle East. Therefore, while Jack and Anderson, (2002) point out that

qualitative research may lack generalisability, it still possesses a value in generating questions for further theory and hypotheses development. Moreover, entrepreneurship research is dominated by positivist approaches and data gathering methods (McDonald *et al.*, 2015). However, a growing body of qualitative literature has been emerging to provide deep insights into entrepreneurship and entrepreneurial behaviour (Bygrave, 2007).

In sum, the researcher finds qualitative approaches, exploratory case studies, in particular, especially multilevel research (Kim *et al.*, 2016) most appropriate in this context. The researcher agrees that the Middle East environment has the potential to improve understanding of entrepreneurs' experiences with their respective institutional environments and provide rich data that quantitative survey-based approaches cannot provide (Doern, 2009a).

On the theoretical side, various researchers pointed out the lack of a theory of agency in the entrepreneurship literature (Battilana *et al.*, 2009; Dorado, 2005; Garud *et al.*, 2007; Lawrence and Suddaby, 2006; Maguire *et al.*, 2004; Suddaby and Greenwood, 2006). For example, Weik, (2011) finds the “*paradox of embedded agency*”, to be a “*quite peculiar*” feature of institutional entrepreneurship given the literature fairly omits any reference to a reflexive actor in its formulation (*ibid*). This paradox refers to “*how can actors change institutions if they take them for granted and thus cannot envision alternatives?*” (DiMaggio, 1988; DiMaggio and Powell, 1983).

Similarly, Battilana *et al.*, (2009) confirm that in order to set up a theoretical foundation for institutional entrepreneurship we must identify the enabling factors for individuals to behave as institutional entrepreneurs “*despite institutional pressures towards stasis*” (p. 67). As such, a link can be established between individual agencies and organisational or societal structures (Weik, 2011). This is corroborated by Smallbone and Welter, (2012) analysis of how formal institutional change can contribute to new market opportunities in transition countries. They conclude that in response to the favourable institutional changes, entrepreneurs exploit these new market opportunities.

Thus, the research at hand examines how Egyptian entrepreneurs, supported by intermediaries and affected by formal rules, exploit market opportunities, which in itself depends on, and results from human agency.

3.2. Sampling and Data Collection

3.2.1. Sampling and units of analysis

Sampling technique

There are four main types of qualitative sampling in the literature, namely purposive (Shaw *et al.*, 1999; Silverman, 2005b), theoretical sampling (Glaser and Strauss, 1967), convenience, and snowball sampling. *Purposive* sampling is the most common sampling strategy in the qualitative approach. Here, the researcher needs to develop a comprehensive understanding of the research problem; therefore, participants are selected based on pre-selected criteria based on the research question (Easterby-Smith *et al.*, 2015). *Theoretical* sampling guides the grounded theory approach, as such the sampling process is entirely controlled by the emerging theory (Glaser and Strauss, 1967)¹⁷.

In *convenience* sampling, as the name suggests, ease of access is the most important feature. In this approach, the researcher defines a group of subjects that he believes to be representative of the population, but the cases are selected because they are easy to access and inexpensive to study. This type of sampling thus lacks rigour, and unlike purposive sampling, it cannot yield crucial information (Patton, 2002).

Lastly, the *snowball* sampling technique, also known as the referral method, is when the participants refer the researcher to others who may be able to potentially contribute or participate in the study (Easterby-Smith *et al.*, 2015). This method helps researchers find and recruit participants who may be hard to reach, as such nominations for cases to study snowball from there and converge into a small number of information-rich cases nominated by different informants (Patton, 1999).

This study consists of multiple individual cases classified into three categories. The three categories represent the multilevel entrepreneurial mechanisms (Kim *et al.*, 2016) in the

¹⁷ Glaser and Strauss, 1967 define theoretical sampling as “The process of data collection for generating theory whereby the analyst jointly collects, codes, and analyses his data and decides what data to collect next and where to find them, in order to develop the theory as it emerges.”

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institutional context of Egypt. Government units represent the macro-level, support organizations represent service intermediaries at the meso-level, and finally high-growth firms at the micro-level. All three groups are embedded sub-units in the overarching context or the universal case study of Egypt.

Individual case studies of each group were selected using a purposive sampling technique to obtain diverse and information-rich cases (Miles and Huberman, 1994; Patton, 1990). The purposive choice of cases ensures the validity of this study as it (i) provides relevant evidence to substantiate the research question and related constructs (ii) had the potential to generate rich information concerning the central research attention and thereby increase the analytical generalisability of the findings.

The aim here is to identify the institutional voids in the Egyptian institutional context, and how high-growth entrepreneurs react to them and overcome them. During this process, emergent patterns of the triad inter-relationship between HGFs, II and GUs are examined. As such, the outcome of the HGF entrepreneurial activity, as well as overarching institutions, is echoed. Snowball sampling helped recruit hard-to-reach informants, especially in the government units and intermediaries' groups.

Embedded Case 1: Entrepreneurship Government Units (Macro-level)

Government units are key governmental decision-making departments, entrepreneurship/SME support programs, government-backed VCs or incubators as well as entrepreneurship/SME policy-related units.

Policymakers were selected from various ministries and they are involved in SME & entrepreneurship-support programs in the Ministry of Investment, Trade and Industry, Planning and Finance, as well as Telecommunications and Information Technology. It is worth mentioning that MSME and entrepreneurship are both highly interrelated and interchangeable terms at the Egyptian decision-making level. There is generally no distinction between high-growth, opportunity and necessity entrepreneurship. Furthermore, the government support programs towards “entrepreneurship” more often than not refer to self-employment rather than traditional entrepreneurship.

Embedded Case 2: Entrepreneurship Support Organisations (II: Meso-level)

II are service intermediaries; economic actors that otherwise would not have been engaged in a transaction (Peng and York, 2001), in order to facilitate it (Schrammel, 2013). Those economic actors are able to link two or more parties to bring about activities that could not readily happen otherwise (Dutt *et al.*, 2016). Of interest to the Egyptian institutional framework are institutional intermediaries that link high-growth firms to financial and non-financial resources such as business networks and knowledge. Examples include, but not limited to, business incubators (Dutt *et al.*, 2016), development organizations (Mair *et al.*, 2012) such as international aid agencies, in addition to entrepreneurship consultancies and mentoring networks.

The Institutional Intermediaries group varied between international aid/development organisations, public-private incubators/funds, international mentoring/networking organisations and international NGO/ social incubators. On the macro-levels, those organisations work closely with the government on consulting, advising and formulating business and entrepreneurship-related policies. On the micro-level, they support entrepreneurs in different ways; namely providing them with market knowledge, linking them to investors, domestic and regional networks as well as influential contacts.

Embedded Case 3: HGFs in Business Services: ICT Sector in Egypt (Individual firms: micro-level)

The central unit of analysis; i.e. the HGFs are in the Business Service sector, particularly ICT and tech-enabled (See Appendix A.3.1. for a detailed justification of the choice of industry). The researcher largely follows the OECD's definition for them as they are less than three years old and achieved a certain rate of growth since their inception.

The HGF purposive sample was expected to be useful as it can generate insights into the dynamics of how high-growth ICT firms interact with the surrounding institutions and overcome their respective inefficiencies or voids. OECD defines a high-growth enterprise as “all enterprises with average annualised growth greater than twenty percent per annum, over a three-year period, and with ten or more employees at the beginning of observation period. Growth is thus measured by the number of employees and by turnover.” (Petersen and Ahmad, 2007). However, generally finding a way to measure “growth” is conceptually challenging (Penrose, 1959). There is no

standard definition or measurement of “high-growth” firms (Delmar *et al.*, 2003b), contributing to a lack of research on the subject (Henrekson and Johansson, 2010), especially in an emerging country in MENA (Bruton *et al.*, 2008; Kiss *et al.*, 2012). As such, given the economic peculiarity of Egypt the researcher adapted OECD’s definition, and then selected the HGF sample based on five criteria:

- Firm’s age is not younger than two years
- Firm has ten or more employees
- Firm operated in one of the selected sectors
- Firm is situated in Cairo
- Firm achieved a twenty percent annual increase in turnover since its inception

This research has not prioritised turnover in its definition because 2016 and 2017 have been tough years for Egypt after the Egyptian Pound devaluation which resulted in inflation. Both years have witnessed large business discontinuation rates of 7.3% in 2016 (ranking 3rd) to 10.2% in 2017 (ranking 1st), given the challenging economic environment (Ismail *et al.*, 2018). However, the Egyptian economic outlook has made a strong comeback in 2018 after a pack of economic and structural reforms, which has been reflected in entrepreneurship and business ownership rates. Similarly, it was also important that firms were over two years old so that long-term growth and sustainability could be examined¹⁸.

Sample Location and Geographical Implications

As it has been mentioned, the HGFs in Embedded Case 3 are in Cairo. This too applies to the former two groups: government units and support organisations.

This way the three groups, not only share the local, regional, and national institutions, they also collectively shape them. This section explains how this happens.

¹⁸ Storey, (1989); Storey and Johnson, (1989) in Gilmore *et al.*, (2001) cite that the factor of growth volatility is normally associated with start-up phases in the first four years of trading, but in the Egyptian case, political and economic un/certainty the last three years have extended to firm growth volatility, as such two years was the appropriate age.

Firstly, weaknesses of the Egyptian institutions impact economic actors and the way they behave irrespective of the sector. Moreover, there are additional sector-specific difficulties, creating more battlefronts for entrepreneurs (more on this in section 5.1.3. on the Egyptian HGFs' evasive behaviour to institutional uncertainty and the regulatory reaction in key sectors).

The section below gives an overview on the centralisation of decision-making in Egypt and a conclusion about the interplay with entrepreneurship will be drawn up.

Centralisation in Egypt, Entrepreneurship and Clusters

Citizens of the majority of developing and poor countries lack access to efficient public services including education and healthcare. Research indicates that in order to implement decentralised governance within a state, a system of representative democracy must be implemented to enable the accountability of local governments or elected councils to the people who elect them (Badri *et al.*, 2021; Dye, 2021; Kulipossa, 2004).

Centralisation in the Egyptian decision-making is an entrenched phenomenon that some say is as old as Egypt (Financial Times, 2014). Jamie, (2011) analyses that only one out of seven Egyptian pounds is budgeted for the provision of public services at the local level for the benefit of the Egyptian people. In contrast, six out of seven pounds of public resources are spent on central government administration. Bertelsmann Stiftung, (2022)¹⁹ highlights that the Egyptian administration remains reluctant to engage in reform, and is centralised, without far-reaching financial or organisational autonomy for local policymaking structures.

Tobbala, (2019) explains that Egypt's local government system is a centralised hierarchy system with few deconcentrated features. The local administration system in Egypt is an administrative structure and not a local governance structure. Tobbala, (2019) groups the main setbacks of Egypt's current local administration system under three main areas: 1) central control, and 2) inefficiency of the system to deliver to its people, 3) lack of citizen participation in the decision-making process. On the education front Ibrahim, (2010) clarifies that despite of the massive

¹⁹ Bertelsmann Stiftung's Transformation Index (BTI) assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. Egypt was ranked at the 103rd place in 2022.

support from the international community, Egypt's educational reforms have met little to no success as they have been introduced into a system with characteristics that are historically ingrained and resistant to change, and into a contested context of competing interest groups and a climate of mistrust.

Similarly, the Egyptian public sector has been long bloated with public servants, creating more complications (see section 4.2.2 on laws, implementation and public servants). Daily News Egypt, (2012) proposes that administrative decentralisation is necessary to raise the calibre of the public sector and create competition. Each local authority will hire the best people it can afford, in order to provide better services to get re-elected. Egypttoday, (2017) reports that while Egypt is a centralised republic, according to the Minister of Planning Hala el-Said, the government has approved the unified planning law, which is consistent with the state's policies to promote and generalise decentralisation. However, it will take years for this law to be fully functional.

Thus, the government seems well aware of the importance of decentralisation, however there are certain groups who have vested interests in maintaining the current status quo (see section 5.2.2. on the role of political economy). Shantir, (2022) comments that Egypt's current political system wishes to maintain the current situation of local administration, as a superficial and impotent policy alternative. As such, it resorts to solutions and options that strengthen centralisation and views the local administration as a mere extension of the executive authority in governorates.

Undoubtedly all of these signs of centralisation have a strong impact on entrepreneurship. A lot of conclusions can be drawn up on the relationship between centralisation and entrepreneurship.

Firstly, as the decision-making is limited to a political few, it is also geographically limited in Cairo. This reflects on the availability of resources to entrepreneurs, both material or intangible. Much of Egypt's opportunities and resources are centralised in Cairo and Alexandria (Wamda, 2019a). For example, about two thirds of population in the Upper Egyptian²⁰ region (500KM

²⁰ According to the The World Bank, (2012) Upper Egypt is predominantly rural with 75 percent of its young people living in rural areas. Upper Egypt accounts for 40 percent of the country's population, however between 60-80 percent of those live in poverty or severe poverty.

downriver from Cairo) are in poverty. Concomitantly as one third of the entire Egyptian population is considered poor (World Bank Group, 2019). In fact, a Euro-Central Network of Economic Studies (EMNES) report cites that 70% of start-up investment is concentrated in greater Cairo, and only 19.4% of these projects are in Upper Egypt (Zaki and Zeini, 2019). Similarly, both GEM-Egypt report 2019 (Ismail *et al.*, 2019), and Middle East Institute, (2020) explain that much of the entrepreneurship activity and support programmes are concentrated in the country's two main economic centres, Cairo and Alexandria. In the same vein, Enpact-Egypt startup ecosystem report 2019 (Embaby *et al.*, 2019) indicates that "The Human Capital" domain in The Startup Friendliness Index (SFI) (which assesses the availability of qualified labour and the ability for the Egyptian startup ecosystem to access it) is relatively strong for cities such as Cairo, Alexandria and Mansoura, but more challenging for cities in Upper Egypt, namely Sohag and Assuit. This is because of the centralised nature of cities in Egypt.

El Baradei *et al.*, (2021) comment that there is a local geographic discrepancy in talent representation. Here, the problem of centralisation is in Egypt at large, where the best services, educational or otherwise, are centralised in the capital city of Cairo, leaving the governorates always at a disadvantage.

Regarding industrial zones and clusters, the situation is even more fragmented.

In Egypt, handicrafts or creative clusters represent 90% of total clusters found in the country. All clusters are organically formed without intention from the government to establish them. But unfortunately, creative clusters in Egypt are not yet participating to the country's economy the way they should and according to their size (Mohamed S., 2022). Abdelaziz *et al.*, (2018) review that the top industries in each Egyptian governorate revolve around handicrafts, agribusiness and furniture. This identifies some of the most promising clusters in each industry based on their high market demand, export potential, labour intensity, and historical roots.

Industrial zones have the potential to reduce regional disparities in economic opportunity. The authorities have announced plans to create 10 new industrial zones in Upper Egypt, in the country's

south. Although situated further away from the traditional economic centre in the north, Upper Egypt has its own advantages for industrial development such as low labour costs and proximity to the Nile River (Oxford Business Group, 2019). In fact, in 2019, the-then minister of Trade and Industry Amr Nassar announced the government's plans to establish 13 industrial complexes across 12 Egyptian governorates. Nine of the 13 complexes are planned to be in Upper Egypt, industries vary between leather, textiles, handicrafts and others. This confirms the government's keenness to achieve development in this region, which has long been suffering from marginalisation (Egypttoday, 2019a).

The information presented here indeed reflects the role played by geography and industrial agglomerations in shaping the Egyptian economy. This in turn influences the entrepreneurial activity. As it has been mentioned this research uses High-Growth Firms as the units of analysis. Those firms are technology-enabled in ICT sectors, which are heavily reliant on R&D so they tend to be centred in Cairo. This is because Cairo is where most of the governmental services, international donors and high-potential talent are.

On the other hand, the industrial clusters and agglomerations as it has been demonstrated revolve around low-tech industries which are located in areas with lower human development indices. This in fact contradicts Feldman's, (2014) view on the role of human agency in transforming local communities. In her analysis, good working conditions need to be in place so as the local ecosystem can be influenced. This is not the case in developing countries. For example, Krugman, (1999) observes that many developing countries suffer from significant economic dualism, in which a relatively high-wage, high-income economy appears to exist within a much less developed economy, and that this dualism has a strong geographic dimension.

Similarly, Henderson et al., (2000) deduce that often the political institutions in countries encourage over-concentration. As such, there is a lack of a level playing field in the allocation of resources across cities. The national government can choose to favour one or two cities over others (like the case in Egypt). Favouritism can take the form of the national government choosing not to invest sufficiently in interregional transport and telecommunications, so that the other cities are less competitive locations for private producers. This also applies to Egypt (see oligopoly,

cronyism and informal competition in section 4.1.2.). As it has been mentioned the government has just recently started to pay attention to the regional inequality and the industrial clusters in Egypt are built around low-tech sectors and very limited human agency.

In conclusion, in relation to the three groups of interviewees, it is safe to assume that entrepreneurial behaviour is largely sector-specific, and to a smaller extent, sector-specific.

The Entrepreneurship Government Units (macro-level) do have the ability to shape surrounding institutions but to a certain extent. This is the extent that is limited by the central government and political elite with various vested interests. As such, changes produced by relevant political entrepreneurs (e.g. improving the business legal climate), spread to stochastic areas, undetermined time-frames and largely dependent on the individuals in power.

The Entrepreneurship Support Organisations (meso-level) also have the ability to shape surrounding institutions but to a certain extent. This is possible through both supporting the government in ameliorating the business climate, as well as build the capacity of entrepreneurs. However, as the interviews will show, the support organisations are faced with system rigidities, inflexibilities and lack of transparencies. As such, their support reflects faster on the entrepreneurial firms, while the government takes longer (if ever) to respond to the support organisations' recommendations.

Lastly, the HGFs in ICT business services sector (micro-level) do have the ability to change their surrounding institutions, but also to an extent. HGFs however, have the ability collectively shape their surrounding institutions by creating responding to social needs, creating various innovations, amassing customers. Then, the government will respond in a variety of ways, but for the most part it develops a legal umbrella under which innovators can work legally and formally.

Sample Size

There are no rules for sample size in qualitative inquiry (Guest *et al.*, 2005). As (Morse and Field, 1995) indicate “there are no published guidelines or tests of adequacy for estimating the sample size required to reach saturation.” The validity, meaningfulness, and insights generated from

qualitative inquiry have more to do with the information-richness of the cases selected and the observational/analytical capabilities of the researcher than with sample size (Patton, 1990).

Scholars have been discussing sampling adequacy concomitantly with theoretical saturation. Theoretical saturation, in effect, is the point at which no new insights are obtained, no new themes are identified, and no issues arise regarding a category of data (Bowen, 2008; Corbin and Strauss, 1990). Moreover, data saturation or theoretical saturation is integral to naturalistic inquiry (Glaser (Glaser and Strauss, 1967; Strauss and Corbin, 1994). In this respect, interviews are conducted until no new concepts emerge and the resulting explanation can account for the most reported behaviour in the sample (Bruton *et al.*, 2010) hence a saturation is reached to the point of redundancy (Corbin and Strauss, 1990; Lincoln and Guba, 1987)²¹. As such, sampling adequacy can be evidenced by saturation and replication, meaning that ‘sufficient data to account for all aspects of the phenomenon have been obtained’ (Richards and Morse, 2006).

In connection with this research, the interviews with the three groups did not commence with a target number in mind, the researcher was interested in obtaining rich insights from each group which would both complement and validate each other until no new insights emerged. For example, interviews with the HGFs about institutional challenges were complemented by the ones with the GUs and IIs as the three groups largely agreed on the main institutional voids faced by entrepreneurs in Egypt. As such the researcher was vigilant as to when patterns from answers emerged, and no new phenomena were obtained. In other words, in each group, the researcher kept bringing new participants until the data set was complete, as indicated by data replication or redundancy. Hence, reaching data saturation in data collection to the point of diminishing returns and nothing new is being added (Bowen, 2008).

²¹ However, (O’Reilly and Parker, 2013) draw our attention to the fact that “saturation” was originally tied to grounded theory (Glaser and Strauss, 1967), and while this has been helpful for various qualitative approaches it may not be necessarily appropriate in all instances.

Table 3.1. summarises the sample design and several case studies (more information about the individual units, organisation and firms in A.3.3.).

Table 3.1. Sample Design and Number of Cases

Group	Sub-group					Total
Government Units	Entrepreneurship-related Unit (G_EU)	Government-backed Incubator or VC (G_IVC)	Policy-related Unit (G_PU)			
	2	2	4			8
Support Organisations	SME/Entrepreneurship Expert/Consultant (II_E)	Incubator, Accelerator or VC (II_IVC)	International Aid Agency (II_IOA)	Mentoring, Consulting & Networking (II_MCN)		
	2	4	4	3		13
HGFs	Agri-Tech (HGF_AG)	E-Platform (HGF_E)	Fin-Tech (HGF_FIN)	Manufacturing (HGF_MAN)	Transportation & Logistics (HGF_TL)	
	3	4	4	4	4	19
Grand Total						40

3.2.2. Data collection: Interviews

Maximising the outcomes of the interview as a research tool relies on viewing it as a “*pipeline to the interiors of interviewees or the exteriors of social reality.*” (Alvesson, 2003, p.30).

Interviews as a Research Tool

As recommended by case study researchers’ (Klein and Myers, 1999) semi-structured interviews offer significant flexibility and the opportunity to seek more interpretation or clarification from the informants by asking questions that were not predefined. Semi-structured interviews are somewhat flexible and they allow the researcher to better understand the perspective of the interviewees (Daymon and Holloway, 2002), where the researcher can refocus the questions, or prompt for more information if an interesting insight emerges (Baškarada, 2014). As such interviewing the entrepreneurs as the central unit of analysis, in addition to the government units and support organisations allows the researcher, to “*enter into the other person’s perspective and find out those things we cannot directly observe*” (Patton, 2003). Accordingly, interviews are particularly

appropriate to enable entrepreneurs as well as support organisations and government units to articulate how they perceive the institutional environment.

Preparing the Interview: Lines of Inquiry

The aim of the HGFs interviews was to understand how they experience and perceive the voids in their surrounding institutions as well as how they navigate them. Similarly, the GU and IIs interviews aimed to understand their awareness and understanding of the institutional voids surrounding entrepreneurs and how they think the entrepreneurs overcome them. This inquiry is expected to depict the triad inter-relationship between the three examined groups as it has been explained before.

Naturally, the design of the study started with the main research problem: how EE HGFs perceive, react to and overcome institutional voids in a fragile institutional setup, and their interaction with the government at the macro-level and support organisations at the meso-level of this setup.

As such, after a comprehensive review of the literature, the study objectives were outlined and relevant gaps in the literature were identified: a) contextual gaps: limited knowledge is available on how EE entrepreneurs overcome institutional voids, react to uncertainties and manifest patterns of IE while doing so, especially in the MENA region; b) conceptual gaps: more research is needed on how social actors interrelate within a multi-level view of institutions, especially at the intermediate level where “market actions” tend to happen (Bylund and McCaffrey, 2017; Williamson, 2000).

Interestingly, Sandberg and Alvesson, (2011) challenge the “gap-spotting” technique to lead to significant theories given they “do not question the assumptions which underlie existing literature in any substantive ways” (p.25). The authors posit *problematisation* as a novel way to construct research questions. Here the central goal is to try to disrupt the continuation of an institutionalized line of reasoning and turn it into something problematic. As such, it aims to moderately challenge the assumptions underlying existing theory, hence going beyond minor critique.

In connection to this study, the researcher challenges situating the act of institutional entrepreneurship in a specific sphere (e.g. sociology, politics) or limiting it to a certain type of social actor (e.g. politicians in their central governments, multi-national companies to enter emerging markets). Contrarily, the researcher views mainstream entrepreneurs as IEs through their mere endeavour to navigate and challenge their inefficient institutions. Similarly, support organisations that lobby, help, advise and consult EE governments are IEs in their own right. The same goes for selected GUs in a highly fragmented and polarised formal institutional setting, they manifest patterns of IEs so as they shake the conventional structure, challenge it, and where possible change it.

Accordingly, the pilot test assisted the researcher to spot flaws and limitations within the interview design, hence allowing me to make necessary revisions prior to the implementation of the study, as well as to refine the research questions (Kvale and Brinkmann, 2007).

At the pilot stage, two semi-structured interview guides were prepared prior to the interviews (See Appendix), one for the GU and II groups, and one for the HGFs. The main inquiry of both was to examine: a) the main institutional challenges confronted by entrepreneurs, and b) main support programs and successful policies presented recently to support entrepreneurs, whether through GU or II.

Following the pilot, the researcher conducted a general thematic analysis (Braun and Clarke, 2006), as the researcher also went back to the literature in several cycles. This provided the researcher with avenues of improvement for the next iteration.

For example, results showed that the terms MSMEs, entrepreneurship and high-growth entrepreneurship are used interchangeably and there is almost no distinction at the policy-making level. Support organisations have their own definitions and they agreed that it is too early for the Egyptian ecosystem to start identifying high-growth entrepreneurship now given it is a young ecosystem. Questions also have not shed enough light on the institutional changes that emerge or result from the entrepreneurial behaviour of the social actors in the Egyptian institutional framework, e.g. key policymakers and IIs.

As such, for the main study, the interview guide (See Appendix) for the HGFs was divided into five main parts: 1) background of the firm, 2) institutional challenges, formal and informal, 3) perceiving, reacting and overcoming those challenges, 4) role of government and support, and 5) role of support organisations.

Two separate interview guides for the GUs and IIs were prepared, also divided into five main parts: 1) background of the unit/program or organisation, 2) nature and dynamics of the relationship with the other groups (II to GU; GU to II and HGFs as well as including GU to GU relationships, 3) outputs of program/policy and observable ensuing changes or impacts on the institutional level, 4) institutional challenges, formal and informal, and 5) policy recommendations and, where possible, commended institutional reforms.

As it is practised in qualitative methods, particularly interviews, the interview guides included key questions that were grouped thematically into separate parts (Kallio *et al.*, 2016). The themed groups were withdrawn from the literature review that preceded the interviews. Themes revolved around the spotted gaps in the literature as has been discussed earlier, as such each group of questions were developed with a line of inquiry in mind that relates to the review of the literature. Accordingly, interview questions are developed to align with research questions. In line with Castillo-Montoya, (2016) this alignment can increase the utility of interview questions in the research process (confirming their purpose) while ensuring their necessity for the study (eliminating unnecessary ones) (p.812). The complete list of themes is presented in the left column of the interview guide in the Appendix.

Similarly important, the researcher prepared detailed interview guides and divided them into five parts so that each group of questions functions as a topic(s) guide for the issues the researcher wishes to cover. One of the merits of semi-structured interviews is its given flexibility (Easterby-Smith *et al.*, 2015:405), hence the researcher did not necessarily ask the questions in their order of writing, nor did she need to cover every sub-question. This way, the researcher allowed the conversation to flow naturally with the informant with some guidance.

Flick, (2009:153) suggests that in a semi-structured interview, theory-driven or hypotheses-directed questions are asked. These questions are oriented to the scientific literature about the topic

or are based on the researcher's theoretical presuppositions, e.g. "How do you prioritise job creation? To what extent does the business environment foster formal vs. informal behaviour?"

In order to create effective research questions, McNamara (2009) in Turner, (2010) suggests that questions should be: (a) open-ended so that respondents are able to choose their own terms when answering; (b) questions should be as neutral as possible, and (c) questions should be worded clearly.

So, in each interview, the researcher asked the informant about their HGFs, unit of organisation, their background. Then the next group of questions were about the start-up and operating challenges, and/or the challenges they are aware of in the Egyptian business environment.

The aim is to maintain the flow of the interview so that the informant comfortably describes their particular experiences and meanings (Frankel and Devers, 2000), but their answers still point me toward "*specific areas of theory*" (Maxwell, 2005, p.67). Here, the researcher is interested in institutional voids, overcoming them in a way that challenges that overarching institutions, hence spotting patterns of institutional entrepreneurship. During this process, she is thus able to depict the inter-relationship between the social actors in the institutional multi-level mechanism (Kim *et al.*, 2016). Before the interviews the researcher had prepared some follow-up questions, so she could ask informants to expand on some particular points that came up in the interview (Whiting, 2008). Some follow-up or probing questions naturally surfaced on the spot when the researcher wanted to gain a more in-depth understanding of a particular insight (Castillo-Montoya, 2016). For example:

Main question: "*What are some of the solutions you resorted to in order to overcome regulations' unpredictability?*"

Follow-up question: "*Tell me more about hiring a lawyer to fix things.*" "*What did you mean when you said we avoid the regulations altogether?*" "*How did you feel about reporting losses?*"

Data Sources: Selecting Interviewees and Triangulation

Naturally, the interviews were the most relevant and important source of information for the researcher's analysis as they allowed her to spot institutional and behavioural patterns in the GU-II-HGF triad inter-relationship that is being studied. In recruiting the representatives, the researcher purposefully sought informants from different sub-industries within the ICT areas and at different stages as long as they fulfilled the selected criteria. The GUs were selected from different ministries in the government (Trade and Industry, Telecommunications and Information Technology, Finance). Lastly IIs diversified between international and national entrepreneurship-support organisations which provide different types of support, financial or nonfinancial.

The respondents were identified using web queries (e.g. LinkedIn and main entrepreneurship news forums), formal and informal introductions (e.g. through high-profile conferences; government meetings and workshops), as well as referrals from earlier interviews.

As Scholz and Tietje, (2002) explain, there is “no best view” in case study research (p. 338), as such researchers must rely on multiple perspectives or views on a case, or data triangulation (Denzin, 1989; Stake, 1995). Here, relevant data is collected from multiple sources such as documents, archival records, interviews, direct observations, and physical artefacts (Yin, 2009). Stake suggests that, by “choosing co-observers, panellists, or reviewers from alternative theoretical viewpoints, we approach theory triangulation” (Stake, 1995:113).

Accordingly, in connection to this research, data gathering involved several sources and iterative rounds. The primary source was naturally field interviews, and the secondary source which lasted throughout the data gathering, analysis and writing process was archival data and news reports.

Wolcott, (1994:10) identifies three major modes of qualitative data gathering: a) *experiencing* through participant observation; b) *enquiring* through interviewing, and c) *examining* through studying materials prepared by others or archival strategies.

Table 3.2. below provides an overview of the various data sources for this study. Triangulation among these various sources of data allowed for the iterative development of the case (Yin, 2009).

Table 3.2. Data Sources of the Study

Level of Analysis/Group	Enquiry	Data	Sources
Macro-level: Government Units Meso-level: Support Organisations Micro-level: HGFs	<i>Experiencing</i>	Participant observations	Site visits to premises and surroundings, field notes, attending conferences, pitching competitions, government workshops and seminars
	<i>Enquiring</i>	Exploratory interviews	40 in-depth interviews (pilot and a main study), lasting between 25-75 minutes each
	<i>Examining</i>	Document and archival analysis	Organisational reports, draft bills, case study reports, annual and marketing reports, social media and websites of units, organisations and firms, global*, regional* and domestic reports*; online newspapers*; online entrepreneurship communities, etc.

Global: GEM, GCI, World Bank Doing Business, UNIDO
 Regional: MAGNiTT, Wamda Menabytes
 Reports: Cairo Startup Scene Egypt Innovate Egypt STI Observatory
 Online newspapers: Egypttoday Daily News Egypt Ventureburn

Implementation of the Interviews

A total of 40 semi-structured interviews were conducted (see Table 3.3.) among representatives from each group, averaging between 25 and 75 minutes each. These interviews were conducted in two stages: a pilot and the main study. The pilot stage took place in April 2018 (N=13) and the main stage in March-June 2019 (N=27) (see Table 3.3. for the breakdown). Data were collected until theoretical saturation was achieved, meaning no new concepts emerged (Bryman, 1984).

Each interview audio was recorded with the permission of the participants to aid in data transcription and data analysis. The interview guide was e-mailed to the interviewee beforehand, along with an information sheet and a consent form to be signed right before the interview. Interviews were carried out at the premises of the units, organisations or ventures. Similarly, they were conducted mostly in Arabic as the informants’ mother tongue, however, given a lot of the entrepreneurship and investment terminology in English the interviews, large parts of the interviews were sometimes in English.

A few interviews were also carried out in English altogether after an agreement with both the researcher and the subjects in order to alleviate translation confusion. This was possible because the interviewees are all highly educated and many of them are educated abroad, so the interviews ended up in both Arabic and English.

All interviews were digitally recorded and translated into English. As an Egyptian national the researcher’s mother

tongue is Arabic, moreover, her professional and academic background is largely in English. Additionally, the researcher has more than five years of experience in economic and business translation from and to English and Arabic, including qualitative and focus-group research. As such listening to the interviews and transcribing them into English was possible.

The recorded files of the interviews which were carried out solely or largely in English were uploaded to an Artificial Intelligence paid online transcription service (otter.ai). After this, the interview was played, and the transcription file was reviewed word for word to correct mistakes and rewrite some of the Arabic phrases. Similarly, the recorded files of the interviews which were carried out solely in Arabic were uploaded to a transcription and dictation software (NCH Express Scribe Transcription Software). Before transcribing, the researcher had prepared a glossary for the commonly used terms in the interviews, both in English and Arabic to ensure consistency in translation and reporting of research findings. For example, the main Arabic terms included legal procedures and names of related organisations and ministries. The main English terms were business and entrepreneurship terms which would not be understandable for a non-specialist.

Next, a sample (N=12) of the interviews from both the pilot and main study was sent to two professional business translators (Egyptian nationals) for additional validation of the translation and transcription quality. Their transcriptions were cross-referenced with those of the researcher so that any translation discrepancies are settled. Finally, for an extra layer of security, another sample (N=14) of the interviews was sent to two entrepreneurship researchers (Egyptian

Table 3.3. Interviewees Breakdown

Group	Pilot	Main	Total
Government Units	5	3	8
Support Organisations	6	7	13
HGFs	2	17	19
<i>Subtotal</i>	13	27	40
Grand Total			

nationals), one in the UK and one in Egypt, to assess the quality and consistency of transcription files. On average, interviews' transcribing, resulted in 400 single-spaced pages of transcript text.

Translation does not come without risks. Patton, (2002:391) warns that “cultural inquires add layers of complexity to the already complex interactions of the interview.” Patton suggests that researchers should take special care when interviews need an interpreter or translator. In this study, the issue was alleviated, as the researcher and interviewer, belong to the same culture and she is a native Arabic speaker, in addition to her translation experience. Moreover, conducting the interviews in both English and Arabic or solely in English helped in achieving some consistency. However, the translation still carries risks in transforming the meaning and experiences of the informants, which even qualifies to be one of the research design limitations (more on translation risks in section 3.6. in research design limitations).

3.3. Data Analysis

Miles and Huberman, (1994) suggest that qualitative data analysis consists of three procedures (Figure 3.2.)²².

1. *Data reduction*. The process where the mass of qualitative data, e.g. interview transcripts, field notes, and observations, is reduced and organised through coding and writing summaries.

2. *Data display*. To draw conclusions from the mass of data in the form of tables, charts, and other graphical formats.

3. *Conclusion drawing/verification*. Data analysis should be where the researcher begins to develop conclusions regarding their study. These conclusions are then verified and examined through reference to field notes or more data collection.

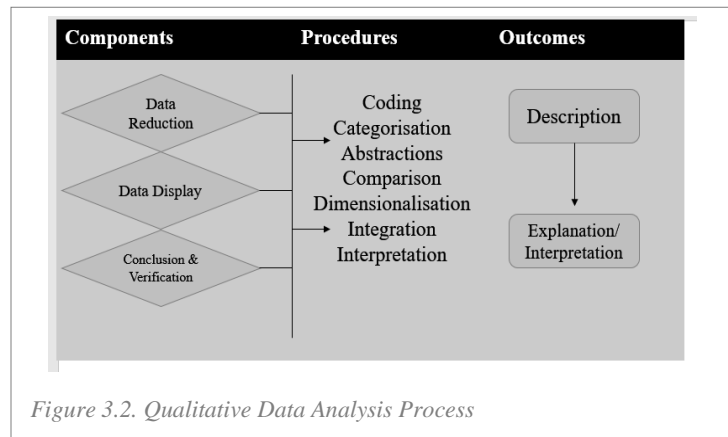


Figure 3.2. *Qualitative Data Analysis Process*

²² Adapted from (Miles and Huberman, 1984, 1994; Spiggle, 1994; Strauss and Corbin, 1994)

Data analysis is the final phase in the interview design, where the researcher interprets the data that was gathered during the interview process (Turner, 2010). Here the researcher makes sense of what was uncovered and compiles the data into sections or groups of information, also known as themes or codes (Creswell, 2003, 2007a). These themes or codes are consistent phrases, expressions, or ideas that were common among research participants (Kvale and Brinkmann, 2007).

The researcher here codes groups of words in the transcripts into categories. These categories are usually determined by the research issues that were the starting point for the research. Carson et al., (2001); Miles and Huberman, (1984) define codes as “*retrieval and organising devices that allow the analyst to spot quickly, pull out, then cluster all the segments relating to a particular question, hypothesis, concept, or theme.*”

The main objective of this study is to withdraw insights and observations on the challenges faced by high-growth entrepreneurs in the Egyptian institutional setting, and the processes involved in reacting to and overcoming them. As such how entrepreneurs are embedded in the institutional setting with regulatory bodies and support organisations address institutional voids. In other words, the analysis centres on the activities and mechanisms underlying institutional entrepreneurship in the context of a developing country.

This analysis is guided by a “naturalistic inquiry” mode (Lincoln and Guba, 1985); using inductive logic to illustrate the unfolding of these processes by taking into account the historical, cultural and situational roots (Garud *et al.*, 2002); and adhered to the procedural steps to analyse data emphasized by Miles and Huberman, (1994).

In this study, the researcher first classified the individual interview/case transcripts into a group cases; HGFs, IIs and GUs, or the embedded cases. During this process, she worked recursively between the data and the existing literature, and then between the data and the analysis from the three embedded case studies (see Figure 3.1.) (Houghton *et al.*, 2017; Maxwell, 2005).

The objective here is to assess the nature of the institutional constraints faced by high-growth entrepreneurs in Egypt in the greater Cairo region. This is important to examine in what form,

institutional voids exist, and how they constitute opportunity spaces for entrepreneurs, support organisations and selected government units. Table 3.4. adapts Miles and Huberman, (1994) qualitative analysis process to this research's data analysis process.

So, for this study, data analysis involved several sources as it has been mentioned above and two iterative rounds. The first round relied on secondary data: e.g. observations, archival sources, up-to-date news reports and an extensive review of secondary data and literature on Egypt. The second round relied on field interviews as the primary source of data, as well as up-to-date secondary data analysis.

First, an extensive analysis was conducted on secondary data on Egypt. This resulted in outlining the Egyptian institutional framework (See Findings chapter) according to North, (1991); Scott, (1995). In that sense, the secondary data (archival) are analysed drawing on (Scott, 1995) three pillars of institutions – i.e., *regulative*, *normative*, and *cognitive*, while paying special attention to uncovering less accessible or even “hidden transcripts” (Scott, 1995). As such, the Egyptian institutional framework was developed.

Second, field interviews, as the primary sources of data, were transcribed and analysed (coding and themes and extraction). Themes were produced in line with the Egyptian institutional framework and to answer the research questions. i.e. how institutions are *abided* by, *evaded* and *altered* (Henrekson and Sanandaji, 2011).

To triangulate the interviews' analysis, secondary data such as archival data and news reports were gathered and analysed on each individual case. The same was carried out on the Egyptian institutional framework to keep it updated.

Coding

Computer-based analysis for this research was used using NVivo 12 Plus. NVivo is a qualitative analysis software program that is designed for the systematic analysis of qualitative data.

Moreover, it records all methodological steps taken and all handlings can be traced back,

minimizing the researcher’s personal bias (van Stijn *et al.*, 2018). The software has powerful tools to create open codes (free nodes), and more advanced code structures with nested sub-codes (tree nodes) as well as relationships between codes (Bazeley, 2007). Finally, computer programs help locate common passages or segments that relate to two or more code labels, as well as help to locate text or image segments associated with a code or theme. Moreover, the search process can be extended to include two or more code labels (Creswell, 2007b, p.168).

As such, the researcher first identified a group of principal categories of data related to the lines of inquiry of the study (see section 3.3.2.). This is in line with Strauss and Corbin's, (1994) argument that a priori definition of certain baseline concepts in a study supports a grounded theory approach to data gathering and analysis, which is applicable for an *interpretive* portrayal of the world through a *constructivist* approach²³.

Table 3.4. Research Data Analysis Process

<i>Data Analysis Stage</i>	<i>Procedures</i>
<i>Reduction and Coding</i>	-Secondary data summarised into texts and tables. -Primary data reduced to codes. Codes are checked for duplication, then combined and grouped.
<i>Analysis and Display</i>	-Secondary data are reinterpreted into the institutional framework of Egypt -Codes groups are rewritten and analysed into themes that relate to the research questions.
<i>Conclusion and Writing</i>	-Methods outlined clearly. -Secondary and primary data now ready to provide theoretical discussion

²³ Charmaz and Belgrave, (2012) approach to grounded theory builds on a symbolic interactionist theoretical perspective with constructivist methods. In their view data reflect researchers’ and research participant’s mutual constructions, this way their approach to grounded theory provides an *interpretive* portrayal of the studied world, not an exact of it under the assumption that multiple realities exist. Accordingly, a constructivist approach takes implicit meanings, experiential views and grounded theory analyses as constructions of reality (p. 349).

The a priori codes are codes that are developed before examining the data (interview transcripts). Some of the identified open (initial) codes included:

- Challenges related to access to talent, finance, data
- Cultural challenges
- Opaque rules
- Regulations instability and uncertainty
- Personal networks and relationships

The researcher developed the codes as she was coding the data on NVivo (also called inductive codes) based on the lines of inquiry established for the interviews, as well as institutional theory and institutional entrepreneurship literature. Inductive codes are codes that are developed by the researcher by directly examining the data (Ando *et al.*, 2014; Guest *et al.*, 2006).

The researcher manually entered the identified codes that were compiled following data gathering on NVivo. Generally, this coding process is two-pronged: 1) clustering insights or quotes (Patton, 1990; Saldaña, 2014) about the institutional setting, voids, and overcoming them; and 2) reanalysing and reorganising insights to identify interactions between the three embedded cases, in addition to actions leading to changing old institutions or creating new ones.

During the process of reading transcripts and analysing them, memoing (Miles and Huberman, 1994) was also used to capture reflections and emerging interpretations and relationships. Memoing²⁴ is a common qualitative analysis method related to grounded theory (Corbin and Strauss, 1990). The memo is a brief conceptual look at some aspect of the accumulating data set: an insight, a category, an emerging explanation, or a striking event (Miles and Huberman, 1984). Figure 3.3. is an example (See Appendix for more).

²⁴In more detail, memoing is a process in which the researcher writes down ideas about the evolving theory throughout the coding process. In other words, it is journaling ideas about emerging categories, or some aspects in connection of those categories.

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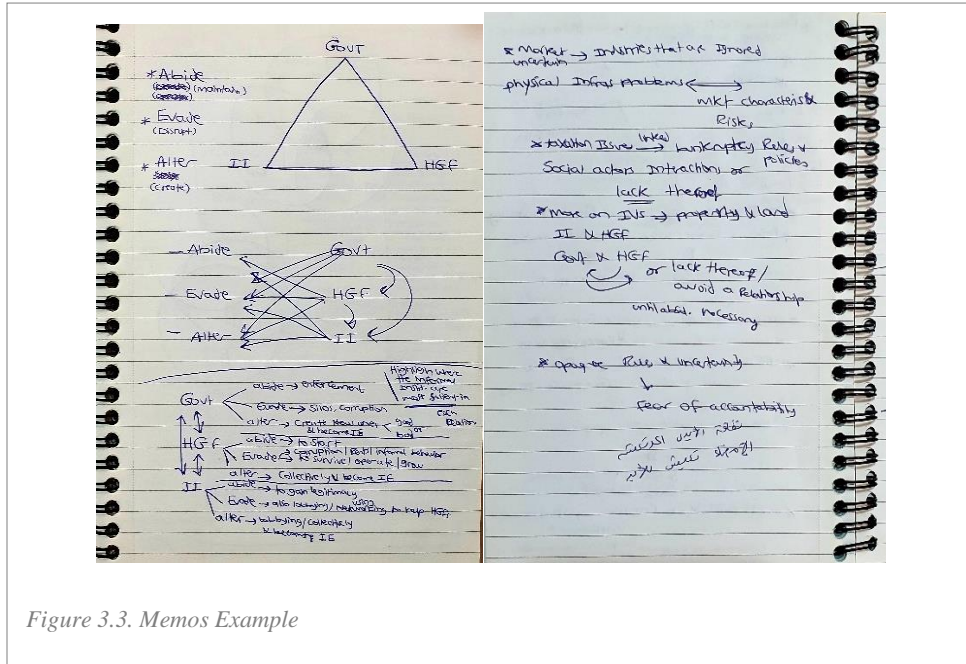


Figure 3.3. Memos Example

As the coding process went on, the open codes mentioned before had developed into a codebook (more detail in the following section). The codebook²⁵ is a set of codes, definitions, and examples used as a guide to help analyse interview data.

The codebook includes a code name (i.e. label for the theme or category), type, and a short description of when the code applies. Table 3.5. is an excerpt of the codebook. The finalised codebook can be found in the Appendix.

²⁵ In more detail, codebooks are developed through an iterative process that may necessitate revising definitions as researchers gain clearer insights about the interview data. The more specificity in a codebook, the easier it is to distinguish between codes (Ando *et al.*, 2014; DeCuir-Gunby *et al.*, 2011).

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Table 3.5. *Excerpt of the Codebook*

Name	Nickname	Cycle: Type	Description
Category: Regulatory Framework Voids (parent)	MAIN_REG_VOIDS	Theming	Formal institutional deficiencies. Fragmented rules, policies, regulations and contradictory laws in relationship to Institutional Voids.
(child) Sustainability and enforcement issues	REG_V_ENFORCE	First: Initial	Challenges and themes pertaining opaque rules and grey areas in framework in relationship to sustainability; this includes temporary rules and laws, absence of RIAs (regulatory impact analysis).
Category: Other Framework Determinants Voids (parent)	OTHER_REG_V	Theming	Formal institutional deficiencies not pertaining to rules, e.g. knowledge diffusion, access to data, talent, support. Etc.
(child) Knowledge Diffusion & Access to Data	O_REGV_DATA	First: Structural	Challenges pertaining access to reliable and quality data on which social players; government, IIs and businesses, can made sound decisions; overcoming those challenges and related results. This also includes data hoarding by government units and contradictory market data.
(child) Finance Regulations & Access to Finance	O_REGV_FIN	First: Structural	Challenges pertaining access to finance and overcoming/working around them; and related results. How the legal framework regulates allocation of funds through different sources; bodies overseeing loans; opportunities of access to finance.
Category: Informal Institutions; Social Embeddedness & Culture (parent)	INF_REG_V	Theming	Informal institutions, non-verbal rules embedded in social actors' tacit knowledge. They are applied so as actors gain legitimacy.
(child) Grey Areas, Uncertainties and Informalities	INF_REGV_UNCER	First: Initial	Formal institutions, government regulations, policies, absence of laws and policies regulating certain industries (namely innovative & modern ones to which laws have not been created to cater to yet such as ride-hailing, fintech) resulting in social players going informal or using legal loopholes when they need to be formal.

Analysis proceeded with iteration back and forth between the interview transcripts and the emerging themes and constructs (Glaser and Strauss, 1967) until a model was developed that reflected the data (See Findings chapter).

Coding techniques

Generally speaking, coding is identifying broad themes in the data (interview transcripts), reducing them to more precise categories (Miles and Huberman, 1994; Yin, 2006), and then “interrogating” them more systematically (Yin, 2006) by comparing and noting patterns (Kvale, 1996).

Saldaña, (2013) identifies 32 data coding methods that are divided into two main sections: First Cycle methods and Second Cycle methods. First Cycle methods are those processes that happen during the initial coding of data (p. 58). Similarly, Second Cycle coding is an advanced way of reorganizing and reanalysing data coded through First Cycle methods. The primary goal during Second Cycle coding is to develop a sense of categorical, thematic, conceptual, and/or theoretical organization from the array of First Cycle codes (p. 207).

In this study, interviews were coded using a combination of first cycle codes (elemental methods), and second cycle codes (Saldaña, 2013:59), summarised in Table 3.6.

Table 3.6. Coding Cycles and Techniques

Cycle	Coding Technique	Description
1 st Cycle	Initial (open)	The first major open-ended stage of a grounded theory approach to the data. Breaks down qualitative data into discrete parts, closely examines them, and compares them for similarities and differences.
1 st Cycle	Structural	Applies a content-based or conceptual phrase to a segment of data that relates to a specific research question to both code and categorize the data corpus. Similarly, coded segments are then collected together for more detailed coding and analysis. Appropriate for semi-structured data-gathering protocols or exploratory investigations to gather topics lists of major categories or themes
--	Theming	an extended phrase or sentence that identifies what a unit of data is about and/or what it means. A theme may be identified at the manifest level (directly observable in the information) or at the latent level (underlying the phenomenon). The analytic goals are to develop an overarching theme from the data corpus, or an integrative theme that weaves various themes together into a coherent narrative.
2 nd Cycle	Pattern	A category label that identifies similarly coded data. Organizes the corpus into sets, themes, or constructs and attributes meaning to that organization. Appropriate for development of major themes from the data; the search for rules, causes, and explanations in the data; examining social networks and patterns of human relationships; or the formation of theoretical constructs and processes.
2 nd Cycle	Theoretical	Functions like an umbrella that covers and accounts for all other codes and categories formulated thus far in grounded theory analysis. Progresses toward discovering the central/core category that identifies the primary theme or major conflict, obstacle, problem, issue, or concern to participants.

First cycle codes allow distinctive practices to emerge from the data (Gioia *et al.*, 2012), such as characteristics of the Egyptian institutional setting and institutional voids faced by the entrepreneurs, as well as mechanisms on how they react to and overcome challenges, in addition to interacting with support and organisations and government institutions.

Initial codes categorised discrete voids in the Egyptian institutional setting, within both formal and informal institutions and market conditions. These initial or open codes were then merged under previously identified major categories. Example: lack of regulations, unregulated industries, taxation issues, grey areas, lack of cultural acceptance, problems with banks, and dealing with public servants.

Structural codes were then categorised and collected in relation to research questions, resulting in deleting and merging under broader categories. Example: Issues with public servants, taxation and bankruptcy issues, uncertainties and informalities, relevant cultural challenges.

On the other hand, second cycle codes uncovered how entrepreneurs, IIs and GUs (social actors) interact with one another on different levels of the institutional settings, and how they challenge constraining institutions, hence different patterns of institutional entrepreneurship were identified.

Pattern codes were applied to parts of the data encompassing social networks and patterns of relationships; such as HGFs attempting to initiate conversations with GUs, or vice versa, IIs reaching out to support HGFs, or market moves and industry shifts which open gaps in the market that can be exploitable by the entrepreneurs. Example: market gaps; market shifts & job creation; interactions from and to HGFs and GU, HGS and II, GUs and IIs.

Theoretical codes were applied when a central/core category was discovered, and under which a major theme, conflict, or obstacle to participants was identified. Such as bottlenecks to growth for HGFs, reacting and overcoming voids but failing to challenge institutions at large, having interchangeable definitions for HGFs, MSMEs, and self-employment in the institutional setting. Example: High-growth entrepreneurship & other definitions; market uncertainties; informal competition; recommendation for interaction and coordination.

Next, potential patterns and relationships between the codes, categories and cases were explored by making extensive use of NVivo's matrix and coding queries, comparison and exploration diagrams as well as project maps. This specifically helped in "cleaning" the codes through visualising, similarities, repetition, and redundancies, resulting in deletion, combination, reorganising and reanalysing and recoding text on several occasions. Figures 3.4. and 3.5. illustrate the development of code trees within the project maps.

Finally, thematic coding was applied after the codes were cleaned and organised. Although the majority of the codes and categories evolved inductively from data (Blair, 2015; Gioia *et al.*, 2012; Patton, 2003), thematic coding allowed the researcher to deductively identify some themes that related to and answer the research questions (Braun and Clarke, 2006; DeCuir-Gunby *et al.*, 2011; Saldaña, 2014) on the bases of theoretical constructs found in the literature that initially guided the inquiry lines development, and later the semi-structured interview guides.

In other words, the categories at this stage were related to previously identified institutional entrepreneurship practices; namely *abiding, evading and altering* (Henrekson and Sanandaji, 2011). This allowed me to identify higher-order relationships that were used to answer the research questions.

Initially, 65 codes were identified and grouped under 10 categories. After their reorganisation (four cycles), they were narrowed down to 29 codes grouped under 7 categories (See Codebook in the Appendix). At this stage no additional themes, constructs or relationships could be identified and no further improvements were warranted, hence the researcher assumed theoretical saturation and the coding stage was concluded (Eisenhardt, 1989).

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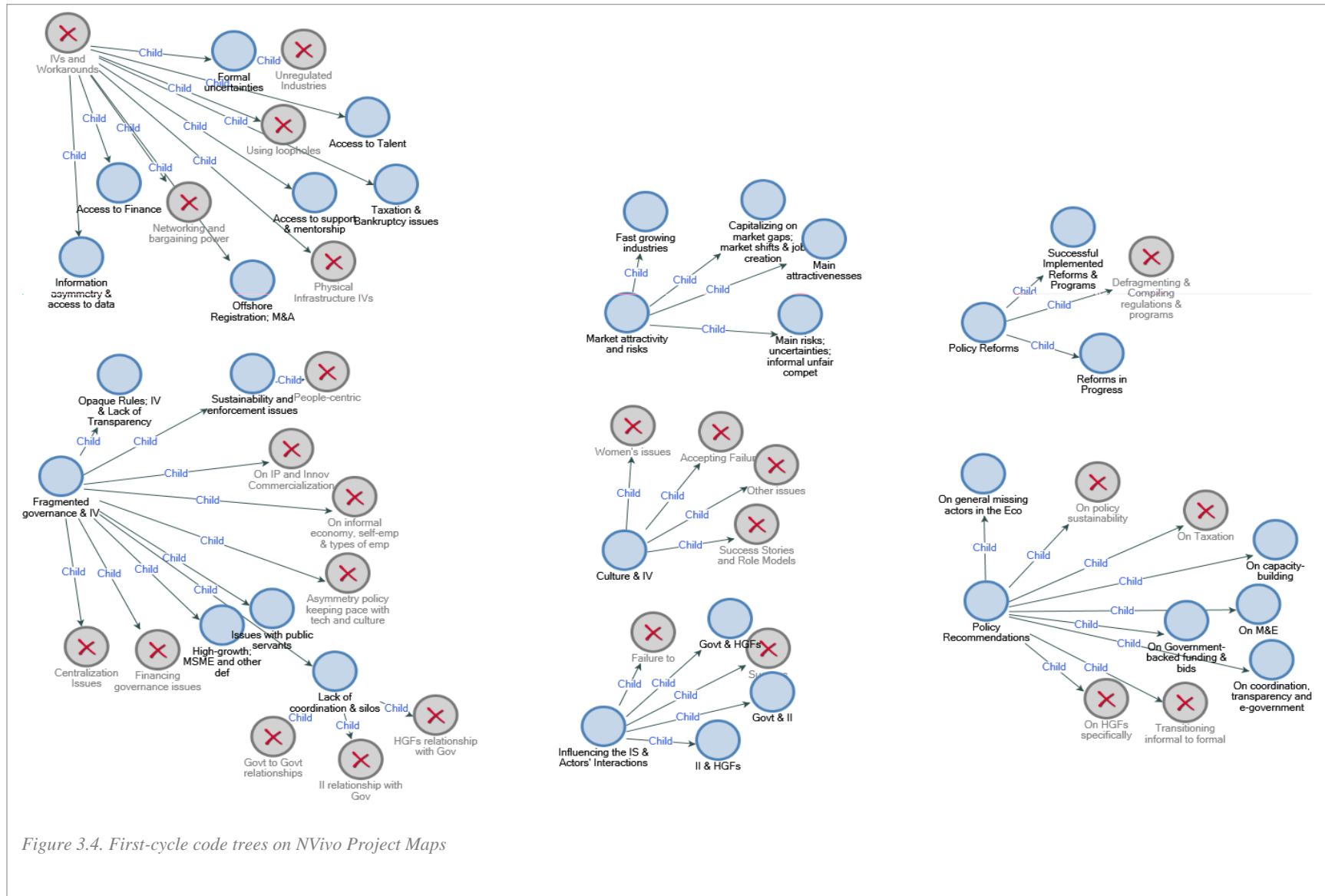


Figure 3.4. First-cycle code trees on NVivo Project Maps

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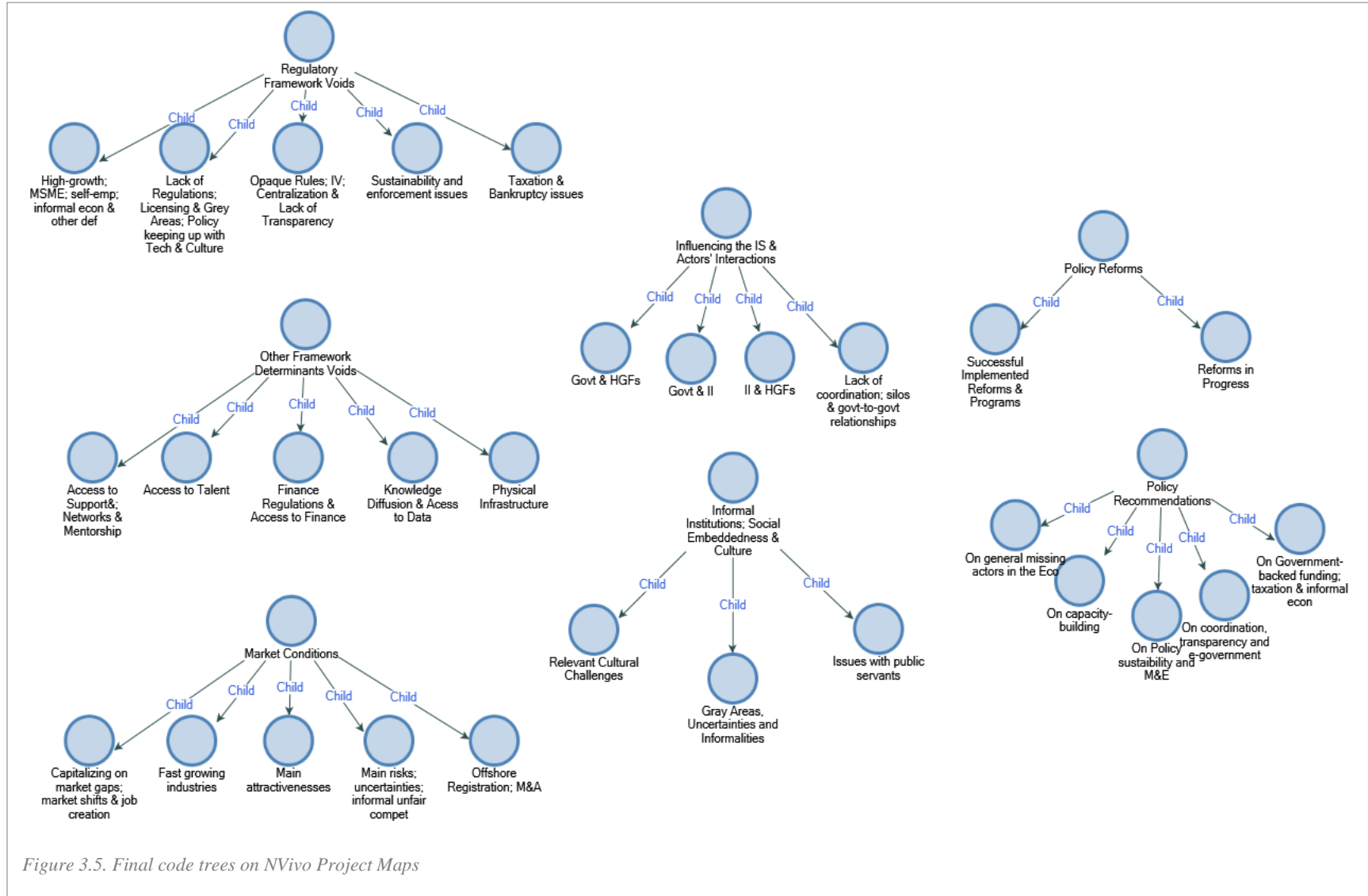


Figure 3.5. Final code trees on NVivo Project Maps

3.4. Research Trustworthiness and Quality

It is agreed that qualitative analysis provides exploratory (inductive) insights into issues, processes, and systems in a bottom-up way that helps to suggest theoretical concepts for a local context (Denzin and Lincoln, 1998). From a theory-developing perspective, this research adds a new dimension to the institutional theory via synthesising literature streams on institutional entrepreneurship and institutional intermediaries. The main motivation here is to develop a diagnostic tool to interpret institutional settings in economies like Egypt.

Guba, (1981); Guba and Lincoln, (1989) suggest four major concerns relating to the trustworthiness of research in rationalistic inquiry²⁶: 1) truth value; 2) applicability, 3) consistency, and 4) neutrality. The authors *translate* these criteria within the rationalistic paradigm to parallel terms within the naturalistic inquiry⁹ (Figure 3.6.).

Scientific and Naturalistic Terms Appropriate to the Four Aspects of Trustworthiness		
<i>Aspect</i>	<i>Scientific Term</i>	<i>Naturalistic Term</i>
Truth Value	Internal Validity	Credibility
Applicability	External Validity Generalizability	Transferability
Consistency	Reliability	Dependability
Neutrality	Objectivity	Confirmability

Figure 3.6. Guba and Lincoln's aspects of qualitative research trustworthiness

The authors posit that the trustworthiness of a naturalistic (qualitative) research study is important in evaluating its worth. Thus, trustworthiness involves establishing 1) credibility, 2) transferability, 3) dependability, and 4) confirmability.

²⁶ The rationalistic inquiry (positivist) rests on the assumption that there is a single reality upon which inquiry can converge. The naturalistic paradigm (interpretivist/constructionist) rests on the assumption that there are multiple realities, that inquiry will diverge rather than converge as more is known, and that all "parts" of reality are interrelated. See Appendix for a more detailed comparison.

In connection to this research, the researcher explains below how each of the trustworthiness criteria is ensured through research design and data analysis.

3.4.1. Credibility (or internal validity)

To enhance the research's internal validity, it is necessary to eliminate or minimise contradiction and ambiguity. Triangulation is one of the significant ways to increase construct validity, and substantiate findings and subsequent propositions (Denzin, 1989). This was made possible in this research via consulting multiple resources before, during and after primary data collection (interviews). As it has been explained, the study draws on a multitude of data resources and literature on Egypt (See section 3.2.2.: Data Sources Table 3.2.). As such, various sources of evidence were cross-checked: interviews transcriptions with field notes, documentary material and news reports on the governmental unit/organisation/start-up history and background.

Moreover, in the secondary data (archival data, reports and articles) on Egypt, several global reports were cited on the same issues, such as corruption, quality of institutions, law enforcement, etc. This should help in reaching an accurate assessment of the Egyptian institutional framework.

3.4.2. Transferability (or external validity/generalisability)

External validity is concerned with the generalisability of research findings beyond the scope of the cases, to the population (Guba and Lincoln, 1989). As has been explained before, this research sample is not intended to be representative of all high-growth entrepreneurs, support organizations and government units in Cairo or Egypt. However, the perceptions and experiences of the entrepreneurs provide in-depth insights into the institutional environment of an emerging country. Moreover, while Jack and Anderson, (2002) highlight that qualitative research may lack generalisability, it still possesses a value in generating questions for further theory and hypotheses development.

Furthermore, as this research is concerned with institutional arrangements, Bruton et al., (2010) highlight that organisations are embedded in country-specific institutions (Busenitz *et al.*, 2000), and institutions are typically situation-specific. Therefore, Bruton et al., (2010) encourage researchers to evaluate the institutional characteristics of a country with regard to a specific

phenomenon rather than in terms of general arrangements. As such, focusing on institutional voids and institutional entrepreneurship in Egypt can allow for greater insights into countries similar in institutional arrangements to those of Egypt.

3.4.3. Dependability (or reliability)

Reliability refers to how consistently a technique measures concepts so that other researchers can obtain the same results when the process is replicated (Yin, 2009).

The reliability of this study's data was confirmed by providing detailed accounts of the primary and secondary data collection methods for replication purposes. This includes the research protocol, pilot and main interview guides, in addition to how the interview questions related to the reviewed literature and the identified lines of inquiry therein (research gaps). Additionally, the coding process was explained in detail; written and visual accounts were provided for the thematic extraction process through NVivo, thus allowing any researcher to follow the same process in the same context and arrive at the same results.

3.4.4. Confirmability (or objectivity)

Finally, confirmability relates to the degree of neutrality or the extent to which the findings of a study are shaped by the respondents and not researcher bias, motivation, or interest (Lincoln and Guba, 1985). Here the researcher arranges for a *confirmability audit* to ensure the internal coherence of the data in relation to the findings, interpretations, and recommendations (Guba and Lincoln, 1994). An *audit trail* to accomplish confirmability certifies that data exist in support of every interpretation and that the interpretations have been made in ways consistent with the available data. In this study, the researcher had extracted initial themes from the interviews before the verbatim transcription. This was made possible as the researcher referred to her interview notes and documentation (journaling) (Lincoln and Guba, 1985). The themes were discussed with the supervisors and another academic. After the analysis stage was concluded, the final themes and the initial codebook were discussed again with the supervisors and two academics who chaired the researcher's final PhD annual review.

Moreover, as has been explained before (See section 3.2.2: Implementation of the interviews), a random sample (N=12) of the interviews from both the pilot and main study was sent to two professional business translators (Egyptian nationals) for additional validation of the translation and transcription quality. Transcriptions were cross-referenced with those of the researcher so as any translation discrepancies are settled. Finally, another sample (N=14) of the interviews was sent to two entrepreneurship researchers (Egyptian nationals), one in the UK and one in Egypt, to assess the quality and consistency of transcription files. Thus, it is argued that the quality of the research design, findings and data interpretation are all in line with the confirmability/objectivity criterion.

3.5. Research Design Limitations

Qualitative Methods Weaknesses: Case Studies and Interviews

One main limitation of this research is the single case study, albeit embedded. This could inevitably limit generalisability. However, the focus on the context of Egypt was necessary to explore how complex and nested activities interrelate and evolve. Moreover, as institutions are embedded in their given contexts, one cannot simply compare institutions across contexts without paying attention to context-specific (Bruton *et al.*, 2010; Hoskisson *et al.*, 2000) and even time-specific variables. Thus, as has been explained before, this study aims at developing a diagnostic tool to interpret institutional settings of contexts similar to Egypt (For more explanation, see Section 3.1.2.: Generalisation from case studies; and section 3.4.2. on Transferability criterion of data trustworthiness).

Finally, by contrasting results with the literature on mature fields (*institutional theory and entrepreneurship*) (See Discussions chapter), it is possible to identify distinctive elements of *institutional entrepreneurship* and highlight the role of *institutional intermediaries* in an emerging country (both emerging fields).

Translation risks

Twinn *et al.*, (1997) suggest that translation may put at risk the findings of a *phenomenological* study where the major purpose is to capture the essence of the phenomenon from the perspective of the participant. Nikander, (2008) confirms that transcription is a time-consuming, and imperfect

process that constructs a textual version of the original interaction, especially with limited literature available on translation. The strict word limit also adds an extra layer of complication (Nikander, 2008), as such shortcuts such as the omission of words, the use of abbreviations, or the exclusion of what is regarded as unimportant information can sometimes distort the information and hinder later analysis of the data. Accordingly, transcription results remain such a non-mechanically produced product, that cannot simply be judged correct or incorrect (Regmi *et al.*, 2010).

However, in a nursing qualitative study Chen and Boore, (2010) suggest that factors which affect the quality of translation in research include the linguistic competence of the translator and the translator's knowledge of the study subjects. Therefore, the translation must be conducted by a translator who can speak the original and target languages equally well, in addition to being sufficiently familiar with the concepts and the technical language in the recorded files.

For this study, the researcher was the main translator, not only can she speak both languages equally well, but also gave her professional experience as a business translator. This was further supported by the random sample of the interviews and transcripts sent to two more professional Egyptian translators as well as another two researchers of entrepreneurship who are also Egyptian.

CHAPTER 4A: CONTEXT OF EGYPT FROM SECONDARY DATA

4.1. Egypt as the Empirical Setting

This chapter uses archival and secondary data to present an overview of Egypt as the empirical setting of this research.

The first section explores the current economic and political situation of Egypt now. In the last decade, Egypt has withstood two system shocks, after which the Egyptian institutions started taking a different form. Firstly, the 25th January 2011 revolution that ousted a 30-year dictatorship. One that has helped corruption and cronyism deeply entrench into the economy. Secondly, the aftermath of the revolution led to a depletion of resources and foreign currencies, putting a halt to the entire economy. As such Cairo struck a bailout deal with the IMF in 2016 which entailed a pack of tough and austere long overdue measures intended at overturning the Egyptian economy as well as the institutions.

A detailed account of the history of Egypt and the stages leading up to the 2011 revolution is provided in the Appendix should the reader be interested to know more.

The second section then examines the institutional framework of Egypt using Scott's, (2008a) institutional pillars- regulatory, normative and cultural-cognitive. Scott's classification is used in juxtaposition with Williamson's, (2000) levels of social economizing, so the analysis is employed from a neoclassical institutional economics perspective. Williamson's philosophy considers the roles of political economy, resource allocation as well as time in institutional change (Williamson, 1985).

Finally, the third section reviews the status of entrepreneurship in Egypt. Key promoting policies are presented, followed by an exploration of the main industrial sectors that Egyptian entrepreneurship is focused on.

4.1.1. The 2011 Revolution, IMF Loan and Megaprojects

The Road to 25th January 2011 Revolution, and Aftermath²⁷

Prior to the 25th January 2011 revolution, the Egyptian state, market, and relations between them were sorely in need of an overhaul. Mubarak's administration left a legacy of poor state management of the economy. Mubarak's increasingly deteriorating corrupt state relied ever more heavily on rents as the years passed. The state relied heavily on internal debts and FDIs, especially in the hydrocarbon sector (Adly, 2009; Springborg, 2017). Rapid deregulation, liberalisation and privatisation (about one-third of state-owned enterprises were privatised between 1991-98 (Dobronogov and Iqbal, 2007) efforts aimed at increasing FDI inflows, also paved the way for rampant corruption, significantly reducing the potential contribution of FDI inflows in achieving economic development (Mossallam, 2017).

To prevent potential unrest amid wide unemployment and social inequalities, the state continued to increase public sector employment in volume and wage (Blaydes, 2010:81). Gelb et al., (1991) indicated that an overpopulated public sector is a characteristic of many developing countries. This is because the state acts as an "employer of last resort", particularly for university graduates (World Bank, 1983; p. 103 in Gelb et al., 1991). The study cites that the Egyptian public sector started overpopulating in 1976. This is especially true as graduates were free to public agencies, as funds were automatically provided. Accordingly, the public sector kept expanding, even with negative marginal productivity. This was associated with Sadat's²⁸ *Infitah* or open-door policy (Hinnebusch, 1981; McLaughlin, 1978).

On the other hand, Mubarak's government also spent steadily more of its budget on consumer subsidies, most notably for energy, while not increasing tax revenues sufficiently to absorb those costs, which consumed over one-fifth of all government expenditures by the end of the Mubarak era (Springborg, 2017). The resultant annual budget deficit bounced along at some 7-8 per cent for

²⁷ See Appendix A.4.1. and A.4.2. for a quick preview on the history and profile of Egypt.

²⁸ Egypt's then-president. Sadat played a central role in Egypt's economic and political transformation. Especially after having signed a peace treaty with Israel. This awarded him a Nobel Peace Prize in 1978. He was assassinated by fundamentalists in 1981. Following this, Mubarak assumed Egypt's presidency.

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Mubarak's final years, thereby adding to the accumulated public debt (Abdu, 2019; Alnashar, 2019).

Additionally, rent-seeking behaviour and crony capitalism were plaguing the business environment to deepen the already suffering governance (Diwan *et al.*, 2013, 2015; Joya, 2011). As such, politically connected enterprises were associated with slower employment growth upon their market entry as they increase the misallocation of resources across firms, especially in the SME sector. By extension, the SMEs were less productive in Egypt, as the skewness of the employment distribution towards small and micro firms was increasing (Diwan *et al.*, 2015).

As was explained above, proximity to political power was the primary path to economic privilege, and the traditional constituencies of the interventionist state, and civil servants, peasants and the urban poor were marginalized (de Lellis, 2020). All those currents led to Mubarak's downfall in January 2011 as the result of three factors: increasing corruption and economic exclusion, the alienation of the youth, and growing divisions among the Egyptian elite over questions of succession after Mubarak (Shehata, 2011).

Following the Egyptian revolution in 2011, internal and external political developments continued to destabilize Egypt's economy. Tourism lost 70% of its volume and the Suez Canal revenues slowed down, after the 2008 global crisis. Furthermore, the Egyptian government relied heavily on internal debt to finance its expenditures, food imports, the manufacturing sector came to a halt, and continued to poorly allocate subsidies until the foreign currency reserves in the country, which needed to buy essential goods, depleted. Egypt's long-standing structural challenges-including high public debt, poorly targeted subsidies, a growing public sector wage bill, over-reliance on food imports, and an overvalued currency-forced Cairo to strike a deal with the IMF through a \$12 billion loan, paired with a strict and overdue structural reform agenda. The deal was essentially a bailout in all but name (El-shimy and Dworkin, 2017).

The IMF Loan to Egypt

By November 2016, the government launched a pack of economic reforms starting with floating the Egyptian Pound, thereby giving it a market value after it has been overvalued for decades.

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Floating the Egyptian pound could help to stabilise the economy and liberalise the foreign exchange market, this meant substantial profits for international currency traders, but living conditions for most of the population have deteriorated. The IMF-conditioned reforms also included new laws and amendments to existing laws, as well as efforts to enhance the business climate, and stabilise economic framework conditions (Devaux, 2017; EBRD, 2018; Kindornay *et al.*, 2018; Momani, 2018; World Bank Group, 2018a).

Moreover, a great deal of attention has been paid to micro, small and medium-sized enterprises. In April 2017, the Central Bank of Egypt, for the first time, defined the micro, small and medium-sized companies by turnover and number of employees. In January 2018, the Egyptian cabinet approved Egypt's first ever bankruptcy law long after insolvency was criminalised. Then, in November 2018, the Egyptian government established Micro, Small and Medium-sized Enterprises Development Agency (MSMEDA). MSMEDA is the main government entity responsible for the coordination of national MSME development policies and direct MSME support. Commercial financial intermediaries are also active in financial support to MSMEs. Giving special funding and training tracks to the agricultural, industrial, environmental and ICT sectors (Kindornay *et al.*, 2018; Ministry of Planning, 2018).

Consequently, in 2018, Egypt achieved a staggering 5.3% GDP growth rate in 2018 (4.1% in 2017), a *seismic shift* as the Financial Times described it. Ruchir Sharma, Morgan Stanley chief global strategist called it "*The best reform story in the Middle East, perhaps in any emerging market,*" referring to Egypt's economic gains (Financial Times, 2019). "*Egypt is on track to become a breakout nation.*"(SHARMA, 2019).

A report by Bloomberg in May 2019, placed Egypt in second place, after the Philippines out of 21 developing economies as amongst the most flexible emerging economies in the face of threats of the global trade war. Positive reviews on Egypt also included Standard Chartered Bank's prediction that the Egyptian economy is expected to reach a size of about \$8.2 trillion, making it the seventh on the list of the world's top ten economies by 2030 (Business Insider, 2019a). Standard Chartered sees Egypt growing at a *torrid* pace over a short timeframe (Desjardins, 2019).

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Additionally, in its final review of the programme, the IMF praised the Egyptian government for executing a package of fiscal austerity measures; namely subsidy cuts, privatisations, and the Egyptian Pound devaluation that managed to make Egypt more attractive to international investment. These measures have helped stimulate growth, generate a solid primary budget surplus, reduce the debt-to-GDP ratio, and replenish the formerly depleted foreign reserves. Energy sector reforms included a massive elimination of power shortages whilst promoting investments in renewables. Key legislative reforms were also carried out to improve the business environment, reflecting positively on the country's sovereign ratings (Middle East Eye, 2019; World Bank Group, 2020)

Accordingly, the Egyptian government has for the most part followed the IMF's stipulations; namely the proposed fiscal reforms with the support of international donor funds and checking the deterioration in public finances. Furthermore, the reforms accelerated the development of natural gas resources in order to trigger a significant reduction in the trade deficit and also ensure the country's energy supply (Devaux, 2017).

As a result, the country's economy had been boosted in the last three years by returning tourism, strong remittances from Egyptian workers abroad reflecting their growing trust in the Egyptian institutions, coupled with recently discovered natural gas fields (Reuters, 2020a). The Italian oil and gas giant Eni discovered the "Zohr" field in August 2015 which is believed to be the largest-ever gas discovery in Egypt and the Mediterranean. (Eni, 2020; Europétrole, 2020; Total, 2020).

In June 2020 the IMF agreed to disburse an emergency \$5.2 billion loan to Egypt amid the economic instabilities caused by COVID-19. This reflects confidence in Egypt's ability to sustain recovery progress. If Cairo works to reduce high poverty rates and currency depreciation, there is a good chance that current IMF reforms will sufficiently stabilise the Egyptian economy (Foreign Brief, 2020).

Sisi's Megaprojects and Reforms

In 2015 Sisi announced a group of extraordinary megaprojects, some of which are said to be the largest in modern history. This started with a New Suez Channel, New Administrative Capital

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(NAC) which is planned to replace Cairo as the Egyptian capital, costing around \$25bn (Carnegie Middle East Center, 2019; Reuters, 2020b). New ultra-modern smart cities are directed at attracting foreign investment such as New Alamein City, New Galala, International Furniture City (CGTN Africa, 2019), and the world's largest Solar Farm in the world, among others. In addition to projects in a wide range of sectors from farming, to fishing, solar and nuclear power (CNN, 2020).

The New Capital is estimated to span over 700 square kilometres (270 square miles), making it the same size as Singapore. It is planned to decongest Cairo's roads by housing 6.8 million people (Independent, 2018; ITV News, 2019). The Egyptian government will entirely relocate to a "government district" located around a central park whose size is estimated to be double of New York's Central Park (The Guardian, 2018).

The new projects received wide criticism given the main contracting company is a state-owned and military establishment. Moreover, according to critics, those funds could have been directed to renovating Cairo's old and failing infrastructure or even used to serve the exponential debt burden on the country's shoulders (Carnegie Middle East Center, 2019; CNN, 2020). Moreover, this new capital will deepen the gap between the rich and the poor given that only privileged classes will be the ones able to afford the astronomical prices (Carnegie Endowment for International Peace, 2020a; Global Construction Review, 2019; Loewert and Steiner, 2019).

On the other hand, proponents, claim that those projects will generate jobs and economic growth and attract large sums of FDI. Moreover, the new modern government in the entirely cashless capital is expected to largely contain corruption that is widespread in public and private sectors (Carnegie Middle East Center, 2019; Xinhua, 2017). Similarly, the 23 new cities are planned to house Egypt's growing population in affordable residential units.

Surprisingly, those megaprojects are no longer architectural plans. The world's largest museum Grand Egyptian Museum is 95% complete (Arab News, 2020); the New Administrative Capital's inauguration was postponed to early 2021 instead of late 2020 because of Covid-19's implications (Reuters, 2020b). Africa's tallest skyscraper in NAC is now 16 stories complete (out of 80) (Global

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Construction Review, 2020; The Times, 2019), World War II site in New Alamein City will soon open its doors to visitors and tourists in the semi-finished city (Al-Monitor, 2020a).

Furthermore, Egypt's Massive 1.8-Gigawatt Benban Solar Park nears completion, one of the world's largest solar installations (IEEE Spectrum, 2019). And in June 2019 Egypt claimed a Guinness record for Tahya Misr (Long Live Egypt) Bridge, as now the world's widest cable-stayed bridge, which was built by 4000 engineers to ease some of Cairo's traffic problems (Guinness World Records, 2019).

Similarly, the Egyptian government deployed intensive efforts to eradicate slums and informal accommodation. Concurrently as the government was building new residential areas for limited income citizens. For example, the third stage of the Al-Asmarat housing project succeeded to rehouse 240,000 families who were living in hazardous areas in south-eastern Cairo (CGTN Africa, 2020). In 2019, the country managed to demolish 296 slum hazardous areas out of the 357 areas nationwide (ibid), charging residents a symbolic monthly rent of about \$20. The government is planning to completely eradicate slums by 2030 (Reuters, 2020c).

On the health front, Egypt has one of the world's highest rates of Hepatitis C. (top globally in 2015), as well as diabetes, high blood pressure and increased body weight. Those health challenges have contributed to high national death rates, and high poverty rates and negatively affected the economy (World Bank, 2019). Consequently, in 2018, Sisi launched the *Meet Milyon Seha* or "100 Million Healthy lives" nationwide screening campaign. The campaign is the largest of its kind across the entire globe. The campaign screened around 49 million adults and 7 million school-age children (ibid). Those who tested positive were referred for treatment free of charge (WHO, 2019). On the 23rd of August, 2019, one day after WHO's director visited Egypt he tweeted (Ghebreyesus, 2019):

Egypt has launched a massive campaign to eliminate Hepatitis C. I was glad to visit the hepatitis command & control centre at the National Training Institute. I was amazed at their work to collect data on prevalence & tackle the root cause of the spread of the virus. Bravo Egypt!

Furthermore, thanks to the real estate and communications sectors, Egypt's economic growth shrank by only 0.5% during the global pandemic of Covid-19 in FY2019/2020 (EBRD, 2020). The

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pandemic has reshaped the social and economic progress in what the World Economic Forum calls one of the Middle East's "*most powerful transformation stories*" (World Economic Forum, 2020). As the country has been collaborating with international infrastructure investors, investment aims have been reached, in addition to economic value creation. Other positive economic implications for the country included: more investments directed at the digital transformation and development e-government services, and building e-databases for informal workers, among other measures (Al-Monitor, 2020b; EuroMeSCo, 2020).

At the same time, as if Egypt did not have enough on its plate, it has been playing an important role on the regional and African levels. Cairo succeeded to bring conflicting parties together in the region, including inner reconciliation in the Palestinian case, cease-fire agreements in the Syrian crisis, and settlement conversations on the Libyan issue (International Policy Digest, 2019; Xinhua, 2017). In Africa, Cairo's diplomacy role made it a leading actor in the region confirming its central actor in Africa. These activities bear fruit as Egypt was awarded the African Union Presidency for 2019. In fact, since 2017 Sisi paid visits to some 20 countries in Africa as part of new diplomatic mechanisms to engage with African countries (Politics Today, 2019).

Post-IMF and Reforms Aftermath

However, all those adjustments to fix the macroeconomic balances are also creating various vulnerabilities. Reforms have not been easy on Egypt's "*missing middle*", given the skyrocketing prices, the most vulnerable groups, debtors, and most importantly for the state due to higher interest rates. As of 2019, the Egyptian Central Agency for Public Mobilization and Statistics (CAPMAS) reported a spike in poverty rates, from 27.8 percent in 2015 to 32.5 percent in 2018 (Egypt Independent, 2019).

The World Bank corroborates that poverty has also increased from 22.7 million people in 2012 to 32.5 million in 2017 (World Bank Group, 2020). In other words, 9.8 million Egyptians fell into poverty in only five years. Carnegie Endowment for International Peace, (2020b) blames this on a fiscal and economic policy designed to "*accelerate the transfer of wealth from the lower and middle classes to the business elites.*"

In fact, following the floatation of the Egyptian pound, inflation has surged, raising the prices of basic consumer goods such as staple food items and medicines for chronic diseases to over 50-100%, causing “deep public concern and hardship” as per the IMF’s description. Moreover, by June of 2019, Egypt’s external debt has risen to a whopping \$92 billion, an alarming “*debt crisis*” as called by many (Mandour, 2018). Similarly, the IMF said in its second review of the reform, that Egypt’s debt was “*sustainable, but is subject to significant risk.*” Egypt’s debt load now approaches 100% of GDP (Enterprise, 2019a). However, the IMF projects Egypt’s debt to decline to 68 percent of GDP by 2022–23 (AlAraby, 2018; Carnegie Endowment for International Peace, 2018; TIMEP, 2018).

4.1.2. The Institutional Framework of Egypt

Since 2011, Egypt has been undergoing substantial institutional changes which in turn have been entrepreneurs, entrepreneurship and the whole business environment. This study aims to examine how entrepreneurs respond to those uncertainties and highlight where the “market action” is mostly taking place (Bylund and McCaffrey, 2017). More importantly, this study is set to examine how the entrepreneurial responses and reactions are also affecting the regulatory, normative and even cultural institutions. It is this interesting interplay between the formal and informal institutions that makes Egypt a rich empirical setting that is worthy of investigation, particularly from a theory-building perspective.

While the Egyptian government has been following the IMF conditions it has been working with international tech giants to help computerize government services. However, there is generalised speculation about the failure of the instigated formalisation attempts when the legislation and legal framework do not evenly sanction offenders, no solid operating policy for protecting property rights, lack of quality data availability and access, general indecisiveness or ambivalence by public officials (Farahat and Dawood, 2018), in addition to a generally unlevel playing field that is shadowed by secrecy and lack of transparency.

Similarly, there still are substantial issues of inequality, and corruption, not to mention poverty. Egypt ranks low on the transparency and corruption index (score 35/100, where 0 is highly corrupt & 100 is clean, in the Corruption Perception Index, 2018), and even lower on the freedom of press

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(ranks 161/180 on World Press Freedom Index, 2018). Public services are crippled by redundancy and red tape, allowing more room for corruption. Citizens and entrepreneurs view corruption as the only way to get things done at any public authority and there is a public and generalised mistrust towards government and public administration.

Culturally, Egyptian are very religious (96% of people believe in a deity and afterlife in World Values Survey). On the power distance dimension (Hofstede, 1984), there is a general lack of popular resistance towards authoritarian tendencies based on their specific understanding of democracy. Egypt, along with other Muslim countries, is culturally oriented toward the importance of survival and maintaining traditions as opposed to self-expression and democracy; based on the (World Values Survey, 2020) cultural orientations (Al-Sayyid, 2017).

Table 4.1. summarises selected indicators on the three institutional pillars (Scott, 1995). The table examines each of the institutional pillars through global business, governance and cultural indicators. Each indicator gives Egypt a score and ranks it amongst the other participating economies. For example, the regulatory pillar (corresponding to Level 2 in Williamson's social economizing – institutional environment) uses indicators pertaining to institutional quality, legal framework, rule of law and business regulations. All corresponding to the formal institutions comprised in the regulatory institutions. Key indicators include World Bank Doing Business, Global Innovation Index, Global Competitive Index and Fraser Institute's Economic Freedom.

Similarly, the normative institutional pillar (corresponding to Levels 3 and 4 in Williamson's social economizing – governance and resource allocation) uses indicators intended at examining the implementation mechanisms of law, i.e. governance. This includes the size of government, corruption, market openness, informal competition as well as entrepreneurship and technological innovation. Key indicators include the World Justice Report – Rule of Law Index, Corruption Perception Index, and Global Entrepreneurship Monitor.

Lastly, the cultural-cognitive pillar (corresponding to Level 1 in Williamson's social economizing – social embeddedness) uses indicators that capture the norms, practices and culture of a nation. Like the other levels, Egypt is compared to other nations so that an objective assessment can be

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reached. Key indicators include World Values Survey, UNDP Human Development Index, World Happiness Report as well as published research.

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Table 4.1. Egypt's Institutional Framework

Level of economizing (Williamson, 2000)	Institutional Pillar (Scott, 1995) Type of pressure (an institutional mechanism) (DiMaggio and Powell, 1983) Degree of formality (North, 1990)	Indicators and year: BTI: Bertelsmann Stiftung's Transformation Index 2022 EF_F: Economic Freedom; Fraser Institute 2017 EF_H: Economic Freedom: Heritage Foundation 2019 GAL_WHR: Gallup's World Happiness Report 2017-2019 GCI: Global Competitive Index 2019 GEM: Global Entrepreneurship Monitor 2019/2020 GII: Global Innovation Index 2019 GTCI: The Global Talent Competitiveness Index 2018	RSF_WPFI: Reporters without Borders; World Press Freedom Index 2019 SGI: Speedtest Global Index 2020 TI_CPI: Transparency International: Corruptions Perceptions Index UN_DER: UNCTAD_Digital Economy Report 2019 UN_EGDI: UN E-Government Development Index 2018 UNDP_HDI: UNDP Human Development Indicators 2018 WB_DB: World Bank Doing Business 2019 WJP_ROLI: World Justice Report: Rule of Law Index 2019 WVS: World Values Survey 2018
L1: Embeddedness L2: Institutional Environment L3+L4: Governance + Resource Allocation	Regulative Coercive Formal	Formal Institutions, Quality and Legal Framework <u>GCI</u> : Institutions 51/100; 82 nd /141 Judicial independence 65/100; 34 th /141 Efficiency of legal framework in settling disputes 49/100; 66 th /141 Macroeconomic stability 45/100; 135 th /141 <u>UN_EGDI</u> : 48/100; 114 th /189 & 8 th /54 (Africa) <u>BTI</u> : Governance 3.77/10; 108 th /137 th	<u>GII</u> : Infrastructure 37/100; 94 th /129 Political environ 40/100; 106 th /129 Regulatory environment 41/100; 120 th /129 Rule of Law 32/100; 95 th /129 <u>EF_F</u> : Size of government: 4.86/10; 148 th /162 Legal system and IP rights 4.04/10; 128 th /162 <u>EF_H</u> : Overall 144/186 (mostly unfree); Rule of law: Property rights: 37/100
		Business Regulations <u>WB_DB</u> 58.5/100; 120 th /190 Starting a business 84/100; 109 th /190 Time to start a business 11 days Getting credit 65/100; 60 th /190 Paying taxes 52/100; 159 th /190	Trading across borders 42/100; 171 st /190 Enforcing contracts 42/100; 160 th /190 Resolving insolvency 42/100; 101 st /190 <u>GCI</u> : Financial system 56/100; 92 nd /141 Soundness of banks 80/100; 23 rd /141 Market size 74/100; 23 rd /141 <u>EF_F</u> : Credit market regulations 3.67/10; 160 th /162 Business regulations 5.71/10; 131 st /162
L1: Embeddedness L2: Institutional Environment L3+L4: Governance + Resource Allocation	Normative Normative Informal	Transparency, Corruption, Economic and Press Freedom <u>WJP_ROLI</u> : Absence of corruption 0.4/1; 90 th /126 <u>GCI</u> : Corruption and transparency 35/100; 91 st /141 Freedom of Press 43/100; 132 nd /141 Budget transparency 41/100; 63 rd /141 <u>EF_H</u> : Overall, 52.5/100; 144 th /186: mostly unfree Regulatory efficiency: business freedom 66/100 Open markets: trade freedom 72/100 Investment freedom 60/100	<i>Normative business environment</i> ²⁹ : An authoritarian military leadership Clientelism and cronyism Informal competition, unlevel playing field Financial freedom 50/100 <u>RSF_WPFI</u> : Overall 163 rd /180 <u>EF_H</u> : Numerous state-owned enterprises distort the economy <u>TI_CPI</u> : 35/100; 106 th /180

²⁹ (Adly, 2009; Ali and Najman, 2019; Aziz, 2017; Diwan *et al.*, 2013; El Tarouty, 2015)

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		<p>Labour Market GII: Human Capital and Research 20/100; 96th/129 Knowledge workers 21/100; 106th/129 (females employed with advanced degrees 5.5/100; 89th/129)</p> <p>Entrepreneurship, Innovation & R&D GII R&D 11/100; 55th/129 Innovation output 74/129; Innovation input 106th/129 Innovation linkages 17.5/100; 110th/129 Output rank 74th/129; Input rank 106th/129 GEM: Government Policy: taxes and bureaucracy 3.27/9; 38th/54 Commercial and Legal Infrastructure 4.5/9; 38th/54 Market Regulation: entry and burdens 4.4/9; 25th/54</p>	<p>Education 37/100; 94th/129 GCI: Skills of current workforce 54/100; 99th/141 GTCL: Growing talent 18/100; 118th/119 Retaining talent 41/100; 80th/119</p> <p>Government Entrepreneurship Programs 4/9; 34th/54 Entrepreneurship Education at school stage 2.23/9; 47th/54 GCI: ICT Adoption 41/100; 106th/141 Entrepreneurial culture 49/100; 84th/141 Innovation capability 40/100; 61st/141 R&D 30/100; 60th/141 (scientific publications 80/100; 48th/141; R&D expenditure % GDP 20/100; 53rd/141) Commercialisation 46/100; 99th/141 Financing SMEs 54/100; 41st/141 VC availability 34/100; 75th/141</p>
<p>L1: Embeddedness L2: Institutional Environment L3+L4: Governance + Resource Allocation</p>	<p>Cultural- cognitive Mimetic Informal</p>	<p>Key Cultural Dimensions (El-Baradei, 2018; Elsaid and Elsaid, 2012; HassabElnaby and Mosebach, 2005; HofstedeInsights, 2001; Mansour <i>et al.</i>, 2013; Masoud <i>et al.</i>, 2016; Moneim, 2007; The Guardian, 2014; Yacout and Hefny, 2015) High power distance Low uncertainty avoidance Low performance orientation Low assertiveness: low confrontation in social relationships Strong in-group collectivism and low societal collectivism Culture does not highly emphasize gender egalitarianism Classist society WVS Importance of God, belief in after-life, heaven and hell 96% Would never encourage others to vote or partake in political activism 74% Think there is no respect for individual human rights nowadays in the country 56%</p>	<p>GAL_WHR³⁰ 4.1/10; 138th/153 UNDP_HDI Overall Human Development Index 0.700; 116th/189 Inequality-Adjusted Human Development Index 0.492 (highest score 0.889) Income Inequality: 36.5 Gender Inequality Index 0.45 (highest score 0.044); 102nd/189 Male income per capita in \$ (2011 PPP) 16,989 Female income per capita in \$ (2011 PPP) 4,365 Youth unemployment rate (female to male ratio) 1.52</p>

³⁰ Predictors: 1. GDP per capita is in terms of Purchasing Power Parity (PPP). 2. Life expectancy. 3. Social support. 4. Freedom to make life choices is. 5. Generosity (donate money to a charity). 6. Perceptions of corruption (extent to which corruption is widespread throughout the government and businesses). 7. Positive affect (happiness, laughter, and enjoyment). 8. Negative affect (worry, sadness, and anger)

Regulative Institutions

Regulatory institutions are a rational model of behaviour. This refers to formal impositions, enforcement and acceptance of policies, rules, laws and sanctions that affect behaviour in society (Scott, 2008b; Thornton *et al.*, 2015). At country-level regulatory institutions can influence the legitimacy and acceptance of entrepreneurship (Manolova *et al.*, 2008). This includes rules, monitoring and sanctioning activities that lay the ground for a framework for law-enforcing agencies and courts (Ostrom, 2011; Scott, 2013; Young *et al.*, 2018).

Formal institutions' quality in Egypt is generally low. The Global Competitive Index scores Egyptian institutions and efficiency of the legal framework in settling disputes around 50%, whereas the Global Innovation index score both the Egyptian regulatory and political environments approximately at 40%. Economic Freedom Index of Heritage Foundation scores property rights under the rule of law at 37%, making it a “mostly unfree” economy ranking 144th out of 186 economies.

Regarding business regulations, World Bank's Doing Business gives Egypt an overall score of 58%. It takes 11 days on average to start a business in Egypt, whereas paying taxes is scored at 52%. More importantly, enforcing contracts, resolving insolvency and trading across borders are scored at 42%. All three are cited to be the most hampering factors for business and entrepreneurship in Egypt. Contrarily, the Global Competitive Report scores the Egyptian market at a staggering 74%, making it the 23rd largest market out of the 141 examined markets.

Furthermore, the Egyptian governance is very centralised in nature and structure. Even though a new capital is underway, there is little hope for real structural changes happening. Centralisation of decision-making in Egypt is specifically not expected to change because political leadership will likely remain in the hands of the political oligarch (Arab Reform Initiative, 2022; Financial Times, 2014; Jamie, 2011).

This will be addressed in the normative institutions section in more detail.

Normative Institutions

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Normative institutions underline the role of values and logic of appropriateness through embedding rules and routines that define what constitutes an appropriate action. As such, there must be some form of enforcement, even without formalised means of sanctions, meaning they are informal through which members are pressured to conform (March and Olsen, 1984). Normative institutions can manifest themselves through accepted authority systems, such as industry organisations, unions, or professional societies (Ahlstrom and Bruton, 2010; Scott, 2008a).

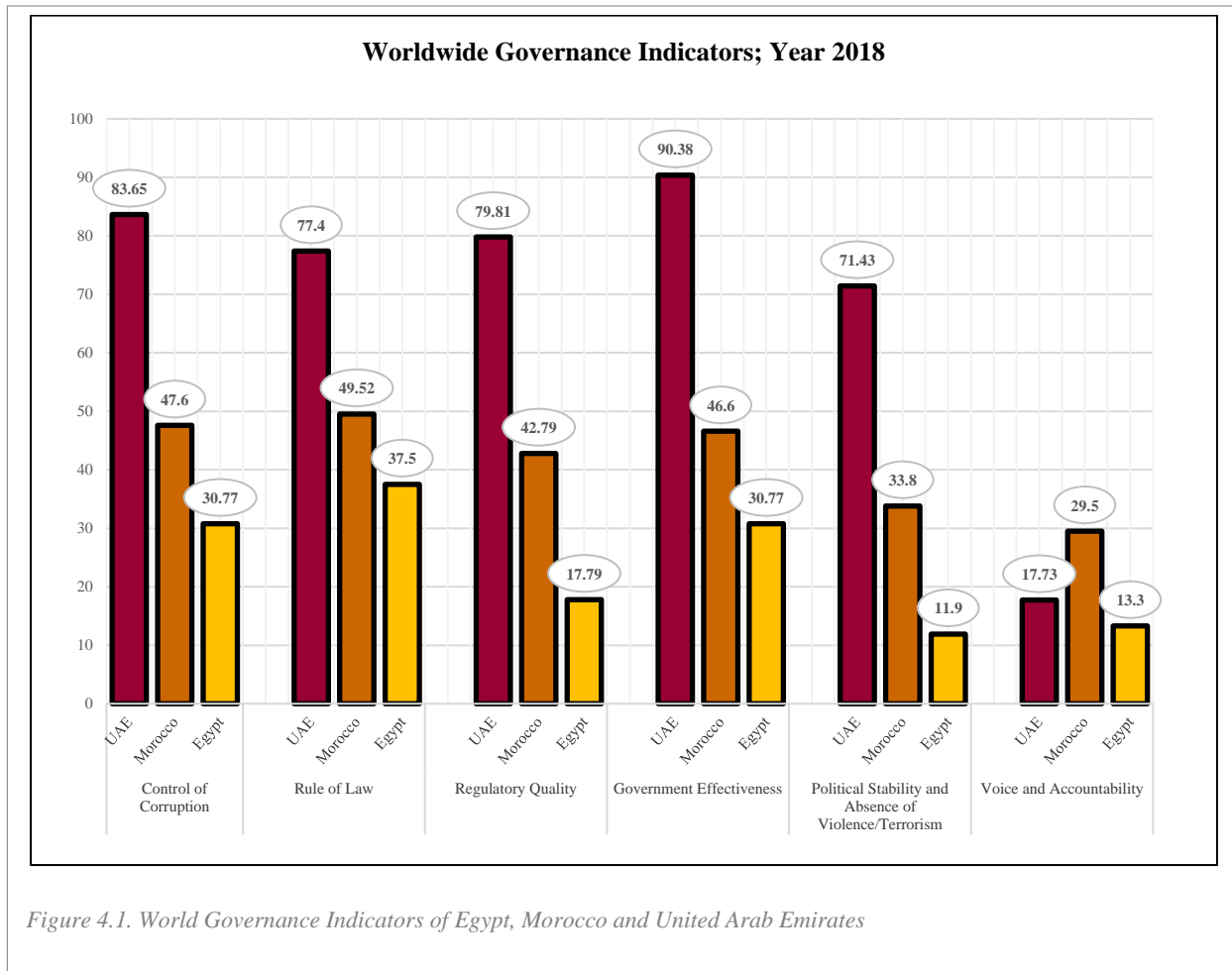
In Egypt, it is not easy to assess governance practices. Available metrics provide mixed evaluations and do not seem to agree on one opinion. This can be partially referred to as the fact that political and economic practices in Egypt, for the most part, are shrouded in secrecy and lack of transparency (Acemoglu *et al.*, 2014; International Monetary Fund, 2017; Sharma, 2018; UNIDO, 2014). For example, business competition is an unlevel playing field as it is controlled by select elites and firms that are politically connected or cronies (Adly, 2009; Basu and Miroshnik, 2016; EL-Haddad, 2016; Transparency International, 2018). Moreover, corruption is rampant in all business and political functions (Global Competitive Index 35%; Transparency International: Corruption Perception Index also scores Egypt at 35%). Furthermore, the military controls most of the economy, and law and contract enforcement are very weak. This is further complicated by an outdated legal framework which contains a lot of contradicting rules. All attempts to address this opacity, unfortunately, are individual, isolated and unsustainable.

World Bank's World Governance Indicators (WGI) is a widely used indicator to assess governance. Governance consists of the traditions and institutions by which authority in a country is exercised. This includes the process by which governments are selected, monitored and replaced; the capacity of the government to effectively formulate and implement sound policies; and the respect of citizens and the state for the institutions that govern economic and social interactions among them (World Bank WGI Project, 2020). Figure 4.1. compares Egypt to Morocco and United Arab Emirates (UAE) given their similarity in several economic and geopolitical factors to those of Egypt.

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Egypt scores the lowest in all of the six indicators, particularly in the political stability, accountability and regulatory quality. Heritage Foundation Economic Freedom Index ranks Egypt's overall economic freedom at 144 out of the 186 examined markets, making it a "mostly unfree" economy (Heritage Foundation Index of Economic Freedom, 2019).

Corruption

UNCTAD, (2012) confirms that burdensome regulations promote corruption. This is particularly true in developing countries where the costs of "smoothing the process" to start a business or to obtain a license for a project are often much higher than the official registration fee. As such, entrepreneurs are obliged to resort to unlawful means to accelerate the process.

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This, unfortunately, applies to Egypt where corruption is prevalent (Fayed, 2017; Mossallam, 2017). World Justice Report: Rule of Law Index score Egypt at 40%, while Transparency International: Corruption Perceptions Index score it at 35%. Most of the anticorruption policies have failed to curb corruption due to the focus on major corrupt incidents whereas petty corruption incidents are disregarded. Coupled with weak law enforcement and poor rule implementation mechanisms (Global Competitive Index: Efficiency of legal framework in settling disputes 49%), corruption is widespread in almost all sectors of government and society. Surprisingly, the national failure of fighting corruption is not because of a lack of legislation, however, it is due to the lack or absence of law implementation mechanisms (African Development Bank Group, 2018; UNIDO, 2014).

Egypt's Penal Code criminalises several means of corruption such as bribery and abuse of power, however, legislation is unevenly enforced. This in turn encourages government officials to behave arbitrarily and freely (El-shimy and Dworkin, 2017; Farahat and Dawood, 2018; Kindornay *et al.*, 2018; Risk & Compliance Portal, 2020).

Osman, (2013) identified four major forms of corruption in Egypt: 1) reliance on personal relations and family ties to facilitate governmental procedures; 2) bribery, gifts and gratuities; followed by 3) disposal of public funds for personal benefits, and finally 4) theft of public funds.

The study pointed out the locality of corruption in Egypt. In fact, there are high variation levels among the same or different sectors within the same or different governorates.

Oligopoly, cronyism and informal competition

In Egypt, the transition to a market economy was not preceded by the necessary regulatory reforms. Liberalisation preceded the enactment of competition law and the establishment of a competition authority which took place only in 2005. According to El-Haddad, (2020) crony capitalism was central to Egypt's transition to the 'unsocial' social contract where prominent businesspeople became politicians and vice versa. They were politically connected to the government with direct access to policy formulation as ministers, National Democratic Party (NDP) members (Mubarak's ruling party), and through their leadership of committees and boards of fundamental economic authorities.

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Earlier in the 1990s, the Egyptian government ran numerous privatisations in an attempt to shift from a state-dominated economic model to a market economy. This has garnered support from varied sectors of the Egyptian population while at the same time alienating other sectors. The political elite and state officials were in general sceptical about reform, especially the privatisation of state-owned enterprises (Alissa, 2007). They feared losing political and economic patronage options and rents following the reform. An evident case of “embedded agency” (Battilana *et al.*, 2009; DiMaggio, 1988; DiMaggio and Powell, 1983; Thomas B. Lawrence *et al.*, 2009).

The Egyptian parliament, for example, is massively depoliticized comprising hundreds of rent-seeking and compliant parliamentarians with no party affiliation. As such, no mobilised opposition or parliamentary figure can dare to challenge the state (Aziz, 2017).

Moreover, the state’s aggressive expansion into the private sector placed significant pressure on a range of industries from mining to food, as active state support to state-owned businesses through tax breaks and subsidies severely hampered the ability of smaller businesses to compete on equal grounds (Mandour, 2018). This deepened the already increasing debt crisis. Unfortunately, the austerity measures directed at debt servicing are burdening the middle and lower classes, without any consideration for resulting social unrest. These austerity measures included cuts in energy and electricity subsidies, the imposition of a value-added tax (VAT), and a massive hike in prices of all goods and services, including cooking gas and oil, electricity and basic foodstuffs such as bread, milk, and lentils (Mossallam, 2017).

Responding to the IMF reform conditions (See section 4.1.1.: The IMF Loan to Egypt and aftermath), the government has begun to sell off state-owned companies to large international investors. Foreign investment in several sectors of the economy is, however, still restricted as numerous state-owned enterprises distort the economy (Heritage Foundation Index of Economic Freedom, 2019).

In a similar vein, the institutional reforms have in fact lagged considerably behind economic liberalisation, leading the way for prevalent rent-seeking. As such, large firms received political rents and were involved in large networks of cronyism (Adly, 2009).

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In comparison to other MENA countries, Egypt is among the highest countries in the contribution of the informal economy to the official GDP. Almost 54 percent of the employment percentage of total non-agricultural employment in 2018 in Egypt is informal (World Bank, 2020). Ali and Najman, (2019) refer this to the institutional imperfections as a result of the failing formal institutions, rendering the informal sector more legitimate and trustworthy.

A huge part of this has to do with politically connected firms. Their advantageous position in the market allows them to reduce local competition (via a set of privileges such as subsidised land and energy) and naturally outperform and replace existent firms (ibid).

Chekir and Diwan, (2015) confirm that the main constraints to the economic growth in Egypt have been political rather than economic. In other words, an open political system would eliminate the process of privileges-granting to business insiders, allowing efficient and fair use of capital, healthy competition and job creation. Economically, political connectedness in Egypt has reduced entry and slowed down innovation. With fewer threats from frontier entrants, existing companies have fewer incentives to invest in innovation and push the efficiency frontier (Aghion, 2017).

Politically, cronyism allowed patronage to go hand in hand with the repression of the opposition, allowing an autocratic regime to survive much longer than it would have otherwise. Furthermore, there is also the risk of falling into a transition trap, with unorganised opposition and political tensions feeding on a feeble economy, all impeding a smooth transition to stable political order.

Regulatory Enforcement: The gap between rule and implementation

The government administrative bodies have been widely criticised for their inefficiency and overpopulation of civil servants. This is widely cited as one of the major business constraints and culprits of corruption and chronic red tape. Following Cairo's deal with the IMF, the government plans on pushing at least 38 percent of employees in the public sector into retirement in the next decade (Reuters, 2018a). The government was the largest employer in Egypt for decades. Most university and high school graduates have assured employment in government offices, bloating the public sector. Approximately 5.6 million civil servants work for the government sector. Not surprisingly, their work could be performed by fewer than 20 percent of that number. Egyptian Minister of Planning and Administrative Reform Hala Al-Saeed confirms that "*The presence of*

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too many workers in the civil service sector impedes, not accelerates, work.” (The Arab Weekly, 2018; The Economist, 2018).

Farahat and Dawood, (2018) explored what they call the “*shaking-hands syndrome*” amongst the Egyptian civil servants. In their view, the majority of the government employees hesitate to take a decision which might hold them accountable later. The same decisions that could make the lives of the everyday Egyptians much easier including obtaining licenses, permits, etc. The authors refer that partly to the fact that the related penal code penalises civil servants even if they didn’t make a profit from their actions. Thus, the civil servants’ extent of autonomy is very limited, and it is in fact up to them to prove their good intention when disputes arise, even if they were following orders.

This results in undermining the civil servant’s ability to carry out their everyday job, as well as stifling innovation and individual initiatives. As such, the authors suggest that legislation is needed to protect public officials and employees from being penalised for their decisions, provided that the relevant conduct is legitimate and does not entail corruption.

Cultural-Cognitive Institutions

Power Distance and Other Cultural Dimensions

Egypt is a high Uncertainty Avoidance culture. This means that as a culture, there is a low tolerance for ambiguity and uncertainty (Dajani and Mohamad, 2016; Hofstede, 2001 in El Said and Galal-Edeen, 2009).

This is consistent with the high levels of power distance found in Middle Eastern countries by Hofstede (1980, 1991). The Egyptian culture, like other Islamic and Middle Eastern countries culture, has some extent of a “bureaucratic leadership” in that it involves waiting for something to go wrong before taking action. In other words, when things go wrong, blame is attributed to other people for their mistakes or failure to follow rules, whilst implicitly excluding oneself from any responsibility for what has happened. The dominance of the blame culture in Egypt can explain Egyptian bureaucratic public settings, where leaders are credited for success and followers are blamed for failures (Shahin and Wright, 2004).

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El-Baradei, (2018) portrays a very accurate picture of formal professional setups, especially amongst the traditional bureaucrats, where the power distance dimension is taken to an extreme:

“For example, excessive formalities are used in correspondence to higher level officials in government, generously using word equivalents like “your excellency,” “your highness,” “supreme Pacha,” etc. In official meetings with higher-ups or ministers, it is not only that he/she chair the meeting, but the chair must be different and bigger than the other participants’ chairs. This is taken to the extreme in the size of the offices for the high-profile officials, and the extravagance in the furnishings used, compared to the rest of the organisation they are heading, even when Egypt is a developing nation with limited resources.”

“Many of the official documents, plans and strategy papers start with the phrase “Upon the guidance given by the political leadership,” and “political leadership” is often the term used to refer to the President of the republic, in a very clear concession and acceptance of where power lies. In public universities, when professors pass through a corridor, all the custodian staff must spring up from their chairs and stand up in salutation.”

Religiosity and Gender

Religion plays a major role in the Egyptian’s everyday lives. In fact, one can assume, that religion guides the behaviours of leaders to a large extent in order to be revered in the Egyptian society. Surprisingly, the Egyptian laws are not based on the Islamic religion; they are adapted from the French laws due to colonisation. Consequently, leaders are not necessarily respected if they follow the law, given they are not perceived to be abiding by the Islamic religion (Moneim, 2007).

When it comes to gender, scholars claim that Muslims range from those who believe that Islam, as it is practised today, is just and fair to women, to those who believe that Islam, as it is practised today, is patriarchal and contrary to its original teachings regarding gender issues. This depends for the most part, on the general understanding and interpretations of the Qur’an as well as the Prophet Mohammad’s teachings. It is generally assumed that gender equality problems emerge for women when there is a *“malpractice or misunderstanding of the sacred text”* (Mostafa, 2003).

Feminist theories on religion suggest that women in the Arab world face problems by the patriarchal *“nature of their culture and by misinterpretations of Islam’s teachings”*. Contrarily, progressive reinterpretations by Islamic feminists provide new Islamic discourses that dismiss the

male ascendancy and patriarchal interpretation of the Qur'an. They argue that Qur'an repeatedly states that Muslim women have the same religious duties as men³¹. (Koburtay *et al.*, 2020).

Masoud *et al.*, (2016) studied the Egyptian context and concluded that a woman who makes a secular argument for female equality can be perceived as endorsing imported and alien cultural practices. However, a woman who makes a progressive argument for female equality that is grounded in the shared and highly legitimate text of the Qur'an could be more problematic to contest.

4.1.3. Entrepreneurship in Egypt

Regarding entrepreneurship, Bruton *et al.*, (2008) agree there is a lack of entrepreneurship research on transition and emerging economies, with almost an absence of representation from the Middle East. Kiss *et al.*, (2012) explain that the absence of studies focusing on countries in the region may reflect the political and institutional turmoil that plagues this part of the world and makes entrepreneurial endeavours extremely risky. They also refer to the difficulties associated with data collection from this region. Extant emerging country research most often focuses on China or Russia, and often it emerges from the field of economics, not management or entrepreneurship (Cooper *et al.*, 2007; Coulibaly *et al.*, 2018; Estrin and Prevezer, 2011; Lau and Bruton, 2011; Puffer *et al.*, 2010).

A Nascent Ecosystem: Complicated Birth and Induced Labour

In the Egyptian case, the entrepreneurial ecosystem is fairly nascent given its emergence post-2011 revolution (Financial Times, 2017; Mansour *et al.*, 2018b). For example, the first Global Entrepreneurship Monitor report in Egypt goes back to 2008 (Gem Consortium, 2020). Published empirical research on entrepreneurship in Egypt is limited and fragmented, ranging from issues of entrepreneurship education, social entrepreneurship and female entrepreneurship. The remaining research is advisory and practice reports from professional boards.

³¹ The paper cited more examples including but not limited to: dedicating a whole *Surah* to women [*Al Nisaa*]. In addition, the Qur'an appreciates examples of strong women such as, Mary (the virgin mother of Jesus), Khadijah, the first wife of Muhammad and Fatima his beloved daughter (King, 2009). Mehar (2003) argues that there are provisions within Islamic teachings that give women "the greatest social value, freedom, and comfort".

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On the ground, as if its birth was not complicated enough following 2011, the IMF loan induced labour to entrepreneurship in Egypt in 2016. That resulted in giving birth to a premature newborn. The IMF preconditioned loan quotas (20%) for MSMEs and female-led businesses, but the Egyptian banking system was overly complicated, risk-averse and reluctant to disburse loans to small players (Oxford Business Group, 2016). As a result, loans were merely *repackaged* to existing lines of business and clients, creating a nominal active entrepreneurial scene, whereas the true entrepreneurs and innovators were desperate for financial and legal backing (EBRD, 2019; Middle East Institute, 2020).

Entrepreneurship Policies and Support

On the government side, entrepreneurship support policies and programs started proliferating, resulting in widely uncoordinated, repetitive, and sometimes, competitive efforts. The Egyptian government has undeniably launched support programs, starting from mentorship, education (Egypt Innovate, Rowad 2030, Egy Entrepreneur), and funding (Falak Venture, EG Ventures, TIEC) (Entrepreneur, 2019; Oxford Business Group, 2018); to widespread media coverage (Endeavor Egypt, 2018) speaking to all classes of society. All resulting in a cultural shift in the mindset toward entrepreneurship as a respected career path.

Up until 2017, there was no unified definition for an MSME until the Central Bank of Egypt (CBE) agreed on one (OECD, 2018). Following 2011, many entrepreneurs were pushed into self-employment (necessity entrepreneurship) given a lack of formal employment opportunities, high rates of unemployment and a “*lack of interesting jobs*” (Ismail *et al.*, 2018). They are still referred to as entrepreneurs by decision-makers, even if they don’t aspire to become high-growth businesses.

Similarly, every governmental unit, lending agency and international organisation has its own definition of an entrepreneur (Middle East Institute, 2020). While referred ventures may have elements of entrepreneurship, entrepreneurship researchers would struggle to classify Egyptian entrepreneurial firms for examination and research validity purposes (Yin, 2006).

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Conversely, MAGNiTT's 2018 MENA Venture Investment Report described Egypt as "the fastest-growing entrepreneurship ecosystem in MENA" (Enterprise, 2019b; Entrepreneur, 2019; MAGNiTT, 2019) There is a growing awareness of entrepreneurship, through media coverage and entrepreneurship education programs at public universities (Akhbar Elyom, 2019; Elwatan News, 2019), all contributing to a collective mindset shift. GEM Egypt National Report 2017-2018, (2018) estimates that 76% of Egyptians see entrepreneurship as a desirable career choice (compared to a global average of 61.6%). Whereas 55.5% (double the global average) want to start their own businesses. However, the rate of business discontinuation in Egypt has alarmingly increased, from 2.7% in 2010 to 7.3% in 2016, to 10.2% in 2017 (ranking 1st) (Global Entrepreneurship Research Association, 2017; Hattab, 2013).

This consistent pattern suggests that business owners and entrepreneurs who discontinue their businesses are growing, possibly as a result of the challenging economic environment and reduced opportunity (Enterprise, 2019b). Global Innovation Index scores Egyptian political environment at 40%, and political and operational stability at 56%, ranked 105th out of 129 economies.

Another explanation which is supported by this study's findings is that despite all public and private efforts, the largest bottleneck seems to be the regulatory framework. The regulatory environment is perceived as a "hindrance", particularly with regard to investing in startups, shareholder agreements, capital structure and taxation (Wamda, 2019b). GEM scores Egypt's government policy regarding taxation and bureaucracy at 3/9, and commercial and legal infrastructure at 4.5/9.

Support programs and media aside, law enforcement and rule implementation mechanisms in Egypt are extremely challenging as was explained before. The government body is massive, and separate units and ministries lead to a silo mentality; hence policies can be largely contradictory. This is exacerbated by a competitive spirit and an overall atmosphere, largely attributed to culture, of secrecy and generalised mistrust.

As such, this research argues that entrepreneurship in Egypt can and will develop but only to an extent or a threshold where it will collide with the reality of the legal framework, which will preclude its growth up to a certain point. This is the point where firms decide to: a) discontinue

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their business, b) continue but informally with no aspirations for high-growth and limited employment creation, c) operate offshore under a shell company while keeping a local subsidiary; d) exit the market altogether, being acquired by a foreign investor. All scenarios lead to lost tax revenues, and more importantly lost talent crucial to the national economy's development. Global Competitive Index scores skills of the current workforce at 54 percent and ranks them at 99th / 141 economies.

Sectors and Industries: ICT, FinTech and Transport

Regarding sectors and industry, ICT and tech-enabled sectors are cited as Egypt's strongest sectors (See Appendix A.3.1. for ICT contribution to Egypt's economy). Global Competitive Index scores Egypt's ICT adoption at 41 percent; the Global Innovation Index scores ICT at 49 percent. Interestingly, GII ranks Egypt's creative output at 74/129, when its input rank is only 106/129, reflecting a high level of resourcefulness.

Financial Technology entrepreneurship or FinTech in particular has been hailed as Egypt's largest attractor for funding. Oxford Business Group, (2018) cites that Egyptian tech startups attracted \$58.9m in equity investments from local, regional and international VCs in 2018. Cairo even has one of the largest FinTech accelerators in the world after having partnered with Visa, International Finance Cooperation (IFC), and GIZ (leading German development agency) (Startupbootcamp, 2019). Even amid Covid-19, Startupbootcamp FinTech Cairo is launching its first round in early 2021. It will support up to ten innovative early-stage FinTech startups in Egypt, with a targeted focus on financial inclusion (Startupbootcamp, 2020; The Fintech Times, 2020).

Regarding financial inclusion, the Egyptian government has been relentlessly working towards formalising the shadow economy and attracting the unbanked sectors which account for approximately 35 percent of the national GDP (Medina and Schneider, 2018). Betz et al., (2019) argue that Egypt can be considered a useful "laboratory" to understand why firms are disconnected from the banking system. They corroborate that the informal economy accounts for a significant share of overall economic activity. More worryingly, many firms in the formal sector in Egypt operate on a cash-only basis; they are excluded from the banking system *de facto*, even when they are formally registered.

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On the opposite side, as was mentioned before the CBE launched a unified definition for MSME in March 2017 (Central Bank of Egypt, 2017), then in February 2018 Sisi ratified the Bankruptcy Law (TIMEP, 2019). Subsequently, In March 2020 the CBE required Banks to set up departments to oversee financial inclusion strategies and advise CBE's own financial inclusion unit (Enterprise, 2020a).

Financial inclusion and ICT come hand-in-hand because it is only through a fully computerised government, that it is possible to address informality and fill in the sinkhole. In fact, migration to e-government services is cited as the top tool to combat corruption in Egypt (See Section 4.1.3. on corruption). However, as it was explained, given the Egyptian public sector is bloated with civil servants, 75 percent of which are unneeded, a significant resistance should be expected. Not surprisingly, UN E-Government Development Index scores Egypt at 48 percent. Egypt is ranked at 114th place out of the 189 examined nations, but 8th out of the 54 African nations (UNDESA, 2018).

In a similar vein, ICT entrepreneurship is proving very useful in solving other crucial problems in Egypt such as transportation. Cairo's main and most used transit system is the microbuses, a network of semiformal private vans (Business Insider, 2019b). In 2012, traffic was estimated to cost Egypt some 4 percent of its GDP (\$8 billion a year) (World Bank, 2012). Innovative startups are offering "a know-how and a new way of dealing with things" (Wamda, 2019b).

In fact, Cairo is perceived as the world's "*test-bed*" for transportation innovative solutions thanks to its population of 23 million and gridlock traffic (Business Insider, 2019b). For example, US-based Uber and Careem (leading ride-hailing company in MENA; as of 2019 it became an Uber company) operated in Egypt as a "*call centre*" and an "*internet company*" respectively (Reuters, 2018b). Then finally in 2018, a ministerial resolution was issued by the Egyptian cabinet to result in web-based transportation services, finally granting the likes of Uber and Careem licenses to operate (Library of Congress, 2019).

This government backing has proven fruitful as several local players started emerging including on-demand bus ride services Swvl and Buseet (Wamda, 2019c). Swvl is widely cited as an Egyptian success story and a true unicorn. It was born in Cairo in 2017 (now headquartered in

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Dubai). It connects commuters with private minibuses on a network of fixed routes. Passengers can book the rides through an application and pay using a credit card or cash. In June 2019 has raised \$42 million funds in Series B-2 funds from Swedish VC Vostok Ventures and Dubai-based BECO Capital; the “*largest-ever funding round for an Egyptian start-up*” (menabytes, 2019a). In February 2020, right before the spread of Covid-19, Swvl raised over \$20 million in a new round, also from Vostok Ventures according to menabytes, (2020).

To conclude, Cairo provides an excellent test bed for innovation and an attractive market for scalability. The 2020 Global Startup Ecosystem Report (GSER) refers this to the large customer market of 20 million young, and tech-savvy consumers (Egypttoday, 2020a; Global Entrepreneurship Network, 2020). The report also cites Cairo as:

- One of the top 10 Global Ecosystems for Affordable Talent in 2020
- One of the 10 Africa & Middle Eastern Ecosystems in Funding
- Created \$1.2 billion in Ecosystem Value over the last 2.5 years
- Regional sub-sector strengths are Fintech and Transport

CHAPTER 4B: PRIMARY DATA ANALYSIS & FINDINGS

This chapter presents the data analysis of the primarily collected data (See chapter 3). It builds on Chapter 4A's account of the Egyptian context- economic and political preview, institutional framework- regulatory, normative, and cultural, as well as the entrepreneurship scene.

Themes extracted during the thematic analysis (section 3.3.) were grouped into three main categories representing the *bilateral causal relation* between entrepreneurs and institutions. Following Henrekson and Sanandaji, (2011) proposition, entrepreneurs affect institutions in at least three ways: abiding, evading and altering. This proposition is very similar to Lawrence and Suddaby, (2006)'s contention on the *institutional work*, in which entrepreneurs affect their surrounding institutions by maintaining, disrupting or creating them (table 2.1. in section 2.1.2.).

Thus, the chapter is structured as follows:

The first section presents themes on institutional voids in which the selected Government Units (GU); Institutional Intermediaries (II) and High-growth firms (HGFs) perceive and deal with institutional voids. At this stage, voids are inevitable and have to be dealt with as a fact of life. They range from rudimentary to fundamental business obstacles. Each group naturally deals with them differently in accordance with its institutional position and authority (Battilana, 2006). However, living with these voids has historically been maintaining the legitimacy of the institutions of which they are an element (Elert and Henrekson, 2017). As such, as social actors deal with these underlying voids, they are in fact abiding by the overarching institutions.

The primary analysis revealed the following five institutional voids (or deficiencies) which maintain their overarching institutions in Egypt: 1) regulatory and policy deficiencies, 2) financial regulations & deficiencies pertaining access to finance 3) definitions and designations of self-employment and SMEs, 4) R&D and knowledge diffusion deficiencies, and 5) physical infrastructure deficiencies.

After this, the second section presents themes on ways of responding to the institutional voids through evading constraining rules or disrupting extant institutions. Here, actors largely ignore the constrictive rules as if they don't exist. This is closely related to the weak enforcement of law in Egypt and the lack of rule transparency too. This happens in three ways: 1) working around informal institutions such as random regulations and cultural hindrances, 2) interaction mechanisms (and lack thereof) across the institutional setup where actors across levels interact, 3) exploiting positive market conditions and working around weaknesses of the market.

Finally, section three highlights themes on the ways institutional voids are responded to through altering extant institutions and creating new ones. Here social actors act as institutional entrepreneurs. This happens when: 1) government units introduce reforms to the regulatory institutions, 2) support organisations that act as enablers in the institutional framework through facilitating access to various resources.

4.2. Primary Data Analysis: Findings

As explained above, the thematic analysis represents how the three examined groups: GUs, IIs, and HGFs are interconnected in a triad relationship where the individual interactions are highly greater than the sum of their parts (Table 4.2. presents the Data Structure). The theoretical categories fall into three main groups. They are structured as follows:

First, is the group that represents the institutional voids in the Egyptian setup. The voids are unavoidable and social actors; namely, entrepreneurs, support organisations and even governmental units tend to abide by them given the absence of alternative solutions. By the time this abiding behaviour has reinforced those institutions which in turn maintained and strengthened them.

Secondly, is the group that represents responsive behaviours to the constraining institutions; namely via evading them. By the time this evasive behaviour undermined those institutions which in turn challenged them, rendering them somewhat disrupted.

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Thirdly, is the group that represents responsive behaviours to other severe constraining institutions; namely via altering them. Similar to evasive behaviour, altering behaviour challenges and undermines them, rendering them obsolete and new institutions are created.

The way the theoretical categories are grouped does not contradict the manner within which the subunits are analysed in this embedded case study. As it has been mentioned before Egypt is the holistic case study within which three subunits across three institutional levels are analysed. Therefore, the following section jointly analyses how each group perceives institutional voids, responds to them and attempts to alter them. After this in the conclusions section, the three groups are untangled again to infer how each of them practices the abiding, evasive and altering behaviour. As such, the extent to which each group behaves as an institutional entrepreneur is presented, followed by arrival at the new fluid institutions.

Table 4.2. Data Structure

First order codes	2 nd Order Themes	Theoretical Categories	Aggregate Theoretical Dimensions
-Sustainability and enforcement issues -Opaque Rules; IV; Centralization & Lack of Transparency -Lack of Regulations; Licensing & Grey Areas; Policy keeping up with Tech & Culture	Regulatory and Policy Deficiencies	Regulatory Framework Voids	Abide/Maintain
-Taxation & Bankruptcy issues	Financial Regulations Deficiencies		
-High-growth; MSME; self-emp; informal economy & other definitions	Definitions of Employment & SMEs		
-Knowledge Diffusion & Access to Data -Access to Finance -Access to Talent -Access to Support & Networks & Mentorship	R&D and Knowledge Diffusions Deficiencies	Other Framework Determinants Voids	
-Physical Infrastructure	Infrastructure Deficiencies		
-Grey Areas, Uncertainties and Informalities -Relevant Cultural Challenges	Regulatory and Policy Gaps	Informal Institutions; Social Embeddedness & Culture	
-Issues with public servants	Culture and Public Servants Deficiencies		
-Main attractiveness -Offshore Registration; M&A -Capitalizing on market gaps; market shifts & job creation -Fast growing industries	Market Strengths and Opportunities	Market Conditions	Evade/Disrupt IE Patterns
-Main risks; uncertainties; informal unfair competition	Market Weaknesses and Threats		

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Table 4.2. Data Structure; Cont'd

First order codes	2 nd Order Themes	Theoretical Categories	Aggregate Dimensions	Theoretical
-Lack of coordination; silos & govt-to-govt relationships	Silo Mentality in Government	Influencing the IS & Actors' Interactions	Alter/Create IE Patterns	
-Govt & HGFs -Govt & II -II & HGFs	Multi-level Actors' Interactions			
-On general missing actors in the Eco -On capacity-building	Improving Missing Enablers			
-On policy sustainability and M&E -On coordination, transparency and e-government	Improving RIA, Policy Stability, and Transparency	Policy Recommendations		
-On government-backed funding; taxation & informal economy	Improving Financial Regulations			
-Successful Implemented Reforms & Programs -Reforms in Progress	Addressing Missing Enablers	Policy Reforms		

4.2.1. Institutional Voids: Abiding/Maintaining Institutions

In political and organisational entrepreneurship, Lawrence and Suddaby, (2006) indicate that institutional work aimed at maintaining institutions involves supporting, repairing or recreating social mechanisms that ensure compliance.

This includes actor actions intended to maintain the controls which underpin an institution. This can be categorised into two groups: 1) addressing the maintenance of institutions through ensuring the adherence to rule systems. 2) efforts to maintain institutions by reproducing existing norms and belief systems.

Henrekson and Sanandaji, (2011) argue that abiding market entrepreneurship is the one that reinforces and legitimises the existing institutional order. Entrepreneurship can be self-perpetuating. As such, it creates a constituency of consumers, workers, and self-employed individuals who support productive institutions. More importantly, productive entrepreneurship legitimates the institutions that foster it by creating demonstrative products and jobs.

As such, entrepreneurs abiding by institutions tend to strengthen these very institutions. This is especially true for informal institutions such as codes of conduct and traditions, which are reinforced each time they are acknowledged and allowed to guide behaviour. Formal institutions such as law and regulations, on the other hand, derive their value from the respect they receive. As such, it can be deduced that institutions are reinforced through abiding behaviour.

Reinforcing and legitimising existing institutional order/supporting, repairing or recreating the social mechanisms that ensure compliance/Maintaining the control which underpinned an institution.

In connection to this study, entrepreneurs abide by various institutions while doing business in the Egyptian context. Those tend to be the unavoidable institutions which have gained legitimacy over time. This includes voids and deficiencies which have long been reinforced by the abiding behaviour of former entrepreneurs and regulators.

In relation to institutional voids in Egypt, five key regulatory and framework voids were identified. They are examined in the sections below.

1- Regulatory and Policy Deficiencies

Examination of the interviews showed that there were salient regulatory and policy deficiencies in the Egyptian legal framework. Policy stability and law enforcement issues stood out along with rule opacity and lack of transparency. One strong explanation is that technology evolves at a pace faster than that of lawmakers. Hence, as policy fails to keep up with technology evolution, both failed to imbed themselves in the culture. What's left then is market entrepreneurs and a legal framework working in semi-isolation. Both are operating within a complicated culture or cultures of a vast population³².

HGF_EP2 remarks:

“The problem is that in Egypt we are more reactive than proactive, we have had e-commerce for about 5 years, but when they started making money, they attracted governmental attention...”

Cumbersome red tape is an expected problem as HGF_MAN3 expresses:

It doesn't make any sense to get licenses from 7 different entities for a small start-up to register. In the end, you got stuck and don't get registered.

However, the more persistent problem is notably law enforcement. Given the Egyptian institutions are generally weak (See table 4.1. on the Egyptian Institutional Framework), rule of law is weak as well. This creates a lot of room for interpretation, grey areas, and a lack of transparency.

HGF_EP4 which runs a platform for personalised trips were aware they needed a tourism license to operate, but they were surprised that the Ministry does not simply issue them:

So even though the licenses are expensive, they are not available... Even if you have the money and even if you have everything so this is a decision by the Ministry of Tourism, that they will not issue any new licenses because they think that there are plenty of them in the market

Rule opacity and weak law enforcement come with ineffective implementation mechanisms. When issued, Egyptian laws are accompanied by *Executive Regulations* or law provisions to explain how the law is going to be executed. The laws and provisions were specifically cited as strong hindrances to nearly all business aspects, even by units in the government. G_PU1 says:

³² As it was explained before, third of the Egyptian population lives under the poverty line with no access to technology and what it offers. This section of society is mostly ignored by both the innovators and lawmakers.

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“..there are matters with overlapping competencies and conflicts between state policies like the procedures for getting funds or licensing, maybe the law stated it clearly, however its implementation on the ground has lots of obstacles, we need implementation mechanisms and a sound application of rules..”

G_PU2 remarks:

“This is Egypt! This is Egypt! Eventually, you [the government] pass 50 laws, without not only a mechanism but a desire for implementation, it won't be implemented.”

This extends to the policy stability and uncertainty issues. Historically, Egypt has been run by individuals rather than institutions. Rule of law has always been weaker than individuals in power, and for only the duration of their post. II_MCN2 explains:

A lot of it has to do with the sustainability of the regulator. Yeah, so if it's the same Minister, two years later, then things are going brilliantly. If the Ministry has changed four times within that time frame usually things tend to stall terribly.... it's always a single individual's point of view, not a longer-term vision.

And with the fast evolution of technology, a new problem is introduced: unregulated industries. Those are industries operating with very little to no legislation. FinTechs and ride-hailing applications stand out as the star industries in Egypt at the moment. This reflects a clear institutional asymmetry between innovation and policy (Williams and Vorley, 2015b). Transport and logistics HGF_TL1 explains:

“because there is no licensing that has been granted or obtained from the government, we were "let" to operate.”

AgriTech HGF_AG3 could not register their product at the customs when they imported spare parts, simply because there was no classification for it:

We tried to register our product, but we couldn't find a category... If we enter our product in the wrong category we can't move forward. We obtained permission from the MCIT³³ that we can import parts for our products to make things faster at the customs, so we can import parts quicker. But because our product didn't fit in any of their categories, we couldn't move forward.

Same for the FinTech industry, despite the government promoting it to accelerate financial inclusion.

³³ Ministry of Communications and Information Technology

2- Financial Regulations & Access to Finance Deficiencies

Naturally, the regulatory deficiencies extend to the financial regulations such as obtaining loans, obtaining and disbursing investments, the capital structure of companies and others. This by extension translated to problematic access to finance.

Bankruptcy and Taxation

Firstly, a notable problem with bank loans is that they are associated with criminality and imprisonment in the Egyptian mindset. In the 1980-90s and early 2000s politically-connected businessmen obtained large loans from Egyptian banks and fled the country. Others could not keep their companies profitable (See Section 4.1.2. on oligopoly and cronyism). Given there was no bankruptcy law until 2017, those businessmen ended up behind bars. II_E1 explains:

People are very cautious, and banks went through a lot of troubles in the 80s and 90s and they never recovered... They do not take any risks. They used to take risks and that is why they had much trouble. Another thing, banks prefer working with big corporates because this is better for them, they do not go the extra mile to structure products that would cater to start-ups nor SMEs.

The adverse cultural effect still lives, such as fear of and stigmatising failure. Entrepreneurs cited bankruptcy and business closure issues as very problematic. G_IVC1 explains:

This concept of starting a business and failing, back in the day [before a bankruptcy law was passed], when businesses had to invest in machinery and take a loan, etc, and the problem is if you go bankrupt you go to jail, so the government policies or regulations were not encouraging entrepreneurship investment.

G_EU1 remarks that there are loans in the banks, but people are reluctant to apply:

“in Egypt, there are a lot of funding entities. Many of them. But people are scared. There is still that image for those businessmen who borrowed loans and ended up either in jail, frozen assets, or homeless. Literally, all banks are now providing loans for MSMSs and entrepreneurship.”

II_IVC4 also talks about the difficulty of shutting a business:

...to fire an employee or replace him with another, this process might take another 6 months. So, based on personal experience, we have a family business, and there was a company that closed 2 years ago, and till now we're still struggling with social insurance organization even though we informed them that we closed the company, and still, they don't believe us and telling us that we shouldn't let go of the employees.

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Some even blame the growing informal economy for the lack of safe exits alongside taxation issues. G_EU2 explains the haphazardness of the tax collection process:

... they're scared to be overtaxed, so they avoid registering because they don't understand tax assessment for their own business and whether it would be fair or not...The inspector who evaluates the taxes for each business differs from one place to another...The tax inspector is the one who evaluates the revenues, a specific person, so the evaluation differs from one inspector to another."

Furthermore, entrepreneurs and support organisations suffer from exaggerated taxes, as well as their haphazard collection means. Early entrepreneurs obtain tax reliefs for one year only, so they often rely on *double books*. Taxing issues are among the main growth bottleneck factors. G_PU4 remarks:

Most of our business-related problems, do not have to do with the tax rate, they actually have to do with the tax administration. The process of tax assessment is wrong. Instead of paying 10, I am required to pay 10,000, and the collector has no idea. So, one assumes they are after a bribe. Instead of paying in five minutes, it takes an entire day. Exiting the market and liquidating the company take months and very high expenses. And if I did not exit, taxes pile up and possible prison! These are the detail of doing business. It is not a matter of reducing taxes.

Some entrepreneurs stay unregistered altogether to stay below the radar and avoid the hassle. II_IOA1 explains:

I had a client, an amazing guy, great work, I know him personally and he is great. But when you start looking into financing you will see this: He owns a factory that is on land owned by a company, and the factory is owned by another company. You imagine the mess? He told me he has to do this in order to work and survive. So, they start resorting to workarounds because laws are simply unfair. In my opinion, the most thing that challenges entrepreneurs is changing the laws without informing the people.

The respondent added that this is less of a challenge for the larger companies, given they have dedicated teams to navigate government entities, and chase documents.

HGF_FIN1 refers to the main tax problem as corruption, which is partly related to the cumbersome red tape:

Other businesses cookbooks to avoid taxes while we do the opposite. our business is linked with banks in Egypt so whatever transaction takes place, it is tracked. we have an auditor too, and that is their advice "you need to start making money and can't keep losing". So basically, we need to pay some taxes even though we are losing. I won't talk

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about corruption in Egypt even though tax inspectors come and ask for bribes and we have to give them some money.

Accessing Finance

Bankruptcy and taxation aside, accessing finance from banks, to begin with, is practically unattainable. This is especially true for early entrepreneurs at the outset of market operations.

HGF_EP2 explains:

Loans don't exist. Egypt is not a place where you can finance any project. Banks in Egypt would never lend you money. The only way they would lend you money is for you, as an individual, to have guarantees or collateral against that loan. Such as having an apartment or a property so that you can take a loan, otherwise, you won't take anything. It is an extremely weak sector and country for raising funds and availing cash to expand.

This can be divided into two sides, the supply and demand side. The supply side of the government and private lenders, and the demand side of entrepreneurs. Finance regulations in Egypt are complicated and unclear. HGF_AG2 a prominent AgriTech R&D company explains:

So, all those bodies concentrate on the "regular" SMEs. Those are slow-growth and not knowledge-based. However, startups are high-growth and knowledge-based. They do not understand that at all. This is because you [the startups] don't have assets. If I said I am working on R&D, they of course will not give me the loan. Because those are not loans that they can sell later. Moreover, if I want to apply for this loan, I need to have been operating for three years and making profits.

Risk-aversity and Sectorial Discrimination

So seemingly, both banks and private investors are risks averse. Banks prefer conventional low-tech sectors and require huge collateral in assets and machinery. Preferential loans are sometimes even *repackaged* for low-risk industries or existent clients.

HGF_TL1 explains:

SMEs have a higher risk rate and a different profile, for which the loan structure is not dedicated. The bank wants collateral, what would a guy who wants to borrow EGP 800 have as collateral? Do you know what I mean? So, forget it! Mostly, this guy owns a cell phone. That's about it!

On the other hand, private investors are interested in quick wins through high-tech sectors with less capital. This takes us back to the problem of policy uncertainty. Whether investors are domestic or international, they tend to fear for their money given the lack of protection and political

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stability. As such they prefer short-term investments with fast turnarounds. This leaves borrowers at the mercy of chance and being forced to take part in a game of power at times.

II_MCN2 explains:

So the more collateral you have, so the heavier your machinery, the more likely you are to get funding. So, if you are one of those high-potential techies, if you don't get investment, it's extremely difficult for you to get a loan. Because if they give you the loan and you default what he's gonna acquire back? So that's a major issue with the banking sector. To them the service industry is risky, and tech is risky at large. So, they're very conventional with the way they lend, and the absence of more creative financial institutions will always have that problem.

This can be viewed as another growth bottleneck factor. In other words, sectorial development will remain stagnant. Conventional sectors such as manufacturing and agriculture could remain isolated from technology if technology keeps hitting certain growth thresholds. Beyond those growth thresholds (the stage where investors seek exits), technology innovations will not translate to mass industries, economic value and employment.

Several respondents suggested that the Egyptian ecosystem has a “missing middle” of investors. Meaning there is a need for more investment networks for ventures beyond the ideation stage and before being a market player. This can be associated with a combination of lack of finance, as well as knowledge and value-creation. G_IVC2 says

I mean we have only 3 angel networks. We have 100 million people in Egypt, if the ten percent, as they say, are the only entrepreneurs. Can you imagine how many millions are we and we cannot serve them with three angel networks. How many VCs?

On the other hand, II_IVC4 refers to the lack of strong and worthy start-ups:

... to be able to make profits you need to have strong startups, and to have strong startups you need to have many to choose from, so the startups who reach this point are very few, because the majority work on the ideation, and very few works on incubation and investments, therefore, no one reaches the VC level. There's a group of Egyptian and Emirati investors that haven't been able to spend more than 10 million for the past 3 years, they can't find someone to invest in.

Similarly, entrepreneurs in the early stages suffer from financial illiteracy. As such, they mostly rely on legal accountants and insiders to deal with matters on their behalf.

HGF_EP4 struggled to obtain a tourism license for their trip booking platform:

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To be honest with you the new license that we got. I'm not sure how it was done because I hired a lawyer. He told me it was not easy, and it was not straightforward and not all of it was legal. Like he had to pay someone something to get things moving. So yeah, this is not easy, and it's not straightforward. But I understand that it's not easy for this kind of licenses...

HGF_EP3 is an early-stage education platform. Like other startups in Egypt, they register only when their investor requires them to. They also share the financial knowledge problem:

I went to GAFI³⁴, and I had no idea what to do there. So, I bumped into a legal accountant. And he told me, I'm going to help you and stuff like that... And I was a bit worried, I don't know the guy... but he turned out to be a really good guy. He's still working with us until now. And he's our legal accountant. He's all doing all our finances and stuff like that. And yeah, he finished everything, pretty much. I had no idea there was any information. I tried to look online for like lawyers and stuff like that. I couldn't find any like, all the websites are shady.

II_IVC1 refers this again to rules overcomplication:

You get lost in the laws and regulations. At this particular age and that expertise. Why? Because we have different types of company setup, and everyone... you have to study it or you have to talk to a lawyer and the one thing that lawyers will do that each lawyer will tell you about the thing they know, not what's best for you. They do cost money, but from my experience, it's much better to do it through a lawyer than to do it yourself. Because you get it over and done with.

3- Definitions of Employment & SMEs

Building on policy stability and government effectiveness, the Egyptian government confuses self-employment with entrepreneurship (See section 4.1.4.). Moreover, it does not make a distinction between market entrepreneurship, necessity and opportunity entrepreneurship or high-growth entrepreneurship. This is understandable given the ecosystem is still nascent and stakeholders at all levels are still in the trial-and-error stage.

When the researcher asked the international aid agency II_IOA3 if their entrepreneurship programs make a distinction between regular and high-growth entrepreneurship they answered:

"No, because the whole ecosystem is still immature to get that level of details on a project level."

II_IOA1 explains:

³⁴ General Authority for Investment, an affiliate of the Ministry of Investment (MoI)

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It is only binding on banks following the CBE³⁵, those under the jurisdiction of the CBE. However, there are microfinance institutions and others. There are organizations that help the SMEs, or work with them such as MSMEDA³⁶, Chambers of Commerce, Industrial Chambers, MCIT has its own incubators. Every one of those has its own definition. So if you go to TIEC³⁷, MCIT's incubator. They have their own definition of an SME. Some define it on the basis of the number of employees, and sales volume, so this is chaos that we have.

Even after the Central Bank of Egypt issued a unified definition in 2017, the confusion persists.

II_IVC1 indicates:

The definition of the central bank applies for all the banks, before that, each bank had its own definition, but currently, the one provided by the central bank is applicable for all of them till this day. The new law that will be set for the small and medium projects after the parliament's approval, will acknowledge a unified definition that's applicable for all the country's entities. But even now, policymakers still don't know the difference between entrepreneurship, SMEs and high-growth entrepreneurship.

4- R&D and Knowledge Diffusions Deficiencies

Regarding knowledge diffusion and related innovation determinants, three main challenges were identified: accessing data, talent and support. This is expected for a developing country like Egypt. Previous studies have found that those challenges are among the missing enablers in an underdeveloped institutional setting.

Access to Data and Relationship to Digitisation

Accessing data and information in Egypt is a challenging feat. This problem is two-pronged: on one hand, government services are still largely uncomputerized (See section 4.1.3. on Egypt's score on UN E-Government Development Index). Mubarak's cabinet pushed for automation since 2000. Similarly, corruption was spreading (partly because of lack of automation), and the informal economy was growing. Thus, there was no motive for collecting data and conducting large-scale market reports. G_PU3 remarks:

Informal business owners certainly deal with other parties in the formal sector! And this is where you can obtain the data. Any transaction is carried out by two parties. A provider and a receiver, a seller and a buyer. So, if the buyer is in hiding, you have the

³⁵ Central Bank of Egypt

³⁶ Egyptian Micro, Small and Medium Enterprises Development Agency; established in 2017. It replaced the Social Fund for Development (SFD), established in 1991 which undertook a similar, but more fragmented role.

³⁷ The Technology Innovation and Entrepreneurship Centre (TIEC), leading incubation programs for IT startups. TIEC is funded and run by MCIT.

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seller or the registered party. Provided that you have the facilities and infrastructure for the data. And this can only be possible through automation.

On the other hand, amid the generalised atmosphere of mistrust and lack of transparency, government entities usually tend to hoard data. In other words, even if data is available on local and national levels, there is scepticism towards anyone who requires them. More alarmingly, government units seldom cooperate with one another as they operate in a competitive spirit. This highlights how government units work in isolation, not only from entrepreneurs but from one another.

II_E1 who is a corporate lawyer and consultant for startups shares his experience:

...If there is data, they [government departments] hide it from each other. No one likes others to have a look at the data that they collected. On the other side, others might tell you this is not true...data is there [on CAPMAS]³⁸, and it is public you can find some of it on their website. In the past years, they said no one should take any data unless he has permission, they consider these data as national security. If you speak with anyone and ask for data [they ask] why do you want to know what people eat and drink? Start a business, and take your chances.

Even government unit G_PU3 concurs:

Authorities or bodies who do possess data that sometimes they do not want to share. This is because they consider this their very own know-how, to the extent that they sell it to other authorities inside the government in exchange for money. This is a problem.

Naturally, this extends to the ease of doing business and the ability to make sound business decisions. Entrepreneurs voiced this pain.

HGF_MAN2 operates in the renewable energy sector, the CEO explains:

...we conducted a site visit in order to conduct the survey on the number of farmers in each community. This information is available for all, no one is willing to take the extra mile to help. You either need to hire an outsource agency to collect data on your behalf for which you have to pay. But no government official will help you with more than existing data...Database about competitors, users, and consumers. Pretty much information. The information we have from ministries is not accurate. Their annual reports are only for PR purposes.

After this, Sisi came to power and started his radical economic reform program. He fervently pushed for a cashless government (Central Bank of Egypt, 2019). Several opinions refer to the fact

³⁸ Central Agency for Public Mobilization and Statistics; Similar to Office for National Statistics in the UK

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that the government seeks to increase tax revenues at any cost. This means financial inclusion and controlling the informal economy (Rashdan and Eissa, 2020). Other opinions refer to the long overdue desire of the government to revive scientific research and compile quality data as part of the innovation and sophistication factors (World Economic Forum, 2016). Only then will Egypt begin transitioning from an efficiency-driven to an innovation-driven economy (Ismail *et al.*, 2018).

In relation to financial inclusion, II_MCN2 draws attention to the FinTech industry:

So Fawry³⁹, for example, has been grey for quite some time now, just recently with the recent law. But he [the founder] has benefited from his top-notch investment base, where when you have IFC⁴⁰ as an investor, people don't tend to bully you much! But the same cannot be said about many of the smaller startups working in the FinTech space, but at the moment it's a conducive environment, and a lot of effort is going into inclusion...the government is now investing in startups. So, after the smashing success Falak⁴¹ they are now starting up a FinTech accelerator.

However, despite the political push and technological evolution, culture has not yet caught up in another clear sign of institutional asymmetry (Williams and Vorley, 2015b). HGF_TL1 comments:

...they need to be aware that this is something that will take time. You must encourage people to use alternative payment methods without disabling cash payments completely. Automatically people will migrate when they realize cash is dying...if 90% of people are using this new thing, which bank will be interested in spending money to maintain a service that is only used by three clients?! The bank will simply tell them, we have discontinued this service and that's it! So that's the smart thing to do.

Commercialising innovation, R&D spending

But access to data and lack of automation is not the only problem in knowledge diffusion. Scientific research also lacks a solid infrastructure. Public universities and research institutes provide lifetime contracts for academics, with very few conditions for self-development or scientific publishing.

G_PU2, an authoritative unit in the higher education in Egypt explains:

³⁹ Prominent Egyptian FinTech, first to achieve an exit and to hit \$1billion in valuation (menabytes, 2020b)

⁴⁰ International Finance Corporation; a World Bank agency

⁴¹ Ministry of Investment's flagship incubator and venture capital

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“Every research authority work on a limited scale with a very limited desire for self-development. Funding is there but they are not applying for it. There is this case of dormancy that hit research as it had hit the entire society. So, there should be material incentives for researchers, this includes financial rewards when certain problems have been solved, researchers’ work will be recognized, this way universities and researchers will start competing.”

When research and innovation are mentioned, IP protection emerges. Another problematic issue in Egypt. II_IVC1 explains:

Egyptian courts don't understand IP laws...lawyers even don't understand IP laws. IP laws have just been set out yesterday⁴²...We do have an IP office here in Egypt, and it is part of the WIPO⁴³...But the local lawmakers, they don't understand it fully...This is both a legal and cultural issue, because like, there's no understanding of, you know, he stole my design. So, what exactly have they stolen? I mean, do you have your design on your computer? You have the CD which has the designs in your drawer...So how is it that they stole them? So, the idea of stealing the nonphysical thing? It's difficult to prove.”

Kirby and El Hadidi, (2019) indicate the need for a broad, national co-ordinating policy that encourages universities and industry to collaborate, particularly on research, and to engage in the transference and commercialisation of technology.

Access to Talent

Another challenging innovation determinant was accessing quality talent in Egypt, and the ability to compensate them. The complication here is that even though the country is abundant with tech-savvy and educated youth, only a fraction of them fit the labour market requirements. This particularly includes software development and finance. According to CAPMAS, 569,000 students earned their higher education degrees during 2018 compared to 537,000 in 2017, pointing to a 6 percent increase (Egypttoday, 2019b).

HGF_MAN1 comments:

We offer an average salary to multinational companies, but it is hard to find someone working on a successful product looking for work. In chemicals or science, it is difficult to find good quality people. Most of those go abroad, we need to look harder to find them. We try to retain qualified talents as much as possible. Now, I am used to the fact

⁴² This interview was conducted on the 23rd of April 2018

⁴³ World Intellectual Property Organization; A United Nations Agency

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that some people leave within a few months or a year. We try to retain good quality people by hiring the right person.

HGF_EP1 states:

I was looking for a CTO⁴⁴ to take part with me with equity and become a co-founder. Since I am not into technology but more into e-commerce and business, I would like someone to do with technology, but I couldn't find one. Most of my colleagues who can do this live abroad. Most qualified developers migrate abroad, so I went to a software firm and paid them to design an application. As qualified employees are rare, one needs to pay more.

Respondents agree that the main causes are related to education quality and brain drain.

HGF_AG3 explains:

Talented software engineers leave Egypt quickly; we need these people, but we can't pay them as much money as they get abroad. Plus, the quality of life abroad is better. Also, the introduction of income tax affected employees that's why they think about going abroad...Lack of qualified talent is a challenge...the students have theoretical knowledge only, when it comes to practice there is none...we need well-qualified talent; fresh grads are cheaper but people with experience ask for money we can't afford."

II_MCN2 also blames the education:

I think a large part of it has to do with the quality of education that we have that's resulting in us not getting the talent that we need to grow beyond our current capacities...It is very difficult to find someone who's really good at supply chain at the moment, for example. Or a good CFO⁴⁵, like I get asked the question of do you have a good CFO at least once a week, and that shouldn't be an issue in a country like Egypt! We should be having brilliant CFOs; we should be exporting financial services to the world!

The problem persists in blue-collar jobs. Technical and vocational education (TVE) in Egypt is stigmatised as it is associated with lower classes of society and academic failure in Egypt's hierarchical structure (Economic Research Forum, 2018). This partially explains why Egypt has a high number of university graduates every year. However, they do not fit the labour market

⁴⁴ Chief Technical Officer

⁴⁵ Chief Finance Officer

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requirements. Global Talent Competitiveness Index⁴⁶ ranks Egypt at 97 out of 132 examined economies (TVE ranks at 104th /132). II_MCN3 explains:

There is a talent issue, but the talent issue is a little bit like it's disproportional, so when it comes to tech talent. This is definitely an issue because you have a lot of brain drain, and when it comes to tech talent, and there's nothing really you can do in the short term. Beyond just making sure you have a very consistent pipeline of talent, and luckily, in a country like Egypt with thousands of engineers that are graduating every year, you can, so if you build the right culture.

II_MCN2 remarks:

So, we do a lot of work on the informal employment in Egypt. It's a file on which the German aid is very active, and they do a lot of investments and they're trying to work actively on it. Their counterpart is interesting enough, the Ministry of Education and their key improvement level from their perspective is improving the quality of technical education in order to improve graduate market-fit, which is fair, okay.

TVE in Egypt is often associated with academic failure because it is perceived as a 'residual', a last resort for academically low-performing students. Those who were denied access to general education due to an inadequate score that is required for college admission⁴⁷ (Abdelkhalek and Langsten, 2019).

Secondary education teachers in Egypt remain largely underqualified, underpaid and inexperienced. Due to the lack of a monitoring strategy, policies that were developed at the ministerial level are often not implemented properly on the ground. This is exacerbated by a lack of available data on teacher recruitment, particularly in Upper Egypt (UNESCO-UNEVOC, 2012).

⁴⁶ Launched in 2014, GTCI annual benchmarking report measures and ranks countries based on their ability to grow, attract and retain talent. Analysis aims at helping decision makers develop talent strategies, overcome talent mismatches and become more competitive in the global marketplace (INSEAD, 2019).

⁴⁷ In 2012, the Egyptian Government and the European Union cooperate on the TVET Reform Programme which aims to strengthen the TVET system and adapt it to Egypt's economic development challenges (UNESCO-UNEVOC, 2012). TVET Egypt is working to reform TVE through aligning world practices to the Egyptian context. The program aims to enhance schools' infrastructures, and guide students and graduates in their transition to employment (TVET Egypt, 2019).

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Access to Support and Mentorship

Another missing enabler in the Egyptian scene is accessing knowledgeable mentors alongside findings quality startups. Like investors, mentors tend to be more traditional and risk-averse.

II_IVC2, a tech incubator, remarks:

Problem is how to reach the entrepreneurial investors. This line doesn't exist. Secondly, good entrepreneurial mind-set. The third challenge is having good mentors because they get paid based on the performance and success of startups.

HGF_EP3 also explains:

Accelerators need to get out of the generic workshops...it's very generic and doesn't really help the start-up, as a marketing workshop, so I am learning the four P's!... And they are stuck on the pitching aspect, like "present your product to the investor" and stuff like that. They don't focus really on the operational aspect. So I feel like if you do get a talented pool to really work on your start-up to give you actually, a set number of hours a week to work on your start-up, that's going to be 100 times more helpful for the start-up.

This shows mentorship and incubation programs provide somewhat generic programs with small added value, excluding a few organisations. This is worsened by a lack of inter-conversations, rendering various programs repetitive.

HGF_MAN4 explains:

I mean all these factors are not well organised. Most people offer training in the same way about the same topics. Very rarely you see on hands training with the start-up that suits its needs. It is all about what you need to do but not how to do it. So, they hear the same topics and they can be even good trainers they don't know how to run a business. The only exception is Flat6Labs⁴⁸, they offer programs tailored for the start-up.

II_E2 sums this up:

"Look, I don't want to say something that might be unfair to anyone, but I think those are very superficial, I still need to see numbers, I want to see the success rates, I need to see the rate of growth for startups that started in incubators. I personally feel that it's a little bit dissociated from reality."

⁴⁸ A leading private incubator for early-stage startups. Owned by Ahmed El Alfi, owner of the GrEEK Campus working space.

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Lastly, high-growth firms which produce more value-added innovations and growth aspirations tend to be more marginalised. II_MCN3, an international network solely for high-growth firms explains:

It's corporate programs that incorporate startups into their supply chains, but we need to see these bridges being built more between the corporate sector and the startups...What high-growth companies need is continued mentoring, continued access to markets, access to customers, mentorship, and bridges to markets and bridges to customers, whether these customers are government, whether these customers are corporate, whether these customers are other startups, it's building bridges between them. This is what's needed.

5- Infrastructure Deficiencies

Infrastructure challenges were not cited to be very pressing, but they remain problematic (GEM score 5.57/9; rank 38th / 54 economies; GII 37%; 94th /129). Internet and e-government services were cited as the most challenging. HGF_EP2 comments:

All the infrastructure is very difficult. Thinking of the internet, we spent a year and a half trying to install the fibre optic connection, and eventually, it turned out to be very slow so we had to use our own which they could not install because of its size. Our other office on the 12th floor has no coverage for Vodafone. We went over there and disputed over the matter; it was solved three years later! The country has a very bad telecommunications industry to support the internet, I think it is a huge thing.

G_PU3 comments on the e-government link to the information:

Listen, one of the issues regarding taxes is information. Information will not come without having a database. Database means you need to have an infrastructure, technological infrastructure. We don't have that.

Speedtest Global Index, (2020) ranks Egypt's fixed broadband at 91st out of 174 markets in 2020, advancing 6 places in comparison to 2019.

Mobile and E-payments

Most relevant to infrastructure problems in Egypt is e-payments. As it has been explained before. Sisi is pushing strongly for a cashless society. FinTechs started emerging responding to this call and to fill the obvious gaps of unbaked sectors. This was followed by banks' response, albeit a slow one, to create alternative solutions. For example, crowdfunding is not yet recognised in Egypt. However, mobile payment solutions are increasingly growing (See Sector and Industries

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sub-section in 4.1.4. and Access to Data sub-section in 4.2.1.). Mobile wallets are particularly important for financial inclusion, especially amongst low-income individuals and micro enterprises, including informal ones. In 2016, the Central Bank of Egypt (CBE) approved a new version of the regulations for mobile payment services. The new mechanism allows all socioeconomic strata to tap into the financial services market, quickly and affordably (Daily News Egypt, 2016).

HGF_FIN3, a mobile-wallet start-up that has largely benefited from the national trend comments:

A lot of shopping places do not accept cards. This is a big problem as cards need hardware, so we introduced a tool to help customers (individuals) make payments virtually. We partnered with MasterCard and Vodafone and introduced our own platform. Currently, these wallets are around 7 million through Vodafone and 6 Banks.

Furthermore, in September 2020, The CBE launched an awareness campaign on the merits of e-payments to increase public interaction with points of sale (POS) and mobile wallets to facilitate daily transactions. The CBE plans to distribute 100,000 POS countrywide by December 2020, bearing the cost of the machines (Ahram Online, 2020a).

4.2.2. Responding to Institutional Voids: Evading/ Disrupting Institutions

Sobel hypothesises that institutional quality creates wealth primarily because it promotes productive entrepreneurship, which in turn creates wealth and income (Sobel, 2008). He proves Baumol's, (1990) argument that better institutional quality results in a higher level of productive entrepreneurial activity. Conversely lesser institutional quality corresponds to higher levels of unproductive entrepreneurship.

In political and organisations entrepreneurship, Lawrence and Suddaby, (2006) indicate that institutional work aimed at disrupting institutions involves attacking or undermining the mechanisms that lead members to comply with institutions. This is especially true when actors whose interests are not served by existing institutional arrangements. Thus, they will consequently attempt to disrupt institutions which resist their access to capital or gain privileged positions.

Actors' actions in this type of disruptive entrepreneurship can be categorised into three categories: 1) disconnecting sanctions and rewards from some set of practices and rules. 2) disassociating those practices from their moral foundations keeping coherence with the cultural context. 3)

undermining assumptions and beliefs through decreasing the perceived risks of innovation and differentiation.

In market entrepreneurship, entrepreneurs who operate in institutional uncertainty (Bylund and McCaffrey, 2017) and turbulent institutional settings could evade institutional forces by sidestepping them. A productive entrepreneurial response includes circumventing stifling labour market regulations through a new contractual form (Henrekson and Sanandaji, 2011). An unprotective response, however, could be bribing a government official to obtain a contract, avoid audits or form illegal syndicates (ibid).

Consequently, an entrepreneur may engage in evasive entrepreneurship to reduce costs, while other entrepreneurs may find a new business based on innovation that enables others to circumvent institutional barriers (Henrekson and Sanandaji, 2011).

Navigating formal institutions in Egypt comprises navigating a greater number of informal ones. By the time informal institutions took over as they make up for the deficiencies in the formal ones. This is expected in a weak institutional setting of a developing country (North, 1991; Rodrik, 2008). This is particularly true for opportunity entrepreneurship. Aparicio et al., (2016) conclude that informal factors (control of corruption and confidence in one's skills) have a greater impact than formal institutions (the number of procedures involved in starting a business and private coverage to obtain credit) on opportunity entrepreneurship, which at the same time allow the achievement of economic growth.

Respondents of this study cited uncertainty, grey areas and unexpected events as problematic in dealing with formal settings. This ranges from sudden legal requirements, and opaque self-contradictory rules, in addition to a multitude of cultural complications, and other challenges in dealing with public servants. Consequently, entrepreneurs accounted for the informal challenges as part of the formal ones. They thus plan for paying more fees for various services, and they heavily rely on personal contacts to navigate the informalities and achieve their goals. This is in line with Battilana's, (2006) observation on the impact of individuals' position in the organisational field, particularly individuals' informal and formal position in organisational networks and hierarchy respectively.

1- Informal, Random and Cultural Hindrances

As mentioned before, there is a huge gap between rules and their implementation in the Egyptian framework. The fact that there are written laws and rules, does not necessarily correspond on the ground. There are usually sudden and unexpected events, which, sadly but expectedly, entrepreneurs now count as part of the process, even if they should not be.

Dealing with customs for example is one of the most unplannable nuisances, and entrepreneurs simply must cope. This is especially true for manufacturing which entails imported spare parts.

HGF_MAN1 explains

On an informal basis, a customs employee can assign the material a different code which will make it follow a different cycle. He can be bribed, or he does it out of ignorance sometimes...One of our biggest problems is having to deal with customs. There are laws that affect us, mainly to do with customs. We can wait 4 months to finish off importing something which is a lot. I need to order for 4 months where I don't have the cash flow for this.

Cultural Complications

II_IOA2 sums up the cultural problem:

As a culture, we have not been raised on proper values. We don't have core cultural values of integrity, of trust, of doing things right. Bungling (karwata) and doing things haphazardly (fahlawa) are our cultural values...

But let's be fair. Culture is to an extent a result of policy and regulation, and the lack thereof. People respond to systems, to agreed-on systems; verbally agreed-on systems and non-verbally agreed-on systems.

The respondent added that the people assume the absence of fair regulations to begin with and that the unfair competition is taken for granted. Thus, it is a “jungle”, and the only followed rule is survival of the fittest. This agrees with (El Badawy *et al.*, 2017; Leat and El-Kot, 2007) on how performance orientation in the Egyptian culture is generally low (Check Table 4.1. on Egypt's institutional framework).

Even a decision-making government unit agrees: G_PU4 explains:

For the low-level employees, their very signature is a power. He doesn't want to relinquish this control...Part of it is that people don't like to follow a system so as they are able to circumvent it. A lot of bad values have emerged and created an

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unprecedented negative influence on the society. One of those values is fahlawa⁴⁹. It is accepted and encouraged...Even as you want to establish a system and create better institutions, you will be faced with much resistance, because they want to continue living this way.”

Fear of the Unknown and Resisting Change

As it was mentioned before, similar to other countries in the MENA region, the Egyptian culture is characterised by a low uncertainty avoidance (Elsaid and Elsaid, 2012; World Bank Group, 2018b). HGF_TL3 talks about the cultural resistance when the company (ride-hailing app) was first launched:

I used to go out with my team and explain to customers and drivers that you can order a ride via an app. People were shocked that life can be so simple and that technology can make money. Once I had a driver coming to my house as he didn't know how to type on a smartphone. This is the cultural level at the time, but thankfully we were growing faster than what we can imagine. In The first month, we did 10 times more trips than we planned. We were only three team members at the time, and Cairo today is our biggest city in the region.

Another example is the culture of traditional investors who are cash-heavy but not confident in technological trends. II_E1 comments:

These people have a cultural barrier, not a legal one. He thinks the woman who wears her gold is happy this is an asset class for her, this is a stored value. I know how to deal with it I can sell or buy it and the same thing goes for real estate. Most Egyptians are real estate professionals a flat, a villa a car or a chalet, agricultural land or building land. He feels he is on top of things. These people need cultural transformation. They need people to talk with them about these things.

Female-related Cultural Complications

Other cultural challenges imply female-led businesses and the idea of female independence, professional or otherwise. For example, II_IOA1 explains the gender funding gap:

Firstly, women-led businesses do not have a lot of assets...She is renting the shop, factory, etc. As such there are no collaterals. Number two, she does not go to the bank in the first place, not that the bank turns her away. Because they [banks] are very risk averse...banks here have borrowers sign the checks personally. Men can take risks and go ahead to sign the check. However, usually, women in business are very frightened

⁴⁹ Common Egyptian Arabic term; refers to doing things haphazardly. i.e. obtaining maximum results with minimum efforts.

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of checks, and because their collaterals are weak, they must sign more checks, even more than the loan principal sometimes.

HGF_FIN4 is led and founded by a woman, she comments:

Being a woman with no engineering background, I found I am the only woman CEO in a fin-tech in MENA. At first, investors are shocked, so they listen to me. In Egypt, things are slightly better. It is more challenging in other Arab countries as they take me lightly.

Similarly, II_IOA4, an international cooperation agency faced some difficulties with their female trainees in Upper Egypt⁵⁰:

We have a project in SME development in Upper Egypt in Qena... We faced a difficulty with the culture of women to come out to their homes to get the training to become entrepreneurs, or from their husbands or their fathers are reluctant to send their daughters to go for training on entrepreneurship or to start your own business or to become financially independent. So, this cultural barrier or difficulty that we face when we deal with them.

HGF_EP4 which runs trip booking platforms explains a similar challenge about women's independence:

...from time to time, we still receive messages, mainly on our social media like "I really want to travel but my family won't allow me because I'm a girl and I will travel alone and all of that". We face this kind of stuff.

Laws, Implementation and Public Servants: The Open Circuit

Literature agrees that in a developing country, the public sector tends to be low performing; primarily as it is situated in a centralised government, and isolated department. Moreover, the sector is run by unqualified and underpaid (Akbar *et al.*, 2012; Awortwi, 2011; Rokhman, 2011; Schuppan, 2009; Shepherd, 2003; de Waal *et al.*, 2019; Wescott, 1999).

In Egypt, it can be assumed that regulatory changes and decisions occur only at the top of the pyramid. However, those in charge of implementation on the frontline are isolated. Reasons can be summarised as follows: Existence of a *black hole* in laws and trickling down institutions; lack of training and motivation (un-trainability); fear of accountability; the difficulty of organisational

⁵⁰ The southernmost part of Egypt. The area suffers from a vast division in economy and culture, despite being rich in land and natural resources.

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culture change; difficulty getting the buy-in; lack of coordination, lack of collaborative spirit and generalised mistrust amongst involved parties. HGF_EP2 comments:

... I think it is a cultural issue. We don't like novelty...I think usually those things tend to come from the very very top to down [top-down approach], rather than bottom-up so you find decisions coming from the very very top to fly [be enforced], otherwise, it won't fly.

Government units share this perspective. G_PU2 draws attention to legal loopholes:

This is cultural. It is impossible to pass laws for everything, there must be a conducive culture that motivates people to help. By the way, laws are there, and lawmakers allow some flexibility so as things are not only black and white, we pass the law hand in hand with a couple of "exits" on the side. This way, exception is made possible. So, it is the "spirit" of the law, we cannot pass laws for everything.

II_IOA1 explains how the division of labour across higher and lower levels is unreasonable. This cannot be fully blamed on lower-level employees, given the fear of accountability which refers to laws and rules not being fairly and equally enforced across all levels (See Section 4.1.2. on Normative Institutions: The gap between rule and implementation).

Those are the employees who are executing and enforcing the laws and remember, they are the ones who have been and will be there forever. The higher-ups are being frequently shuffled.

Ministry of Investment is the elite of all ministries. The officials are on top of a parallel system. You work and you work...Then an employee from the lowest level would come and stop it. "Law no. so and so for year so and so says so and so, and I won't sign it". It is done.

The respondent referred this to the aftermath of the revolution which left low-level employees even more afraid of accountability.

On the other hand, some of the top officials *evaded* constraining laws to grease the wheels (Méon and Sekkat, 2005). This was considered a good thing at the time as they sidestepped the red tape to move things along. Unfortunately, they were scapegoated after the 2011 revolution. II_IOA1 continues:

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For example, Youssef Boutros-Ghali⁵¹ had a free hand to change the taxation laws, and things were going. So, when those people were ousted from their positions and jailed, because at that point in time when they're facilitating work, there were things they approved, and they backfired... They say, "a signature lives forever!" You would die, but your signature wouldn't. So, if you signed on something seven years ago, and at that point, you had the political support to facilitate it and approve it, it would come back and bite you

Trainability and motivation issues

Other issues with public servants include the lack of motivation for self-development and training as it was mentioned above. This refers to a multitude of reasons. The fact that the Egyptian public sector is bloated with employees⁵² is one of them. Secondly, under the complicated legal system, they cannot simply be fired given they are on permanent contracts. They can only request an early retirement (Also, in Section 4.1.3.). II_IOA3 explains:

If I have one document say, for example, to get an insurance certificate, for example, I have to get it signed by 3 persons, it can take me 45 minutes to get the document. At the end of the day, the government employee does not have any incentive to do anything extra, to help you or exert any effort. If the money that is spent on 1 million instead of 7 million with better benefits, they will have an incentive to help you. But where will the 6 million extra employees go? Employees go to their offices drink tea, and then go home however they cannot fire them."

The government seems to be well aware of the issue. G_PU4 says:

There are many government employees who have not received training in 25 years. Their knowledge of computers is not strong. Some people simply cannot be trained. Others who can, however, they need a lot to be invested in them. You [government] did not do this for a number of years, you did not invest in people.

Training is also another way, but it is not straightforward. A former leader in G_PU3 for example personally championed a comprehensive training and qualification program for the "trainable" calibre in the Egyptian Tax Authority (ETA). However, since promotions and incentives in the Egyptian public sector are provided solely based on seniority, the trained groups were attracted by other sectors. G_PU3 explains:

ETA has 120,000 employees. Active of them are only 10,000-15,000. The qualified talent account for only 20-30%. If you do not provide those with sufficient training and qualifying, they will soon join the other groups... We organised a full training program

⁵¹ Former Finance Minister in Mubarak's cabinet. In office 2004-2011.

⁵² Egyptian public sector is estimated to have 7 million employees; however, it only needs 1 million to be efficient.

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for them...A year later, those employees were something totally different. What happened? They were not incentivized, no promotions, no raises. So, they received offers of up to 10X their salaries, and they left!

Awortwi, (2011) explains that decentralising local governments in both Uganda and Ghana were faced with much resistance. This is because leaders do not wish to see the growth of powerful local institutions that might challenge their monopoly over power and resources that are needed for local development. This confirms the embedded agency paradox where the vested interests of public officials preclude progress (Battilana, 2006; Garud *et al.*, 2007; Lok and Willmott, 2019). The same can be said about Egypt.

For example, II_MCN2 elaborates why the e-government is such an enemy to lower-level employees:

Government salaries don't tend to be closed figures. They tend to be 260 pounds and 30 piasters, so tellers end up probably being able to pocket change from this on every single transaction. A normal teller would make quite a killing just of money differentials. So, they have a huge incentive to say, "the system is down today"...the little currencies that they're making incentivizes them to fight the spread of technology or automation because automation is such a strong tool to combat corruption because then you can actually see the entire cycle.

The respondent pointed out that what's most ailing the system is the mechanisms of cascading and execution, especially since it is never in the employee's benefit to execute. The respondent further stated that the higher-up officials depend on grants and donations to hire external talents on contracts. Naturally, they are much more qualified, and various Egyptian ministers follow this outsourcing strategy.

This was first practised by Boutros Ghali, a former Finance Minister in Mubarak's cabinet. Then others followed it after the revolution, namely at the Ministry of Investment. This seems to be a practice in other developing countries where public sector reforms are in progress (Awortwi, 2011; Haque and Aziz, 1999; Shepherd, 2003; Stanforth, 2007).

HGF_FIN2 also expects the resistance to the e-government:

...Any regulations in any country originate from the government. If they think this is not important, they will ignore it, but government officials may not be aware of it or are worried about how to apply it. They are worried about the responsibility that follows.

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If things go wrong, they can be held accountable for it, but if things go right, they don't benefit at all from it.

The respondent further stated that what exacerbates the problem was the constant unpredicted shuffled of higher-ups, whereas lower-level employees have their jobs for a much longer time. Moreover, the mindset of the lower-level employees needs to change.

People-Centrism

In a developing country with weak institutions, it is expected that more weight and power lie on the side of people, culture and informal institutions (Naudé, 2010; North, 1991; Rodrik, 2008). Egypt has long been known for the issue of people-centrism as a result of colonisation and unstable institutions.

Interestingly, government unit G_PU2 remarks:

Egypt is run by persons, how good you are in your institution, your network and relationships. Take Egypt's history, one ruler would develop Egypt and drive its progress, one individual. Another one will pull it down, which wouldn't have happened had we had institutions to stop things. Egypt is run by persons.

II_IOA2 draws attention again to the issue of lifetime contracts and the inability to fire government employees:

...It depends highly on who's running it, right? So, unfortunately, it depends on the people that are working, and how they are working together. Unfortunately, governmental institutions pay very badly, so "why would we attract talent". Also, you cannot fire, so if somebody is ineffective, and he has a governmental contract, he is contracted for life. And so, this is the prevalent culture. The ineffectiveness, competition among team members, attracting bad calibres in the very important positions. This needs a higher level [to tackle it].

Other Uncertainty-related Issues

As the literature indicates, when the institutional framework is highly uncertain entrepreneurs tend to resort to illegal practices (Baumol, 1990; Henrekson and Sanandaji, 2011). This is unless they are politically-connected, or at least have access to influential people to help them. HGF_AG2 explains:

They [low-level officials] are either afraid of accountability, e.g. approving something wrong, then they are responsible. And we are talking about an employee whose monthly salary is about EGP1000, so it is not worth it [the risk]. Or frustration, like "I am not

going anywhere, and I won't let you either!" So how do you manage that? You can actually avoid it by navigating in the grey areas. This is the best practice that is going on in the market.

The respondent further stated that what has mostly helped the start-up were “Ministerial Resolutions”. Those are tailored and quickly enforced resolutions by ministers. They are the most used tools to work around institutional difficulties. However, they are in effect as long as the related minister is in power. Furthermore, the Egyptian parliament, which should issue the laws is politically polarised. Analysts refer to this fact that it solely serves the interests of the political leaders, not constituents (Aziz, 2017; Diwan *et al.*, 2015; Völkel, 2017).

Similarly, there is a culture of perceiving government as an entity that must be avoided at all costs. Entrepreneurs expressed their fear of “attracting attention” when they start growing in the market. HGF_TL1 explains:

Number one is harassment from the Ministry of Interior. First of all, social media helps amplify these things. Number two, when there is a rider in the car, it's a totally different issue, because the rider will most probably complain about this as well. i.e. when the policeman stops the car, it's only a driver in it, that's one issue, if the rider is in as well in the trip, that's another issue.

Another voiced nuisance is fear to encounter the military as they are growingly involved in the economic scene⁵³. This has unfortunately created a fight or flight mode amongst entrepreneurs, especially the non-politically connected ones. In other words, there is a generalised sense of insecurity and preparedness which would preclude medium to long-term planning and making business decisions accordingly. HGF_FIN4 expresses this:

It was part of my strategy to survive and not to be part of visible circles, meetings or conferences. I know I am an influencer because I am in this spot, they approach me not the other way around. Sometimes you have to do or deal with certain people but if you don't do this nothing will change. If I want to play safe and stay away and avoid visibility after reaching a certain level this has to change. You will become visible and some people may plot against you. This is different in other countries where people try to help you.

⁵³Two of the interviewees who asked not to be quoted shared their experience. There are public bids, lands and several technologies with which the military are involved directly or indirectly, through retired generals. They succeed in winning the bids and they acquire successful tech startups. In case of acquisition offers, startups cannot refuse, because the military can acquire the technology by force, knowing they will not be sued or legally fought.

HGF_MAN1 remarks that when they import spare parts, the good could stay up to 6 months in customs until they go through a security check, even when the Minister of Communications is their contact:

The problem is the involvement of different security forces in the process, so even the minister of telecommunications cannot help with these issues. They do this for all electronics with the chance of catching 1% of electronics which can be abused for example in making explosives. people struggle a lot with this... they should try to put all governmental bodies together in one place, so you get all the paperwork done in one place. They are talking about this at the moment, there are trials, but the big problem is the involvement of security.

2- Interacting across the Institutional Setup

Silo Mentality in Government

Ács et al., (2014) argue that entrepreneurship policy design and implementation functions tend to be more confined to specific policy departments, with minimal coordination across relevant units. The authors indicate that entrepreneurship policy cannot be ‘siloes’, but rather, requires coordination across policy domains because of interdependencies that exist among policy actions

In an ill-governed public administration like that of Egypt, it has been established that one of the reasons why corruption grows is the lack of e-government services. As UNDESA, (2018) indicates, ICT integration into government services can eliminate “silos” in various sectors of the government as institutions join forces in pursuit of common objectives. As such, by providing online access to information generated by the government and reengineering information flows, greater public participation in decision-making processes could be promoted. All these endeavours can eventually lead to increased transparency, accountability, effectiveness and inclusiveness (ibid).

Ndou, (2004) suggests that the e-government facilitates a web of interrelationships with four main groups: citizens, businesses, governments (other governments and public agencies) and employees.

In relation to this study, the silo mentality is prevalent principally across the government-to-government level. Respondents on the three levels described how key units in government work in isolation from one another. As it was mentioned before, there is a generalised atmosphere of

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mistrust and competition. This is exacerbated by the lack of policy stability, especially because higher up officials are occasionally shuffled, whereas lower-level employees tend to have their jobs for decades. II_IOA1 remarks:

What I would like to see is an actual plan. Not another strategy. We kept doing this for two whole years, and then the strategy needs to be ratified by the Minister of Investment. The minister was replaced twice. It is currently being approved by the Parliament. This law has been done in closed rooms... Talk to the people. You have to know what they need. Those entrepreneurs and SMEs, what do they want? I don't know, I am sitting in my office working and receiving my paycheck!

The government is also well aware of the issue. G_IVC1 remarks:

...Part of it is actually government islands. The government departments are working in islands, they're not really sharing yet. They're not yet working together. And so that is another thing and besides that, you have to look at the localities and I don't know they call it "El Hay" [local council]. So, these are also separate islands. So that all has to do with getting more information about society.

II_IOA2 shares the experience as an entity working closely with the government:

Regulators will tell you they are listening...They're not listening effectively. They're not listening and translating that. They're probably overwhelmed as well. Regulators are all not that bad. There are the effective and the ineffective, there are the well-educated and the not so well-educated. And they all need to work as a system, here culture plays a role as well. Unfortunately, all governmental organisations and accordingly governmental employees do not work together, they work in silos and sometimes compete.

Respondents remarked that getting the buy-in from public servants on all levels can inspire collaboration and influence organisational change. G_PU4 explains, however, that data hoarding, lack of transparency, and prevalence of a competitive spirit are the status quo:

...every entity considers their information their own property and they won't share it with anybody. This is something that we're trying to change. In CAPMAS⁵⁴ it is not easy because the people have this idea of the secrecy of information...If you want to do something you cannot just do it from a higher level. You also need to do it from below... you always have to encourage people... Problem is everyone working wants to show off what they have done. But coordination among them is inexistent...

⁵⁴ Egyptian equivalent to UK's Office for National Statistics

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G_PU3 also agrees that various programs are self-initiated by active leaders when they fail to obtain the buy-in from relevant parties. Other leaders in the business community do not even consult with business owners and entrepreneurs when business decisions are taken:

Entrepreneurs have communities, there is the FEI⁵⁵, FEDCOC⁵⁶, and inside the MTF⁵⁷ there is a unit for micro and small businesses. As such, you must make use of those communities as they are a part of any decision that has to do with businesses. They have the understanding and they can contribute and help you [the decision making] to get the buy-in from low-level employees...Decisions are being made from above. Secondly, there is an idea, which is sometimes true, that those communities only think of their own interests, not the greater good.

The respondent further stated that what exacerbates the problem is a conflict of interests among the ministries. For example, the Ministry of Finance wants to maximise tax revenues. On the other hand, the Ministry of Investment wants fewer taxes to encourage investors and business owners. The respondent suggests that it is up to the Prime Minister and his team of policymakers to achieve the balance among the objectives of each ministry instead of them working alone.

II_IOA3 draws attention to the conflict of interests among ministries:

...it isn't a collective effort. They [ministries] are competing not cooperating. minister wants to show off, this ministry wants to gain credit, or this ministry got millions as grants. The Ministry of Investment, the Ministry of Trade and Industry and the Ministry of Planning, these three ministries fight over the development of entrepreneurship and SMEs. They don't work together, they do not even know who does what. They might do stuff that is not in their core just for the sake of doing it.

Lack of coordination, unfortunately, creates weak links that some entrepreneurs abuse. G_EU1 brought up an issue that was expressed by several respondents, which is viewing incubation as a job and source of income. Had there been a system in place, this would have been spotted:

...Being an entrepreneur has become a job! Entrepreneurs develop ideas, join businesses incubators and join them for as long as they can, and get some funding if they can. Then, when they graduate, they start looking for other incubators, join them, stay incubated for the longest allowed time and acquire other funds. They keep doing and do not mind being incubated for as long as it takes. Why? Because there is no

⁵⁵ Federation of Egyptian Industries

⁵⁶ Federation of Egyptian Chambers of Commerce

⁵⁷ Ministry of Trade and Industry

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system in place to regulate this, nor is there coordination between the providers of this kind of service.

HGF_FIN2 agrees:

Incubators are sometimes abused; some people enter one incubator and then another to gain more money. some incubators are not aware of this, and others do this for a show, and they don't really care.

The obvious solution is unifying efforts and encouraging relevant stakeholders to join forces. However, embedded conflict of interests and fear of losing certain privileges will remain an obstacle.

II_MCN3 remarks how the inter-government isolation creates challenges for entrepreneurs:

No single ministry is able of taking care of, or championing and enabling entrepreneurship. So, the Ministry of Investment is doing a lot of work. But ultimately, if an entrepreneur is to start a business and started to run it and grow it, there are so many other engagements with other ministries and other government bodies, that can be an obstacle...it's very easy now for a start-up now to start a business, like in terms of the number of days, you can easily set up a company, but it's what comes afterwards. It's the licenses and it's all of that.

The respondent further stated that several ministries are doing great work, but each on their own. He adds that there is a will to change, but the lack of coordination undermines this will, and ultimately renders good efforts useless.

II_IVC4 draws attention to the duplicate efforts carried out by several stakeholders, another result of the lack of coordination. This is especially true for the base of the pyramid, thus leaving more advanced start-ups alone when they are ready for the following stage:

They're just spending money in vain, why would each ministry do ideation and have boot camps? Just leave the ideation to other entities and start working on incubation, and industry challenges, like the Ministry of Industry, but not all ministries can just work on ideation and boot camping...We need mapping for the ecosystem in Egypt, in all governates, for the whole pyramid starting from ideation, incubators, startups, scale-ups, VCs, and IPO, then see if a specific governate doesn't have angel investors for example.

Multi-level Actors' Interactions

The government-to-government interrelationships are only one part of the interactions. As it has been explained, this study examines the interactions between actors on the three levels (See Section

3.1.2 in Methods and Research Design). The government also interacts with the support organisations (intermediaries) and the HGFs. Similarly, support organisations interact and HGFs interact with the government and with each other.

Generally, the interaction between government and startups has massively improved when compared to prior to the revolution. Higher-up officials, especially ones in the Ministry of Investment and Ministry of Trade and Industry are highly qualified, and they are up to date with the market. However, both ministries and the few others who are doing a relatively good job are constantly faced with resistance from the other ministries.

This is especially true when it comes to the Ministry of Justice and the Ministry of Finance (which leads the Egyptian Tax Authority). Both are still largely uncomputerized, higher-up officials are not as flexible and/or qualified as the ones mentioned before. As a result, conflicts of interest arise frequently.

HGF_AG2 shares a positive experience as the start-up is being frequently approached by the Ministry of Agriculture and other influential higher-ups and foreign investors.

...this is something that was not there before. I do not want to include any political views, but I think these are some post-revolution changes. The glass barriers that were there are not partially removed. There was no concept of holding talks with the youth, now it is a requirement for any event. You will now find one or two youth-led companies present. This is something that is very nice, but there is still a long way to go.

HGF_FIN2 shares a similar experience with the central bank, especially since the government is working towards financial inclusion:

...The Central Bank spoke to us about our plans and offered us recommendations and followed up with us. things are changing and they are trying to help... There is a direct order from the state regarding e-finance to track financial transactions. The state is not fully aware of transactions and they want to have some control over this. 12-15% of all the money in Egypt is in banks, the rest of the money is in the informal economy and can be used in money laundering or funding terrorism.

One reason to explain this is that FinTech, transport and logistics and ICT are top priorities for the Egyptian government at the moment. As was explained before, the government is working hard to eradicate the informal economy, bank the unbanked and encourage SMEs. This is also required by

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the IMF loan. Moreover, the government is hoping to increase foreign and domestic investment which is largely dependent on reliable infrastructure and transportation systems.

However, other startups in other sectors do not share similar good experiences. They feel they are largely ignored, if not treated unfairly.

HGF_EP2, a successful platform for medical professionals (and recently expanded to several countries in MENA and Africa) shares a negative experience.

I have met very high-profile people in the ministries of health in the other markets in which we operate, and I could not yet do this in Egypt, despite the fact they are well-connected here! This is because people here are careless to look in the start-up world, careless about really looking at the right players. They don't care basically...I am very surprised why the government is not trying to use companies like us in the health system. We have actually approached them, and it is very difficult to go through...There are no ears to listen to.

For the support organisations, respondents agreed that expecting change can be time-consuming, if not time-wasting. Hence, they dedicate most of their efforts on the ground, i.e. helping entrepreneurs directly or indirectly. However, there are certainly hidden political agendas which are naturally not explicitly shared. II_IOA2, a German international agency explains:

That's a very political agenda, many of which are not announced, to begin with...For instance, Siemens is a German company. Many multinational German companies are taking a lot of advantages here because Germany and Egypt have a very close partnership. So, there are a lot of trade agreements, many of which we know, many of which we don't know, that is agreed on in closed agreements. Plus, the migration issue, is a very hot topic. Because Egypt doesn't send a lot of migrants, but through Egypt, many refugees travel to Europe.

II_IOA4, a United Nations Agency believes that the Egyptian government can hardly be perceived as one bloc, given its complexity:

... in Egypt, you find it difficult to work to bring the novelty because they are it's a 100 million people-country. We often say it is a state that is 7000 years old, you know, then there's benefits and disadvantages of being such a massive country and such an old country. We can't see the Egyptian Government as one bloc. Because as I said, 100

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million people, a lot of problems, you know. Smart Village⁵⁸ and Qena⁵⁹ are very different parts of society and they both need to advance and converge.

As it has been mentioned, support organisations try their best to help startups when they cannot navigate the institutions themselves. This includes outsourcing them, registering on their behalf or simply keeping them incubated for a variety of reasons. II_IVC2 remarks:

The regulations in Egypt are very slow. Entrepreneurs take so much time to get registered and they are obligated to provide a lot of papers to prove their startups. We facilitate this for them as they can register under our address and supervision.

3- Exploiting Market conditions

Market Strengths and Opportunities

As it has been explained, Egypt is situated in a strategic geopolitical position. It has two of the world's largest natural gas fields, and other minerals. On the tourism side, the Sinai Peninsula on the Red Sea has one of the most beautiful coral reefs, making Hurghada and Sharm ElSheikh a Mecca for divers. Furthermore, the pyramids, Sphinx and the pharaonic monuments account for one-third of the world's share of the ancient monument (Time Magazine, 2010). All this comes with a wide range of monuments and architecture left by the Greek and Roman Empires, origins of the Judaism faith, Coptic Christianity (National Geographic, 2019), Islamic and Ottoman dynasties, and several others (See Appendix A.4.1. for a brief history of Egypt).

Other than history and natural resources, the country is youthful, populous and enjoys a huge underserved market. Respondents in this study reflected on the internal strengths and external opportunities of Egypt as a market.

Size, Cheaper Labour and Cost of Business, Untapped Segments, and Natural Resources

One of the most cited advantages is the market size and the geopolitical position. This particular advantage seems to make up for the known institutional challenges. HGF_TL1 explains:

It is an attractive market, large market, in addition to an attractive location, exports. Honestly, we have a great story! I think so. This is simply a market you cannot not be

⁵⁸ Situated in West Cairo, Smart Village is the largest high-tech business complex in Egypt. It houses multinational and domestic corporations, high-tech startups, governmental, financial authorities, as well as educational and R&D agencies.

⁵⁹ Upper Egyptian governorate

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in! Even if you hate it...the market is worth it. Find me another market with the same size, unfulfilled needs and geographic position. You can easily access everywhere in Africa and many other things.

HGF_FIN3 agrees:

Egypt is a big market; the advantage is that it offers opportunities and strengthens the business model. The disadvantage is that you need to scale beyond Egypt, i.e. exporting technology abroad. People get busy here and don't scale up abroad. Also, a lot of people from different companies in techs and FinTechs are coming to explore opportunities in Egypt. If we need to influence the area, we need to do the same and explore abroad like in Africa and so on.

Cheap labour is also another cited advantage. This does not only include talent but the cheaper cost of starting and operating a business in general. II_MCN3 says:

Egypt's demographics have always been the biggest pull. Egypt's cheap labour, the availability and affordability of raw materials have always been the pull of investors. The economic environment, the political stability has always been the factor that provides some sort of uncertainty.

HGF_EP3 is an education platform hiring teachers on an hourly basis agrees:

And as I told you, the value mostly comes from the quantity. Quantity of the market, and there are a lot of people who want to learn and want to pay 30 pounds per hour. This is why the advantage of Egypt is that it's a huge market, and there are a lot of people that want to learn. And there's a huge, unemployment rate in Egypt. And there are a lot of people that need to learn new languages to improve themselves for the labour market. So, this is why Egypt is a really, really good market.

G_PU3 draws attention to the technology advantages:

Egypt is also very advanced in the Contact Service Industry. Not only the cost is low, but you also have the timing difference advantage. When people are asleep in the US for example, people are up here and they get paid the normal rate, not the overtime rate. Additionally, the cost of the workforce is low.

G_IVC1 mentions the cheap currency advantage alongside many untapped sectors of the market.

This partly justifies taking the risk in the weak institutional setup:

...our whole accelerator ticket size is insignificant to a foreign investor; we invest up to \$20,000. And that's actually a lot of money...The cost of setting up a company in Egypt is much cheaper than it is to set up a company abroad...Investors come because they can find higher returns...they will look for loopholes and ways around some of the problems... but the premise is, there are returns, we can get returns like 30 to 40%...The

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market is green, very much untapped...It's a currency issue...It is the whole reason behind the investment.

HGF_TL3 confirms that the cost of setting up a business is lower in Egypt. Another advantage is the availability of space for new technologies, especially since they are still unregulated so there is a lot of room for learning at a lower cost:

I think Egypt is a great country to build a start-up, the cost of learning is too low in comparison to Dubai. If I introduce a new service to customers in Egypt and it fails, I would only lose a few hundred dollars, but if I do the same mistake in Dubai it would cost thousands. I think if a start-up fails, it is because there is no product market for it in Egypt or not managed well. There are hundreds of ideas abroad that can be used in Egypt, they only wait for someone to grab them and apply them here. No Innovation is required!

This is specifically important as investors and entrepreneurs get to sit with the regulators and decision-makers. Making Egypt a true testbed or laboratory for technologies established in other markets (Wamda, 2019c). HGF_TL2 runs a shared transportation ride-hailing app that explains:

Here in Egypt because laws are not 100% enforced, there is a level of flexibility...Here the market is more flexible legally. i.e. enforcement, they don't control everything that happens... This refers to the big market and the mechanisms of implementing things are outdated...It is a huge market, that's why it is a testbed for all the techniques...it is very easy to start because it is a flexible environment. There are no strict regulations that the suppliers must have specific licenses or have certain contracts.

Moreover, there are the natural-resources advantages. HGF_AG3 says:

Egypt has 300,000 acres of fish farms which is the production of 1.5 million tonnes for the local market. It is a huge industry, and these farmers are familiar with the products. Things are improving, our growth goes up by 100-300% per year. We speak to customers better and our production cycle is quicker. Fish farms have been a huge industry, Egypt is 4th in the world in producing Nile Tilapia...Egypt has a huge market, we produced 1.5 million tons of fish still not enough. Competition is very low in this sector.

New Technologies, New Industries and New Jobs: FinTech and Transport

The untapped market segments and shift towards technology have created new industries and new jobs by extension.

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For example, the blue-collar jobs. As has been mentioned before, findings qualified and hard-working technicians in Egypt is very challenging. However, entrepreneurs are filling the gaps by serving new market segments.

Several platforms were launched for blue-collar jobs and household services. They match less-privileged youth, mostly in the informal sector, with those who need their services (menabytes, 2019b). II_MCN2 explains:

Craftsmen basically, [are] completely informal, they have zero incentives to formalise. And the government hasn't shown enough goodwill for the formalisation of the sector. So, the better attempts to formalise the sector have actually, interestingly enough, been through the tech revolution...platforms connecting you to those craftsmen give them some level of formality and legality in terms of billing and in terms of how they interact with the customers. So, this is an area where the entrepreneurship ecosystem has actually done well.

Additionally, both MCN2 and II_IOA2 mentioned a huge migration issue that forms a major loss for startups. In other words, workers have been leaving formal jobs to join other jobs in the informal sector. Those jobs tend to have more freedom and they pay more; the two main ones are driving a Tuk-tuk or working as a Shisha waiter/server. Both jobs pay a minimum of L.E. 5000 monthly, which is twice the minimum wage at least. This means the worker can “*work his own hours, be on drugs the entire time, and be able to decide who to fight with and who to take on board.*”

Both respondents stated that this caused a major disruption for all the labour working in agriculture and food processing, given the knowledge it takes to be a worker in the agribusiness and food processing industry is expensive, technical, and specific. Especially, there's a huge transportation issue in Cairo, and Tuk-tuks⁶⁰ serve lower-income classes in poor residential areas, and they created thousands of jobs (Ahram Online, 2016).

Another example is the rise of FinTechs to ease e-payments and bank the unbanked sectors and individuals. This is also in tandem with tech-enabled transportation and logistics solutions.

⁶⁰ The government tried banning Tuk-tuks in 2014 as they have been used for crimes but failed. In 2018, however, the government started regulating them via giving them licenses and limited their driving to very certain areas (Egypttoday, 2019f).

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II_MCN3 remarks:

Egypt has a very huge population, right? Which means it's a very big and sizable consumer base. So this is very attractive for FinTech, this is very attractive for F&B, very attractive for retail activities, and for financial services in general. So all of these sectors, their high-growth, or that they have high growth potential because they're being backed by very strong demographics.

HGF_FIN2 commends the move towards digitisation:

I think this is the right time because the government is pushing toward digital banking and the economy. There are new regulations to support this, most Ministries are going digital now. Technology is going to a mature level, regulations are becoming better and clearer and there is more social awareness of this...they can see the world is changing and going towards the digital era. Things like e-finance are cost effective for them and society can become cashless one day. This will help them track every financial transaction.

HGF_FIN3, a mobile wallet to help micro business and informal traders, also discusses the challenges of the move to cashless transactions:

...even if all merchants have digital payments in place it doesn't mean that customers will follow. Many people prefer cash even if they have debit or credit cards. Problems vary from trust to the fact that some cards don't do online payments...Egypt has roughly 30 million debit cards in the hands of around 10 million people. Up to 9 million out of those, have bank cards just for payroll purposes, they only get cash out of cash machines and that's it for them. People who have credit cards are less than 1 million in Egypt.

HGF_TL3 talks about how cab drivers who initially resisted ride-hailing companies started joining forces with them as the technology proved successful for both businesses and consumers:

Drivers were convinced they needed phones to work for us. They understood that we are valuable to them. It was a big change at the time, but it worked. In the beginning, we spoke to suppliers and cab offices, but they were against us because we were competing with them and offering lower prices. Two years later, these suppliers and cab offices came back to us begging to work for us because we are a lot more efficient and can generate more money.

Market Weaknesses and Threats

On the other hand, respondents reflected on key problems in the Egyptian market dynamics. Most cited of which were registering offshore (or the fact that they are sometimes obliged to). In addition to policy instability and general lack of transparency in rules and regulations.

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Registering Offshore: Taxing and Capital Structure

Firstly, there are obvious advantages to registering offshore. Most important of which refer to taxing and an outdated capital structure in Egypt. HGF_EP1 says:

The advantages of registering abroad are to avoid taxes and regulations in Egypt. Also, if you register in Delaware you don't have to pay taxes there. Regional VC prefers companies registered abroad to resort to international arbitration and also the ease of taking one's money out of the country

This is partly related to the inefficient and outdated financial and banking regulations as HGF_EP2 expresses:

All companies establish their HQs in the British Virgin Islands (BVI) as they don't want to abide by national laws or navigate the domestic bureaucracy. I do not think so, half of the companies in the US do this, they register in BVI or Delaware. I basically do not see progress in the Egyptian banking system.

This particularly includes the capital and share structure of companies and how the current one in Egypt is outdated, and not keeping abreast of the global trends. E.g. convertible notes and transferring ownership. Moreover, both entrepreneurs and investors have a total mistrust of the Egyptian judicial system to protect should conflicts arise.

One of the commonly used solutions is establishing a company offshore and then acquiring the Egyptian company as a subsidiary. This is what HGF_TL2 resorted to:

It is easier for them [investors] to invest in a company established in Delaware...because Egyptian law does not understand all investment types...There is the convertible debt or convertible note, there is nothing in the Egyptian law that describes it. It also facilitates signing the agreement in the early stage and the money to be transferred... So, we transferred the ownership of the Egyptian company to the Delaware holding company which we made and all the investors and shareholders including us ...

HGF_EP4 too refers to the capital and share structure:

...The way that you incorporate a company in Egypt is very limiting. So, for instance, you cannot have a different share structure. So, there's only one kind of shares so there's no preferred shares, no common stock, none of these is available...those investors really want the best for their partners. So they want to make sure that it's in a place that they can trust, a place in which if we are having an acquisition, and if we're having a merger or anything, it will be smooth and not be made very difficult.

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HGF_EP3 also discusses the issue of investor protection, especially since the online-payment infrastructure in Egypt is still immature. However, this still doesn't seem to drive investors away:

...Investors feel safer when you have a company registered abroad because there are more laws protecting investors rather than here...there are [Egyptian] VCs that force you to register abroad...[when conflicts arise] and they tried to press charges or file complaints here following the Egyptian process, forget it! So, he is much safer being protected by the American law, rather than the Egyptian one. However, when the investor is aware of where he is putting his money, Egypt is the market to go.

II_MCN3 brings up the issue of patent protection:

... it's easier to patent abroad. And it's better protection. Protection for innovation and the original idea. So, they resort to patenting abroad because the rules are clearer...if you are a technology start-up, where you're most likely to raise your first institutional round from venture capital, in order for investors to protect the rights, they would prefer to have the company registered in a country where the rights are fully protected...these rights are not fully and optimally protected under the current laws [in Egypt].

Not surprisingly, the government is aware of this. G_IVC1 explains that amid the riskiness, investors still choose the Egyptian market, so they register the company offshore:

There are a lot of opportunities here that are not available elsewhere...[regarding] loopholes, they mostly incorporate a company offshore, whether it's BVI, Dubai, Netherlands, or Luxembourg. So, they start a corporate abroad, and this company basically incorporates the company in Egypt, and it becomes a direct subsidiary of the company abroad. So, it controls the subsidiary 100%, but all the other operations are all in the other parent company or the holding company like she said abroad. this is how they get around it.

II_MCN2 also talks about acquisitions to deal with the Egyptian market riskiness:

...if you go back a couple of years, there was a wave of Mergers and Acquisitions. Where doing business in Egypt was risky, but attractive. So, people want to do business here, but they don't want to go, Greenfield, they wanted to buy an existing player. So, this is a period of time where Kellogg's bought Temmy's⁶¹, there's a lot of acquisitions here, there's a lot of acquisitions in the food space, and the farming space of those medium-sized players. So, lots of people are able to cash out then.

Expectedly, offshore registration and acquisitions are considered national economic losses as

II_E1 explains:

Most investors go abroad. Anyone who has money is aware of these circumstances. Most VCs that invest in Egypt don't invest in Egyptian VCs, they incorporate foreign companies, they take an Egyptian company and put it there. So, this company isn't an

⁶¹ Egyptian breakfast cereal brand.

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Egyptian company, economy-wise and law-wise, and it does not count in the Egyptian GDP. This is the problem.

However, when it comes to tax evasion, tax havens are seemingly a problem that is not specific to Egypt. G_PU3 explains that tax havens that provide Base Erosion and Profit Shifting (BEPS) are being combatted:

...now all tax havens are obliged to exchange information with the other countries. That it's a big deal, this is an important project... In fact, most corporates now would like to leave the tax havens...Large businesses use aggressive tax planning, establishing companies offshore, making transactions, and using their subsidiaries to shift profits from one country to another. But as I said, this kind of international tax evasion is being combatted at the moment.

The respondent further stated that Egypt is one of the few countries in the MENA region that is fully committed to this project.

Policy Instability and Unfair Competitions

A widely cited problem is how the market is unfriendly for smaller players. There is no mechanism in place to protect SMEs against the competition, either from larger players or the government itself, especially when the military is involved. G_PU2 says SMEs need to be encouraged to compete in national bids as well as international exhibits.

For example, government hospitals want medical equipment, so the state launches a public tender/bid. A start-up working on this equipment will never dare compete in such a huge tender because laws are very complicated. As such conditions for such tenders have to change so that emerging companies can compete, make profits and grow...[government must] enrolling them in international exhibits, especially in markets similar to our own, as you know our products are not that high in quality. So, we must target markets that are similar to ours.

This is in line with the OECD's entrepreneurship framework determinants pertaining to market conditions. The framework suggests that entrepreneurship-friendly procurement regulations create better opportunities for entrepreneurs. For example, launching competitive tendering schemes focused on the purchase of goods or services by encouraging government agencies to allocate a given quota of their purchasing to new companies (Ahmad and Hoffmann, 2008).

HGF_FIN2 discusses sectors where the military is heavily involved, and naturally monopolises them:

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Any sector where the armed forces are involved is inaccessible. If any big player is involved, you can't access this type of info. If it is us vs. a big player, we can't compete fairly with them because of their connections and financial capacity. Competition compliance is not very fair...I know friends who have been through this, for example, Swvl found it difficult to obtain licences from the Ministry of Transport. Senior officials are more likely to have their own business and interests, some of the regulators are investors and I have seen this.

HGF_TL4 thinks that government intervention in the market seldom has good results. Especially when certain products or services are flagged under national security issues (See Section 4.2.2. on navigating informal institutions; other uncertainty-related issues):

For example, in the medical sector if there is a crisis the government will get involved and indirectly affect the private sector causing them to collapse as they can't compete. Surely when the government is involved, their costs are less no one can compete with this...The talks about drone delivery will be very challenging as only the army can do this, and no one can compete with them. The private sector is struggling by reducing subsidies and imposing taxes.

In such a risky environment, both entrepreneurs and investors have to be prepared for the worst, as such, they operate in a fight or flight mode (Also see Section 4.2.2. on other uncertainty-related issues). HGF_FIN4 sums up the issue of instability and uncertainty:

...our threat is in emerging economies. This is a risk for any entrepreneur in emerging economies because there are no institutions that protect businesses and SME from governments...This is a risk, what can we do? I have a headquarter abroad. I have 30-40% of my market in Egypt. There is no 100% security, I can't put all my eggs in the Egyptian basket, my shareholders wouldn't agree anyway.

This can partly explain why investors, whether domestic or international, seek quick wins through mobile apps and ICT trends with quick turnarounds and short cycles. This represents another massive loss for the Egyptian economy in other industries such as manufacturing and agriculture which are direly needed by the economy. II_IVC4 remarks:

...lots of startups are now working on technology, yet, we can say that we're technology providers, not users. So, the startups that would be launched won't find a market because we don't have the market as we have the suppliers. Like those who work on augmented reality and so on, they won't find a market, on the other hand, some have potential businesses in agriculture for example or hardware, textile, arts, and so on. Most of the ecosystem is in technology, but what about the other areas?

4.2.3. Responding to Institutional Voids: Altering/ Creating Institutions

In political entrepreneurship Lawrence and Suddaby, (2006) outline three categories of institutional work aimed at creating new institutions. 1) Overtly political work in which actors reconstruct rules, property rights and boundaries that define access to material resources. 2) Actions in which actors' belief systems are reconfigured. 3) Actions designed to alter abstract categorisations in which the boundaries of meaning systems are altered.

For market entrepreneurship, on the other hand, innovative entrepreneurship can create a lot of change that the foundation of the current institutional structure is challenged (Henrekson and Sanandaji, 2011). The authors argue that disruptive entrepreneurship for example, including the introduction of revolutionary new technologies, can lead to reform and dissolution of extant institutions, especially in traditional societies. As such, technological progress can alter the effect of institutions, notably the effect of the internet on property rights (ibid).

In Egypt, FinTech, tech-enabled transport technological solutions, among other emergent industries stand out as disruptive technologies that challenged and undermined the underlying institutions, thus inspiring trust in the ability of innovation to solve societal problems and create economic value.

This disruptive innovation coupled with a strong, albeit poorly implemented, political vision, change has indeed occurred, thus inspiring some level of institutional trust. However, as long as the division of labour, wealth and opportunity is not equal, conflicts of interests and informal institutions will persist.

Respondents reflected on pressing issues in the Egyptian institutional framework. Firstly, problems with rules and regulations on predominantly all aspects of business in Egypt. Secondly missing enablers throughout the entrepreneurial ecosystem. They presented suggestions to address difficulties on both levels. Similarly, they commented on the implemented reforms, or reforms underway. The mentioned reforms have taken place whether the entrepreneurial activities directly or indirectly led to them.

1- Formal Institutions: Policy and Government (Government as IE)

Government performance is believed to play a major larger role in institutional trust. Hence, the most reliable way to maintain institutional trust is rooted in improving institutional and governmental performance (Godefroidt *et al.*, 2017; Stoyan *et al.*, 2014; Yang and Tang, 2010). Expectedly, in Egypt, addressing the challenges of the formal institutions, predominantly government regulations is fundamental.

Rules and Regulations: Strategizing and Stability

G_PU4 comments on rules complexity and how service automation can help:

Simplifying procedures. Introducing one concrete law to regulate everything. Not "patching up" old laws and manipulating them. Merging laws together will be great. In addition to the IT sector. Introducing automation is very important. Automated procedures will facilitate a lot of things. It will provide information. When someone wants to start a business, they will know how and where, who can support them, and how will they pay the taxes.

Other respondents suggested simplifying the exporting process and reducing its fees. For example, regulations on imports and exports.

HGF_TL1 remarks that strategizing rules will guarantee policy stability:

I think here in Egypt there needs to be one strategy and it's a 10-year or 15-year strategy. And this strategy we agree on it, and no one is allowed to touch it over its duration. This means, for example, we have this strategy. Phase 1 is building incubators. Fancy that the Minister in charge was removed in a shuffle and replaced by another one. This new one will carry on with building the incubators, and pick up where the former Minister has left off. This way, in two years the incubators will have been built and we will commence Phase 2 in the project!

The respondent further stated the regulations need to be evolving in accordance with tech trends. This means revisiting them periodically, provided they are still being implemented. Similarly, II_IOA1 suggests launching a premium service to pay for the security inspections and various tests. This could expedite the service and save time:

I also suggested services be provided with a "fast track" option. This is how you convert this part to the official area. I am telling you every factory owner is willing to pay as long as they get their things done. So, I [the government] offer them the fast track or normal track. For the fast track, you will pay a premium, since they pay anyway.

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EGP9,000 or 10,000 to guarantee that this service is provided, and the thing is done. Everyone will then be clear about the time.

G_PU4 comments that applying good governance requires owning data:

I always say that of the most important things that are yet to be achieved in Egypt is good governance...How to guarantee that this new strategy will be enforced and people are on board? ...it should happen across the board of any entity, including monitoring and evaluation (M&E)...M&E in Egypt are very weak. They have to be enforced. By the way. It will be enforced by data. How can I monitor without data? How will I monitor projects when I don't know when they have started or ended? Their evaluation, etc.

The respondent further indicated that to get the buy-in and ensure that reforms will cascade down the hierarchy, everyone in charge should start with their own unit, department and sector. Furthermore, people should have the courage to start and confront resistance and expect to lose some along the way.

Like war, there will be casualties, but you will gain support eventually.

Reform Implemented / In-Progress

Although Egypt still has a long way in strategizing policies. There was at least a strategy to establish MSMEDA, a unified agency regulating entrepreneurship and MSME activities. G_EU2 remarks:

It was launched in 2016 and went through public and private consultation, and consultation between all the entities that are concerned with SMEs either donors, NGOs, or public and private sectors. Then a strategy and work plan were created, this work plan was for all the entities concerned with small and medium projects based upon a specific framework, and this framework is integrated towards SMEs development and its impact on the income growth.

II_IOA4 commends the MSMEDA move and remarks:

More coordination mechanisms. There should be, for example, an online platform or something that regulates the presence of all entrepreneurs, who is doing what, exchange of technical expertise and resources to apply for funding. So they need someone to coordinate to have a big umbrella for this to regulate the work of entrepreneurs in Egypt...The national strategy on MSMEs is a very good step. But they need to have a very good implementation mechanism.

G_PU1 mentions other long-awaited successful reforms:

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I think three legislative tools:

Law no. 15 of 2017 on the Simplification of Industrial Licensing Procedures.

New Investment law.

Decree of the Prime Minister No. 947 of 2017 to establish MSMEDA.

Financial and Banking Regulations

Secondly, simplifying and amending financial and banking rules and regulations, especially ridding them of unclarities. This way people and businesses will have confidence that taxes, business charges and fees will reflect positively on them, instead of being illicitly used.

Allowing SMEs to compete better and fairer is an example. Also, promoting cultural change and organisational learning among public servants. This can indeed help SMEs navigate institutions much easier and encourage them to formalise. G_PU2 explains:

As such, there must be a role for the government tenders to allow emerging companies to acquire a share of those massive sales. This can extend to similar aspects of public-private transactions. So, the laws of tenders and their systems have to change so that smaller companies can compete and acquire a share of those sales.

Government-backed Funding

Respondents pointed out the importance of government-back funding to inspire trust in other investors. Additionally, SMEs should be used as suppliers and should be included in both the public and private sector's supply chain. II_E2 suggests:

Generally, I believe that also public procurement in Egypt, if we're talking about growth in the public sector and allowing SMEs to grow and achieve. Public procurement could be an important source of revenue and growth for many companies, and I don't think that it's inclusive enough. Reforming how the state contacts different contractors and giving incentives to SMEs to be part of this process and get public contracts, I think that would enormously contribute to energizing the MSMEs.

G_IVC2 suggests co-investment funds:

Another type is co-investment, any government-backed investment funds, if the government participated and said I'm investing my money into VCs this will attract Egyptian investors and there will be trust. If the government is investing its money this means the country is stable and the government will get its money back, so Egyptian investors will invest their money, and this will attract foreign investors also.

Similarly, II_IOA4 suggests the involvement of the private sector:

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Private sector can work as an incubator for small businesses or entrepreneurs. So, the private sector is very important... We have been promoting that with the private sector to have like an inclusive business. This includes everyone to be supporting startups and entrepreneurs. So, this could be an important role for the private sector.

G_EU2 confirms that supporting SMEs this way would reflect on creating jobs:

It'll [job creation and sustainability] happen when there's absorption for the SMEs products or components, that would make the business itself sustained and therefore the jobs.

Another way is for government to tap into unfunded sectors in order to catalyse other investors and inspire confidence and trust. For example, having more government-backed VCs. G_IVC2 explains:

Egyptians and foreigners. I always believe that in order to be able to grow, Egyptians have to have trust firstly and invest their money so this will attract foreigners. A foreigner can say that Egyptians do not trust their institutions. If you have an entrepreneur and you asked him "did you invest in your own company?" if he says no you will be astonished. If you do not trust your institutions and do not want to deposit your money there, you do not want to risk it. Why would I risk it?! It has to start with Egyptians themselves.

HGF_EP2 adds:

Government should focus on its own companies because this is how they will grow fast. They don't have to make profits but they are conducting more transactions, so they learn faster, and when they go out to the private sector or even abroad, they will be able to compete because they will have compiled data, history and knowledge and they will be reputable for having had the government as a customer. This is what happened with Fawry. Fawry is a good story for that.

Reform Implemented / In-Progress

Consequently, the Egyptian Central Bank disbursed a 5%-interest loan for SMEs. Some respondents cited the difficulty of its terms, some expressed the loan was given to preferred sectors and clients. On the other hand, other respondents shared a positive experience. HGF_MAN3 says:

The law separating the working license and manufacturing record was a great initiative.

The central bank initiative of only a 5% interest rate on loans for startups.

HGF_MAN1 also shares a positive experience:

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The government loan with 5% interest rate, we applied for this. I think it is very supportive, and the bank was very encouraging about this. As for the bank, we are now a relatively new company, but they were helpful. We asked for half a million Egyptian pounds and the bank is trying to build up a customer base.

G_EU2 remarks:

The Central Bank created an initiative in 2015, for EGP 200 Billion injections for SMEs with a 5% interest rate and 7% for medium to encourage them to grow, but the idea is in the formalization itself. The Central Bank and other national banks working on this initiative regulate that whoever applies for this loan must have a registered company, which means that not all the SMEs or entrepreneurs would be able to benefit from this initiative.

Fairer Taxes

Naturally, trusting the government extends to reasonably and fairly charging taxes. G_PU3 suggests transforming giving the Egyptian Tax Authority self-autonomy and waiving taxes for early businesses. This way informal businesses will be encouraged to formalise:

...to convert the tax authority from a governmental bureaucratic body to autonomous tax administration. I.e. fully integrated, for all types of tax...A major part of it is attracting the informal sector into the formal sector. Not only to pay taxes, we don't want to have tax now, but in the future too. You [the government] want to help them grow, i.e. the formal sector to grow, and then when they grow, you ask them to pay tax. The most important thing for early entrepreneurs is a simplified tax structure.

II_IVC1 also stresses on simplifying taxes:

I would want to see new laws to simplify taxation, having it done online one way or the other so that people don't have to go through the logarithms of like, it's a very complicated algorithm. Okay, you pay 14%, pay 40% on what you have purchased, and then you're selling, you've discounted this against that. That's way too complicated. I mean, if you simplify to having a 2-3%, one-time fee and you don't do any discounting in the middle, then it's much easier and there might be more money going into the country then...

II_IOA1 agrees on waiving taxes for early businesses:

So, they [government] should leave them for two years, exempt them from labour tax, and after they start achieving profits, they can be charged tax...they are discussing exempting startups from paying VAT, which makes sense. Let them work, grow and be profitable and then charge them tax.

G_PU3 adds that tax-related reforms require obtaining the buy-in from parliamentarians first. He shares the Unit's experience when its leaders held personal conversations on a wide level:

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...if you were able to get their buy-in, they can help you by influencing their circles [constituencies], because eventually any new law is issued by them...As soon as we started the VAT, there was full resistance, people were against it, and parliament refused. I almost sat with every BOD [Board of Directors], every political party. Sometimes I would sit with just one person to explain to him. After a while, they started to understand and agree that this law is good for the country...they actually went to explain it to the people themselves...

Reform Implemented / In-Progress

Some respondents agreed that tax reforms, introducing VAT as well as removing subsidies were warranted for the Egyptian economy's health. They agreed this is a step that needed to be taken at least a decade ago. G_EU2 discusses the underlying effect on SMEs:

They're working on tax reforms for SMEs in general, because like I told you, the country is heading towards encouraging them to join the formal sector, and therefore, the Ministry of Finance and the Tax Authority are working on a taxes reform for SMEs, and there was a suggestion to make it cut-off taxes that ought to be paid each year and that's it, and I personally think it'd facilitate the process for lots of people if it happened and it would even increase the taxes income.

Lastly, in July 2020, Egypt introduced a new law for unified tax procedures. The new law introduces unified tax procedures for the assessment and collection of tax amounts that will be applied for income tax, value-added tax (VAT), state development tax, stamp duty and any other similar taxes (Enterprise, 2020b; EY Global, 2020).

Bankruptcy Laws and Decriminalising Insolvency

As it has been explained before, defaulting on loans was criminalised in Egypt until 2017 only. Respondents have particularly commended this reform. II_IVC1 remarks:

The bankruptcy law becomes part of it. Their regulation that the 5% rule [the Central Bank preferential loan to SMEs]. I mean, worldwide, there's no country in the world in which you borrow money at 20% interest. That's too much. So, the 5% rule is really good, it has actually helped so many businesses, as I see so far. What else? I think there's more to come, I expect that there will be new laws to simplify company setup and company structures.

II_IVC4 explains how the law included reforms on the corporate structure too:

If someone has his money and house and everything, and the company had liability, they go after his personal assets, it was very challenging; and of course, if they want to launch a shareholding company, they would need huge working capital, and most probably they couldn't afford that, so the best type of companies for them is the limited

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liability. In the new law, they have the right to have a limited liability company for one person, which is a breakthrough.

Connectivity Infrastructure: E-government and Financial Inclusion

The OECD indicators of entrepreneurship determinants indicate that e-government and e-commerce are an integral part of the “creation and diffusion of knowledge” (OECD, 2011).

Respondents stressed the importance of automating government services to address corruption, save time, increase connectivity, and similarly important, collect market data, and regulate unbanked sectors. G_PU3 remarks:

Going back to automation will reduce corruption. Because as long as there is a direct contact between the taxpayer and service provider, i.e. the taxpayer is willing to pay to reduce imposed taxes and the employee is underpaid. However, when it is fully automated, their invoicing, filing, audit, everything is automated, and you reduce the direct relationship between the employee and the taxpayer, this can help.

G_EU2 explains:

That's why we're leaning towards digitising the registration process and making it online, to prevent any direct contact with the governmental employees, and therefore avoid the delay in any steps of the process and overcome the administrative corruption. We're now working on an e-system network to make the whole process online without needing to go to an office, but it will take some time to be executed...when there are good incentives for the SMEs, that would definitely encourage them to formalise and register their companies.

With respect to financial regulations in Egypt, as it has been demonstrated they are complicated and inundated with unclarities. Furthermore, the physical and regulatory infrastructure for e-payments and online banking is still underdeveloped. HGF_AG3 comments on how the money movement in Egypt is slow. An efficient online banking system is thus warranted:

We need more regulations and make money movement quicker... Investors need guarantees about how things work. I think the only good thing is that there is a lot of money injected into the economy either through the government or not. The government needs to educate banks and institutions about what start-ups are etc.

Crowdfunding for example has been cited as a major constraint since it is still restricted and unregulated in Egypt. Several respondents indicate how it could attract and encourage investors, especially that represents a differentiated and more flexible source of funding.

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HGF_FIN2 points out how the government is working fast towards financial inclusion:

There is a direct order from the state regarding e-finance to track financial transactions. The state is not fully aware of transactions and they want to have some control over this. 12-15% of all the money in Egypt is in banks, the rest of the money is in the informal economy and can be used in money laundering or funding terrorism. When people work informally without registration, the government doesn't know their needs.

Reform Implemented / In-Progress

As it has been mentioned on several occasions, the Egyptian government is now working on transitioning the informal sector to the formal economy. This is becoming increasingly possible through the push for cashless transactions and encouraging FinTech solutions. Through a sound financial inclusion, informal businesses will formalise, provided they feel the benefit of doing so.

HGF_FIN3 explains:

...If a shop owner wants to withdraw money from the bank, he will have to shut the shop for a few hours, pay for transport, and lose business. If we use the financial inclusion as a solving of a problem, this will save time, money and effort...you have to attract people to join the formal economy...for example, e-commerce merchants are encouraged to join us so they have to be a registered company with a tax certificate. Many people are not registered, but they do so in order to use our services and grow their business.

One of the most cited automation reforms introduced a new E-Signature Law provision in June 2020 (amending an inactive law of 2004). This provision also includes the admissibility of e-stamps and e-seals in court as evidence (Daily News Egypt, 2020a; Shalakany, 2020).

G_IVC1 indicates that the government managed to digitise a lot and practically all rules and regulations on how to establish a business are available. The automation reforms, however, are slower than how they need to be.

...the government has automated a lot of stuff on the internet...all the laws on actually how to establish a company and everything is on the internet. You can actually check it out on the MoI website...we're seeing actual significant improvement, and the simplest one is the fact that even for SMEs...now you have the e-signature, which allows you to have board members from all... Like they don't have to be physically there, to move faster with your company in order to improve. So, you [government] are making the right changes. It's just taking a long time.

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Automating government services has been viewed as an important source of developing institutional trust. Smith, (2010) indicates that interacting with e-government services in Chile could create strong trustworthiness towards the behaviour of the public sector. Other works confirm the relationship between e-government services and inspiring institutional trust in developing countries (Schuppan, 2009; Waheduzzaman and Miah, 2015).

For example, HGF_FIN2 praises the speed at which a business can be open through the Ministry of Investment:

I think the procedures to start a new company have completely changed. You can do the whole process now in one day. In the past, you should have deposited money in your bank account to start registering a company. Now you don't have to do this anymore. If you go to the General Authority for Investment [GAFI] you would be amazed. Everything is organised in one place and you can do it all in one day. You can do it without having any connections. there is a Priority service for an extra fee.

Developing Institutional Trust

Other than the efforts toward e-government and financial inclusion, other trust creating factors emerged in this study in connection to Egypt. For example, paying attention to entrepreneurship. Furthermore, many respondents, especially HGFs commended the approachability to key decision makers, whether they have contacts or not. This was practically impossible in Mubarak's days, but the revolution as one respondent said, “knocked down the walls”. HGF_FIN3 comments:

We tried to hide from operators to avoid problems...Now there are regulations for people like me, we have no problem with that. These regulations started emerging in Egypt and the region to target payment facilitators or payment service providers. Now we speak with the regulator directly without the need to hide. A year and a half ago, a new sector inside the Central Bank was introduced to deal with the digital sector and online payments. This is great news because these people understand where we come from.

HGF_EP4 also shares a positive note:

I'm happy with the enthusiasm for entrepreneurship in Egypt. So, I think two weeks ago, three weeks ago, we were invited into a pitching competition held by the Ministry of Tourism and attended by Ministers from different ministries. They had called for applicants, then we applied, and we got accepted. And this event was attended by several ministers of tourism from the region, it was attended by the Prime Minister. It was actually held in cooperation with the UNWTO which is the United Nations World Tourism Organization.

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On the other hand, G_PU3 mentions the “100 Million Healthy Lives Campaign” and how it inspired confidence among people (Check 4.1.2: Sisi megaprojects and reforms). It is not entrepreneurship-related, but it is a positive government performance indicator:

Take the “100 Million Healthy Lives” initiative. I think this is a very successful project. Part of its success is that they told people, that no one will be allowed to renew their ID or passport without having passed this test. As such, when the people themselves are willing, they would want to know whether or not they suffer from Hepatitis C, which they can know for free, so why not? This in fact can be linked with other things.

Ministry of Investment: A Success Story

Perhaps not surprisingly, the Ministry of Investment has the lion’s share in successful institutional changes. MoI managed to fully automate its services across all its agencies, it aggressively marketed and promoted entrepreneurship, provided funded and established various successful links with other government ministries. More importantly, it managed to attract large amounts of FDI after having pressed for massive regulatory and legislative changes related to investment laws.

HGF_EP2 remarks:

Anything that is related to the Ministry of Investment goes quite good so far. Nobody can say something different because you can open a company in 5 days...I think the Ministry of Investment has facilitated a lot of things. In Egypt for example, I don’t need anything other than the MoI. It is a nice modern place, everything is right.

G_EU2 also shares a positive note:

... we now have a very simple registration process, especially for the commercial projects, the industrial projects might require more time, around 2 and a half days. However, the General Authority for Investments (GAFI) is concentrating on the registration processes and facilitating offices for new investors to simplify the legal process to be formalized.

HGF_TL1 agrees:

Generally speaking, if you go to GAFI they will tell you exactly what to do. If you want to register a company, you will have a brand name. They have representatives of all ministries through the one-stop shops so you can do the whole registration process in 2 hours. When it comes to banking it may take up to 3 weeks.

One notable initiative is “Fekretak Sherketak” or “your idea, your company”, huge government-backed funding for innovative start-ups. II_IVC2 explains:

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The initiative of the Ministry of Investment in 2017 called “Fekretak Sherketak”. It is very successful when it comes to awareness of entrepreneurship in the country. However, it had some problems related to funding because the filtration process was very complicated in order for entrepreneurs to get 500K Egyptian Pound [almost £25,000]. That was a good initiative from the government and expended a lot of money on marketing online and offline.

II_MCN3 agrees:

So Fekretak Sherketak, Falak and Egypt Ventures, you're going to look at the Central Bank, and its initiative to make debt funds more accessible.. cheap debt funds more accessible to small and medium businesses. All of these are in recognition of the importance that these sub-segments of businesses can play.

2- Access to Resources: Missing Enablers (IIs as IEs)

Alongside addressing the challenges of the formal institutions, other entrepreneurship determinants in the Egyptian framework need attention. This applies to market conditions, encouraging investors, providing support, finance, creation and diffusion of knowledge; namely through improving the R&D infrastructure and knowledge transfer. In addition to strengthening human capability through education; including entrepreneurial capacity-building and raising the public sector performance.

Improving Marketing Dynamics

In connection to the Egyptian market, there are successful industry sectors that respondents agreed are not only attracting investor attraction but the government too. For example, the ICT sector is an important source of economic growth in Egypt. With government support, the sector has managed to cushion the economy against several setbacks, especially when other sectors were negatively affected:

G_IVC2, a government-back incubator, funded by MCIT⁶² explains:

The last incentive we made in 2013, two years after the revolution, the ecosystem was all collapsing. We were disbursing between EGP100,000⁶³ to 500,000 per company to keep them going. We were actually paying for their electricity bills...we wanted to keep startups and SMEs alive to pass 2013 and 2014 and keep going. If they died during this time we would have started from the beginning. You injected companies that do not

⁶² Ministry of Communications and Information Technology

⁶³ Roughly £5000

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work, you gave them money to work for more few months and this kept our SMEs in the ICT sector untouched.

There is also agriculture, HGF_MAN2 provides renewable-energy solutions for farmers:

The government has supporting points for the farmers. So, anyone using sustainable energy or facilitating irrigation or fabrication can obtain a low-interest loan.

G_EU1 commends the Farmer's Card [a smart card] introduced by the Egyptian government in 2016 to regulate informal farmers and curtail the black market for subsidies (Al-Monitor, 2016). Farmers are allocated subsidised quotas of irrigation water, fertilisers and other benefits. In April 2020, the Egyptian government commenced operations to link the Card to Meeza, a major e-payment service (Daily News Egypt, 2020b; Xinhua, 2020):

The card links the water consumption to a 2% interest benefit on their [agricultural] loans, and other details. This way the government is becoming aware of the millions in this sector of which it was not aware before. The farmers were encouraged to open bank accounts, it is easier for them to obtain their shares through this card because everything is identified and under control. You know how much each of them consumes and they are encouraged to use it to obtain the interest benefit.

The respondent further stated that when there is a political will, it cascades across the government hierarchy and that similar moves could be implemented in the entrepreneurship sector. HGF_AG2 a leading agriculture R&D start-up also commends the attention to the sector:

There was another policy on the entire sector, not just the water. The Central Bank of Egypt allowed banks to finance poultry, fish, and cattle and this was not happening before. Agriculture was not getting funding altogether, i.e. If I am growing vegetables, there will be no financing for me. So, this was a positive step. However, if it is linked to a technicality, certain approaches to agriculture, and certain practices that are very efficient in the water, then a change will take place on the macro level. But we can't do this alone.

Next, respondents remarked that gaining investors' trust is as important as gaining institutional trust. For example, formulating laws and regulations to protect investors' rights, and ensure political stability. HGF_EP4 mentions crowdfunding, which is still restricted in Egypt:

...as I'm telling you, investors are not very confident putting their money within this current structure [financial]. And actually, I know investors from Egypt who prefer to put their money abroad, not in Egypt because of the structure, and the regulatory structures. Something like terms of funding something like crowdfunding is banned in

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Egypt. And, it's great. Many people who don't have this much capital, but can contribute small parts to a crowdfunding campaign, but this is not available in Egypt.

Additionally, encouraging investors to invest beyond the IT sectors. II_IVC1 suggests:

It could be done using, for example, a loan guarantee. There are credit risk guarantee agencies that actually exist, but they need more injections, and the Central Bank is helping by injecting those companies with money, I also heard they're going through some reforms. So, it would be on two levels, for the loans that go to the entrepreneur or micro or small business, it would be easier because there would be a guarantee to cover that risk.

Reform Implemented / In-Progress

Several respondents confirmed that the regulatory reforms in that regard have come a long way, but there is still much to be done.

The most praised reform was the new investment law that was launched in 2017, then it was followed by provisions and amendments in 2018 and 2019. The new law established a number of new guarantees for private companies, such as equal treatment for foreign and national investors, the granting of residence rights for the duration of projects, and protection against nationalisation or the seizure of funds without a court order, along with the right to transfer profits abroad (Oxford Business Group, 2020).

The new law identifies a group of principles to govern investment and apply to both the state and investors, some of which are: supporting MSMEs, ensuring transparent and fair competition, preventing monopoly as well as maintaining the stability of investment policies (IISD, 2018; UNCTAD, 2017). G_EU2 praises the new law:

...the new investments law has very good incentives to encourage investors. It might have been the old laws, but that new law encourages them and it's one of the very good things that happened to the legal framework lately.

HGF_AG2 further states:

The new investment law for me is excellent. It has not yet covered everything, but at least we took a step that made a difference to me. Moreover, I was constantly under pressure that I honestly can go to prison at any time! And eventually, I am my own person juggling millions, so if I make a mistake, I will not be able to bear the consequences...So you need to be somehow secure, that you will assume the risk and be able to work...This is also one of the things that made a huge difference for us.

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II_MCN3 mentions amending the company structure, also covered by the new investment law:

Now, the new amendment to the company law tried to address that by recognising there's something like the shareholders' agreement and this is definitely a very good step. But there's more that needs to happen.

More Incubators and Accelerators

Respondents indicated that there are naturally missing enablers at all levels of the ecosystem, but some are more pressing than others. However, the consensus is that the Egyptian ecosystem still needs time for it to mature and to develop.

For example, it was suggested on more than one occasion that more private and government accelerators are needed. G_IVC1 says:

And I still think there aren't a lot of accelerators. I mean, it's definitely not enough pipeline as well. Or maybe there's enough, it's just not very strong yet. There are so many great companies that don't know how to begin. We go through more than 5500 applications in one year.

Furthermore, it was indicated that existing start-ups could be much more innovative, especially when their models are imported from the west and only localised to the Egyptian context. This explains why entrepreneurs need to be educated, as well as investors and mentors.

Reform Implemented / In-Progress

Not surprisingly, as the entrepreneurship scene is booming in Egypt, respondents acknowledged the growing attention towards it. II_MCN1 says:

I can say, there are more supporting organizations, to be honest. That's a very very good sign. Whether we agree or not on their quality, whether government or private organizations, those are very big changes.

HGF_AG1 remarks that as start-ups become more innovative, they disrupt the conventional way of doing things. As such they have inspired change, culturally, economically and institutionally:

I think we can affect [institutional] changes directly...there are many conferences to help entrepreneurs like the ones in Sharm el-Sheikh. They also introduced Falak, they try to help entrepreneurs and small businesses because they could see investors in large businesses used to open an Investment and then it doesn't work out after a year or so. For example, Careem was sold to Uber for 3.1 billion Egyptian Pounds.

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HGF_EP3 shares a similar note:

So, there's been a lot of investments in the early-stage ventures. I honestly commend the government for this. For example, Falak startups, the government-backed incubator. They also gave 100 million EGP to Flat6labs. And they put a lot of money in various a lot in a lot of accelerators, and VC funds and stuff like that, in order to support early-stage startups and late-stage startups as well. I commend them for like focusing on investing in that.

Innovation Diffusion and Creation; and Knowledge Transfer

Collecting, sharing and dispersing data as well as allowing data collection by third parties are integral parts of strengthening institutions and promoting innovation. This by nature, includes changing the culture of secrecy, hoarding, threats to national security and alleviating mistrust. One of the ways is to fully automate and computerise services. G_EU2 explains if all institutions are linked together and linked to citizens' IDs, this will improve governance:

Yes, and they should link everything... and that's what the Ministry of Planning and Economic Development is working on creating a digital number for each citizen that links everything even the supply. I heard about the digital code project that would be linked to the national ID number about a year ago.

Similarly, G_EU1 suggests identifying entrepreneurs specifically with unique IDs. This will prevent some of them from joining multiple rounds of incubation and acceleration programs:

... This way I can double-check whether they have been incubated and/or funded before. This is on this national network or platform that I was telling you about. This will introduce some kind of accountability on the entrepreneurs so as they have to report on their progress and what they achieved with their funds. As I told you, those gaps are there because there is no overarching regulation or monitoring for this industry in Egypt at this point. This system will then be able to remove repetition and defragment those scattered efforts.

G_PU4 comments on the data secrecy and transparency issues. He suggests that only through analysing existent data and sharing them publicly will making sound decisions possible:

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I was a consultant in GAFI⁶⁴. They have a wealth of information. If this went public.. Indicators, sectoral analyses, etc. Those things are very important so that one could make the right decision and decide where to go.

Public-Private Partnerships and Tech Transfer

Similarly important for innovation is the partnership between the public and private sector e.g. through technology transfer. This particularly includes revamping the Higher-Education (HE) sector altogether. HGF_AG2 struggled to find biotechnology professors who are first willing to help the founder and his team, and second to access the equipped government-owned labs. Simply because there are no parallels in the private sector:

There is no clear mechanism for me as a company to cooperate with a research centre to develop a product. There isn't such thing. Also the grants. At the moment the EU is giving grants to the startups and SMEs in Egypt. Commonly it is an SME here, an academic institution here and another academic institution in Europe. Sort of a joint venture...as an SME I will not be able to raise funds to fund my research, unlike production to which I can find funding.

Other respondents comment that tech-transfer offices do exist in the Egyptian universities; however, they are inactive. Some respondents indicated that research in Egypt needs to be need-based, i.e. reflecting on socio-economic needs in the society of which research can solve. Moreover, research calls need to be open to various parties of societies, not just those involved with the Egyptian HE section.

Reform Implemented / In-Progress

In this regard, the Egyptian government has only launched an innovation law in April 2018. Firstly, it decriminalised HE academics to establish and own commercial businesses. Secondly, it addresses IP rights and the dynamics of conducting research. How the law is implemented and whether its provisions are clear is yet to be seen. II_IVC1 comments:

I see there are positive steps. Like there's the new law for universities, that's encouraging universities to be part inventors and encouraging professors to take pride in companies. Whereas before that, you know, being in the private sector or having the company was considered like "scandalous" like how dare you, you're a professor, you're above that!

⁶⁴ General Authority for Investment and free zones; one of the Ministry of Investment's agencies.

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II_IVC4 comments that now academic staff and students can launch companies and even register them inside the university:

...it will enable a huge pool of innovators or researchers' potential startups in all universities and governates all over Egypt to launch startups and companies. for example, Ain Shams University which is a big university doesn't have a single registered patent or company, even though the professors there have hundreds of companies because if he registered a patent or a company with the university, he'll lose all advantages...Now anyone can participate in those companies, staff or students...

Talent Development and Capacity-Building

Another missing enabler is qualified talent and capacity building. This starts with the education system and ends with MSMEs and entrepreneurs at all stages. It also includes mentors and investors, as well as public servants and all government employees. HGF_FIN1 suggests:

They need to bring a real-life investor with life experience rather than an academic in a lecture. They teach you how to build a business model etc which you can do online for free. Same in Flat 6 Labs with irrelevant mentors, their program is good but no experience behind it. There is no link between what they sell, and how it can be applied. Some mentors don't even have a curriculum and they just do it for the show, and they steal other people's ideas. You need to make sure these people can create businesses and generate money.

HGF_TL1 points out that training public servants will reflect on governance, and by extension, entrepreneurship:

... I think if there isn't an appetite and willingness from the top-down to make this sector happen and make it a success it will be very difficult because it could rely on things that are in isolation and not on the big picture... If they [the government] make a call for training of x000 number of trainees. All the experienced parties will line up to partner with them. So basically, train entrepreneurs and the public officials, especially low-level ones... Yes, because I think it all boils down to skills and attitude at the end of the day.

G_PU3 gives an example of the tax collection process. He suggests that full automation can improve governance:

You need to cascade it down. Basically, you should get the buy-in...the level of training they get, the level of self-education, how they treat taxpayers, etc. Setting the criteria to incentivize them [tax collectors] based on a clear and efficient HR system. Practices like this will educate the employees that it is in their interest that the tax revenue increases through them working, especially when the full automation is rolled out.

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G_PU4 also discusses automation and how public servants deal with it:

You have to train; you have to introduce IT systems. There aren't IT departments in the ministries! There are Human Resources departments! In addition, this person must be paid sufficiently. I am talking from a partial equilibrium point of view. Applying those changes means a higher budget, incurring more expenditures and more problems will ensue. So they have to be trained, and they have to make use of technology. They do not use technology, very old systems, or large archives.

II_IOA1 approaches the issue from an operational perspective. In other words, the government needs to improve the quality of its services and treat citizens as consumers (Ciborra and Navarra, 2005; Ndou, 2004). For example, re-training public servants on providing government services to citizens, providing there is a clear system in place:

I always say we need Client Relation Managers in the government...This person is in charge of everything that has to do with the government so that you don't have to worry...You want a license, obtain some permit, etc...they get paid based on their performance. So, if he messes up, he won't get paid. Their salaries are entirely paid by those "customers", those if you won't fulfil their services, you won't get paid. Me as a citizen, as a business owner, I shouldn't have to deal with random people at random offices.

Retaining talent

Capacity building, whether in the entrepreneurship sector or public sector extends to retaining this talent after they have been trained and qualified. G_IVC1 discusses how a start-up could retain its experienced talent:

...whether you give them equity, whether you give them a bonus or higher salary. These things, entrepreneurs have to consider in order to retain the quality talent, they feel like they are valued, and that this person is indispensable to the company, then they need to find a way to retain, through equity and other different methods of investing shares over like four or five years, and then continue giving new shares every year...otherwise, he feels if he leaves he's gonna miss out on a big chunk of value or stocks that he could have gained.

The respondent further stated that start-ups themselves struggle to find this type of training in incubation programs. Including how to qualify and retain their talents given salary constraints.

HGF_FIN4 talks about capacity-building for entrepreneurs:

There are funds holding workshops on running a business even for uneducated people. What happened in Egypt in the last two years has been great. if the improvement can

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continue, the results will be great. there is now the MSMEDA which is a great effort. it is better than just working on bringing foreign investments. I think there is hope, we are just missing out on institutions. bureaucracy is huge and is holding back the government's initiatives.

CHAPTER 5: DISCUSSION

This thesis aimed to investigate the interrelationship between high-growth entrepreneurship (HGE) and institutions. A set of identified thresholds represent growth barriers for HGE within a challenging institutional framework; a common characteristic of an emerging country (EE). The research questions examine the following:

- a) The main institutional voids confronted by HGE in an EE; are voids that constrain their survival and growth.
- b) The role of institutional intermediaries (II) in the setup and towards HGE.
- c) Patterns of institutional entrepreneurship manifested by HGF, II and the government resulted in institutional change.

By addressing these questions, this thesis findings uncover the following:

- a) Institutional voids in challenging environments, such as that of an EE can be grouped into two groups: inevitable voids and evadable voids. In the former type, institutions are reinforced over time through abiding behaviour. For the latter type, institutions are challenged. Hence, voids are overcome and worked around through evasive behaviour.
- b) Institutional intermediaries (II) play a central role to assist both HGFs and the government to confront and address institutional challenges through a set of intermediating tools. II principally include support organisations, and occasionally some government agencies.
- c) Finally, patterns of institutional entrepreneurship emerge at namely every level of the institutional setup. They are manifested by HGF, IIs and even some government agencies with varying strengths through altering behaviour. Coupled with political economy complications, the result is (un)intended institutional changes. This creates institutions in a constant state of flux, i.e. fluid. However, only time can tell the extent to which those changes will persist. Accordingly, social and market players react to the environmental changes using a combination of entrepreneurial responses (market and nonmarket) to survive in those **Fluid Institutions**.

This chapter is structured as follows: The first section addresses the institutional voids across Williamson's levels of social economising. The role of informal institutions is then explored and a relationship with institutional voids is established. The interplay between institutional voids and informal institutions creates an institutional uncertainty which leads economic actors to manifest an evasive behaviour. This section presents the dynamics under which the Egyptian HGFs and lawmakers act and interact.

The second section explores the role of institutional intermediaries in the Egyptian setup and categorises them in accordance with the empirical research findings. Here an important construct emerges: the political economy and its evident role in the exacerbating institutional uncertainty and informal institutions.

Finally, the third section examines the new institutions created as a result of the behaviours and interactions of the economic behaviours. This includes new regulative institutions, new normative institutions and new cultural institutional. However, as entrepreneurs keep introducing new innovations to the society, lawmakers will also keep acting and reacting. As such, institutions are not static, they are, however, in a constant state of influx. This process is explained.

5.1. Institutional Voids, Informal Institutions and Evasive Behaviour

Evidence from this research suggests that HGFs in Egypt are set up, survive and even grow despite institutional uncertainty that results from a variety of voids. This is because they enjoy adaptive capabilities that help them adjust to the uncertain surrounding environment (Welter and Smallbone, 2011; Wright *et al.*, 2005). Given the general institutional setup is weak, HGFs resort to evasive behaviour and informal networks to achieve their goals. Additionally, they are creative in exploiting market opportunities that emerged in tandem with the institutional change (Al-Dajani and Marlow, 2013; Ferreira *et al.*, 2017; González-Pernía *et al.*, 2015).

Indeed, the institutional voids examined stifle entrepreneurship from operating as well as growing (Table 5.1.). In this situation, policy and decision makers need to develop an enabling framework (Battilana *et al.*, 2009; Leca *et al.*, 2008) that is conducive to operation and growth.

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However, those very decision makers are busy with national mega projects for which most of the resources are dedicated. This includes attracting FDI and overhauling an outdated system in its entirety (See Section 4.1.2 on Sisi's Mega Projects and Reforms). Unfortunately, as more sharks enter the tank, the goldfish will be squashed. Thus, the government of Egypt does not solely focus on attracting investors to finance entrepreneurial activity. Instead, decision-makers need to focus primarily on making entrepreneurship attractive as a market activity so entrepreneurs are encouraged to join the entrepreneurial sector. Following this, the investment will follow naturally (Kreft and Sobel, 2005). For the moment, it cannot be said that this applies to Egypt.

Table 5.1. classifies the institutional voids identified by the findings across Williamson's four levels of social economizing.

Table 5.1. Key Institutional Constraints/Voids Constraining HGFs

Levels of Economizing: L1 Social embeddedness; L2 Formal institutional environment; L3 Governance; L4: Employment and resource allocation		
L2+L3	Government and Regulations	<ul style="list-style-type: none"> • Policies; bureaucracy; taxation; land ownership; inefficient legal and judicial system; poor property rights; unpredictable/frequent changes. • Security forces implicit might (e.g. market intervention). • ++ Effectiveness and design of the formal institutions are generally changing • ++ More favourable entrepreneurship and investment legal atmosphere • <i>Normative Constraints</i>: policy-implementation gaps; unqualified, overpopulated and corrupt public sector
L2	Finance	<ul style="list-style-type: none"> • Aggressive and uneven migration to financial inclusion leaving a lot behind; difficulty to access (and limited supply of) finance for smaller players, especially capital-heavy sectors; high interest rates and inflation • ++ FinTech and cashless payment solutions are promoted and encouraged • ++ Government itself is participating in funding several sectors
L3+4	Market Openness	<ul style="list-style-type: none"> • Mostly unfree market; large size of government (competition from state-owned enterprises); weak domestic demand (because of inflation and eroding domestic currency). • SMEs facing competition from larger players, domestic, foreign and state-owned. • Unfair competition, unlevel playing field, preference of larger players and cronies. • Trading internationally is difficult: inefficient and corrupt customs, arbitrary tariff rules, limited right to exchange and gain credit, especially in foreign currency. • ++ Very large market with unserved sector; strategic geopolitical position. • ++ Increasing inflows of FDI thanks to more stable and friendly investment regulations • <i>Normative Constraints</i>: Unofficial rules, financial and nonfinancial, to be “allowed” to operate
L3+4	Labour Market	<ul style="list-style-type: none"> • Cumbersome hiring and firing rules. • Lack of and high expenses of qualified talent or talent migration to advanced economies. • Poor public education (secondary and tertiary) and expensive private one. • ++ Entrepreneurial education is just starting. • ++ Youthful population with ideas for change and strong entrepreneurial orientation.

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Table 5.1. Key Institutional Constraints/Voids Constraining HGFs (Cont'd)

Levels of Economizing: L1 Social embeddedness; L2 Formal institutional environment; L3 Governance; L4: Employment and resource allocation		
L3+4	Knowledge Diffusion & Entrepreneurial Capabilities	<ul style="list-style-type: none"> • Poor mechanics for innovation commercialisation and tech transfer • ++ ICT adoption is slowly increasing • ++ Wide tech penetration • ++ Public research output is increasing
L1	Culture	<ul style="list-style-type: none"> • Cultural lag to absorb rapid reforms, especially in areas outside major cities (e.g. Upper Egypt and Delta). • High power distance: Generalised and exaggerated fear of opposition against leadership and military. • Strong religious identification (Islam and Christianity), questioning religious notions is not acceptable, giving power to religious figures and principles. • Gender disparity in leadership, access to finance. • High uncertainty avoidance, low performance orientation (<i>fahlawa & karwata</i>); classist society, negative outlook for vocational education • Generalised mistrust among market and social players, inter and intra-government units. • ++ Self-employment and entrepreneurship increasingly becoming respected career choices.

5.1.1. Institutional Voids Across Multi Levels: Abiding Entrepreneurship

Research agrees that institutions are reinforced and strengthened over time as more social players abide by them (Elert and Henrekson, 2020; Henrekson and Sanandaji, 2011; Welter and Smallbone, 2011). The fact that they are efficient, or poor is immaterial.

Some of the examined voids are inevitable “facts of life” which can only be abided by. Others can be worked around or evaded (Henrekson and Sanandaji, 2011). IVs located at L1 or culture, and L2 or regulations are the most embedded in the Egyptian institutional fabric, and generally most inevitable. This applies to most economies given the fact that they are slowly changing (Williamson, 2000). Conversely, IVs located at L3 or governance, and L4 or resource allocation are more fluid, and less engrained in the Egyptian institutional setup. In other words, they are more evadable. This is not to say, however, that changes are not happening in the meantime across the four levels of the setup.

L1: Cultural Voids: The institutional asymmetry

Since 2011, Egypt has undergone political and economic turbulence. This put its longstanding institutions to the test, resulting in forgoing the highly centralised economy. The economic transformation comprises a radical reform of the formal institutions which recognises the value of entrepreneurship-led growth. However, the prevalent norms and values embedded in the social culture have not yet absorbed the shock in relation to all the economic changes. This resulted in an apparent institutional asymmetry where informal institutions are yet to catch up with the formal ones as they lag behind them (Williams and Vorley, 2015b).

In connection to this research, the Egyptian culture is still very low on uncertainty avoidance. There is a low-performance orientation represented by the generally accepted practices of *fahlawa* (doing things haphazardly and expecting maximum result) and *karwata* (bungling). High-growth entrepreneurs interact with this culture specifically when dealing with the public sector and blue-collar workers. This is an example of a non-optimal inter-action between elements of the innovation system, resulting in a system failure (Stam, 2015).

Moreover, even as decentralisation and freer market regulations are being introduced, Egypt's political system remains hierarchical and non-democratic. Hence, we cannot simply assume that the institutional reforms will instantaneously take effect. In other words, those reforms cannot simply cascade across the social and political hierarchy, both vertically or horizontally, without a certain period of turbulence, or even cultural shock.

This is in line with Joskow's hypothesis (2004), that during periods of rapid institutional and social changes, significant instability in governance arrangements is to be expected. Thus, adapting to rapid changes at these levels will incur large costs in power and societal shifts as the society are undergoing those major disruptions.

L2: Regulatory Voids: Challenges, but unevenly distributed

Following the aggressive economic reform plan of 2016, however, more challenges emerged. As the long-due reforms were introduced, they juxtaposed new challenges and exacerbated existing ones. Market players, entrepreneurs included, were confronted with institutional uncertainty. HGFs in this study shared their frustration with navigating the polarised and even conflicting government agencies in order to operate and grow.

However, what this study has found is that the indicated IVs are unevenly distributed among HGFs. For example, HGFs in the manufacturing and medical sectors aired common frustration towards licensing, taxation, land ownership and accessing government officials in their respective sectors. Even if they have some political contacts, they still confront formal challenges especially when it comes to releasing imported goods from customs.

On the other hand, HGFs operating in FinTech, transport, water-saving solutions, and several online platforms highlighted how they were approached by (or easily accessed) higher-up officials to offer (or request) help. At least, in comparison to the Mubarak era. Government officials in this instance helped HGFs enrol in international exhibitions, and overcome administrative challenges among other favours (Puffer *et al.*, 2013). However, what is common among those firms is that they all operate in strategic sectors that align with the country's priorities at the time.

Operating in such industries here represents being in a favourable social position (Battilana, 2006). However, this does not necessarily include being politically connected (Armanios *et al.*, 2017; Diwan *et al.*, 2015). Interestingly, both groups shared the same frustration regarding taxation, obtaining licenses and dealing with customs, regardless of being politically connected or not.

As such, this study opens up an interesting question: to what extent of institutional change do political ties lose their value? What needs to happen in regulative voids specifically so that political connectedness is immaterial? Another unanswered question is whether political ties vary in accordance with the size of the firm, putting the industry into consideration. In other words, if the suffering HGFs in manufacturing industries were larger in size, would political ties make a difference?

L3: Normative Voids: Policy-implementation gap and Size of Government

At the governance level, resources are exchanged through mechanisms that buyers and sellers employ (Ford and Greer, 2020). In other words, it is “the play of the game” where contracts are exchanged across the institutional hierarchy. In the Egyptian framework, formal institutions are inefficient; namely because of the weak rule of law, law enforcement, and inefficient judiciary, among other voids. As such, informal institutions emerge. In other words, players are “playing the game” with very little regard for the rulebook.

The policy implementation gap

As this research uncovered, policies in Egypt are formulated at high levels, however, they cascade down the hierarchy with very little consistency. This creates a policy-implementation gap (Hudson *et al.*, 2019; Smallbone and Welter, 2001) which implicates problematic repercussions. In other words, higher-up officials fail to have the least understanding of what actually takes place on the frontline. More worryingly, they may be fully aware of the issue, but they have very little to do about it.

Overall, the systemic conditions in Egypt have overhauled radically in the last five years. However, reforms did not apply evenly, at the same pace or strength, across all government agencies. For

example, Ministries of Investment, Trade and Industry, Communications and Planning have staged a conducive environment for entrepreneurship. On occasions, it can be assumed they established an alliance and close connections with one another. However, they are being challenged, if not undermined, by other ministries in the government such as Finance and Judiciary. This excludes several powerful stakeholders in the system, which, unfortunately, lack accountability (e.g. the parliament, and the military involvement in the economy).

In this researcher's opinion, the first group represent "micro successes" inside an otherwise unsuccessful system or the second group. This is also in line with Peters', (2015) matrix of interactions among different types of failures in policy and governance (p. 271). Future research should thus examine the linkages between systemic conditions and policy success or failure in EEs.

On the frontline line, lower-level public servants meet the public face-to-face, entrepreneurs included, and they often enjoy discretionary powers (Lipsky, 1980 in Peters, 2015). Those powers can in fact determine a policy's success or failure. This is in line with Peters', (2015) notion of "governance failure". It reflects that the best policies will fail if the underlying factors within their governance arrangements are not conducive to success. This summarises the first group of normative voids at the Egyptian governance level.

Size of government and economic freedom

The second group of normative voids uncovered by this research are related to the size of government against economic freedom (EF). On the outside, it may look like the market is being liberalised. However, as state-owned enterprises keep joining the market with fewer entry barriers than their private counterparts, corruption, cronyism and political connectedness will only keep rising.

Main issues regarding EF include: gaining credit, trading internationally, moving money, size of government, budget transparency and absence of corruption (Gwartney *et al.*, 2019; Heritage Foundation Index of Economic Freedom, 2019).

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Interviewed HGFs particularly shared their frustration against the unlevel playing field. This is especially when it comes to entering public bids, and competing for public resources such as lands, or grants. In addition to participating in international exhibits (of being encouraged/sponsored to). Perhaps the largest challenge is competing against state-owned enterprises (size of government) given their size and price advantage, or larger players who are politically connected, thus they are treated preferentially (Ali and Najman, 2019; El-Haddad, 2020; The Economist, 2014).

Consequently, entrepreneurs find themselves forced in diverting much of their effort toward nonmarket actions (bribes & corruption) beyond their area of specification (Brenes *et al.*, 2018; Bylund and McCaffrey, 2017; Peng *et al.*, 2008; Wright *et al.*, 2005). For example, firms would be preparing for an international exhibit when they are “told” they cannot proceed because this technology can only be employed by the military. Similarly, they may be forced to bribe customs officials to acquire exporting licenses or release imported shipments from warehouses.

In conclusion, this research supports the proposition that a low EF reflects flawed core institutions. And until the Egyptian leadership addresses the deficiencies, both HGFs and larger market players will either drown or resort to rent-seeking and unproductive behaviour to stay afloat (Ács and Szerb, 2007b; Borozan *et al.*, 2017; Boudreaux *et al.*, 2017; Fuentelsaz *et al.*, 2015).

L4: Resource Allocation: The institutional and regime uncertainty

L4 is the level of everyday resource allocation in the market. In other words, here is where the day-to-day operations take place as defined by the economy’s other three institutional levels.

In connection to Egypt, the inefficiency of the public sector and corruptive behaviour are facts of life in everyday operations for citizens and entrepreneurs. Interviewees shared that they expect a discrepancy and even contradiction between the actual procedures of issuing a license/permit and the ones mentioned on the website. Several respondents in the manufacturing industry stated they always need to “call someone” to have imported shipments released from customs. Agritech

entrepreneurs also mentioned unsolicited government inspections to inquire about land deeds⁶⁵ and power consumption. Even when this is clearly beyond their jurisdiction, hence paying a bribe is in order. The same applies to filing and paying taxes.

Those unofficial expenses reflect the institutional cost of uncertain entrepreneurial action this is, unfortunately, the normal way of life for Egyptian citizens and entrepreneurs. In that sense, had there been strong governance (L3) in place, powered by a sound legal system with a strong rule of law (L2), this loop would have been closed. In other words, the misalignment between formal institutions (policy) and what citizens and entrepreneurs do to navigate them undermines the power of institutions (Bylund and McCaffrey, 2017). This means that the law and lawmakers are simply not expected (or trusted) to enforce rules fairly and equally.

This line of reasoning agrees with research in other emerging countries. In weak institutions, startups tend to be the most susceptible to uncertainties given their small size and political insignificance (Naudé, 2010, 2011). This is especially true as they are not protected by political institutions, resulting in destructive entrepreneurship by incumbent firms (Bjørnskov and Foss, 2013; Manolova *et al.*, 2008; Tonoyan *et al.*, 2010).

5.1.2. Informal Institutions

Some of the examined voids, however, are evadable. Put differently, as informal institutions still dominate the “game”, entrepreneurs will keep undermining formal institutions and try to get away with what they can via evasive behaviour. However, whether this behaviour can help them achieve growth beyond the examined constraints remains an unanswered question.

In connection to this research, as Egypt is undergoing a rapid transition, informal institutions have not yet adapted. The IMF-sponsored economic reform program in 2016 is a textbook “shock therapy⁶⁶” that strongly resembles that of the former Soviet Union (Marangos, 2002; Murrell,

⁶⁵ Land ownership is especially complicated in Egypt. Lands are primarily owned by the government or military of unrightful ownership through generations of squatting (SEARLE, 2005). Leaving thousands of owners without ownership or leasing deeds. This is currently being addressed in the Parliament.

⁶⁶ The Shock Therapy Model was a neoclassical model of transition advocating the immediate implementation of the necessary reforms to establish a free market economy (Marangos, 2003; Popov, 2000).

1993; Popov, 2006). In this sense, there was little to no adaptation to the local context, resulting in inconsistent institutions, some evolved, some not—another sign of the institutional asymmetry (Williams and Vorley, 2015b). More specifically, people who were ruled under socialism—e.g. Egypt following the 1952 independence-- were not encouraged to engage in private entrepreneurship. As such, the fairly abrupt reforms or changes can be especially threatening to economic players of any size and industry (Molz *et al.*, 2009).

Accordingly, the gap between the formal and culture-cognitive institutions in Egypt, made the informal institutions more pronounced as market players exploited opportunities from the lag, like in most MENA countries (Ozdamar *et al.*, 2020). This is but a clear sign that institutional change is indeed incremental in nature (North, 1991). More importantly, it is only through the evolution of informal institutions that we know the formal institutional development is complete (Peng, 2003).

Using Helmke and Levitsky's, (2004) model, Egyptian informal institutions can be classified into four groups (Table 5.2.). These are: complementary, accommodating, competing and substitutive.

A. Complementary Informal Institutions

In practice, low-tech sectors with a successful track record function fairly well (e.g. food processing). This and similar sectors carry little risk and are considered a “bank darling” as one interviewee indicated. Government-owned banks are more likely to finance those industries where informal norms of social obligation therein are compatible and **complementary** to formal borrowing regulations (Estrin and Prevezer, 2011). This is a simplified example where the performance of formal institutions is enhanced through a variety of norms and routines that allow formal ones to function efficiently.

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Table 5.2. Informal Institutions in Egypt: Implications for HGE

	Effective Formal Institutions		Ineffective Formal Institutions	
	Complementary	Accommodating	Substitutive	Competitive
Supply Side	-Limited -Low-tech low-risk sectors; e.g. food packaging and export.	-Political entrepreneurs: MoI, MoP, MCIT, MTI	-Institutional Intermediaries: support organisations, international aid agencies, foreign investors	-Military economic power -Politicised judiciary, parliament, press -State-owned enterprises Monopolistic behaviour -Land ownership, customs, manufacturing licenses
Demand Side		-ICT and strategic sectors: FinTech, transport, logistics, online platforms	-Offshoring and acquisitions, informal economy	-Cronyism -Clientelism -Corruption -Double reporting -Paying bribes

Limited
Substantial

B. Accommodating Informal Institutions

When it comes to entrepreneurship, innovation, and the labour market, there are largely effective formal institutions, especially after the IMF economic reform program. An **accommodating** informal framework has been working in parallel, but with incompatible goals, to the general institutional setup. This is because the overarching institutions, unfortunately, are partly subverting the principles upheld by this network of reformers.

As the regulatory institutions are in constant change, strict adherence to the formal rules governing entrepreneurship would not allow enterprises to fulfil their targets or reach their potential. Hence, political and market entrepreneurs had to find a way to *legally* work around formal procedures. Workarounds in this instance enable the firms to survive, and political entrepreneurs to bring about changes within their jurisdictions.

Political entrepreneurs are represented in MoI, MoP, MCIT, and MTI, on the supply side. On the demand side market entrepreneurs are represented in ICT sectors, especially FinTech, transport and logistics and online platforms that facilitate sharing economy. Political entrepreneurs – who

achieved “micro successes” inside an otherwise unsuccessful system (Peters, 2015; p.271) -- pick promising entrepreneurs and provide them with support to navigate bureaucracy, obtain licences, funding and even publicity. They similarly implement autonomous reforms in their jurisdiction such as migration to e-services, employee capacity-building and attracting foreign funding. Interestingly, this can partly explain the silo mentality and competitive spirit inside the government. Even when individual parts are working towards similar goals of reform and development.

C. Substitutive Informal Institutions

In a similar vein, despite ineffective business regulations, inefficient judiciary and low economic freedom, several positive informal mechanisms compensate and replace them—**substitutive** informal institutions. They promote positive investment outcomes both domestically in terms of entrepreneurship, and in relation to foreign investors leading to strong flows of FDI⁶⁷.

Similarly, for entrepreneurs, differing types of institutional intermediaries have been providing support through their positive relationships with both the government and entrepreneurship communities. This partly resembles the role of business groups, buying groups and networks in less developed economies, and the role they play in filling institutional voids (Bakir and Jarvis, 2018; Becker-Ritterspach *et al.*, 2017; Chipp *et al.*, 2019; Khanna and Palepu, 2000; Luo and Chung, 2005; Schrammel, 2013).

Entrepreneurs here resort to utilising social capital, political networks (Leyden, 2016), alliances, foreign investors and organisations to obtain license permits and access foreign markets and even obtain financing from government-owned banks.

⁶⁷ For example, there is a considerable role played by some government agencies (e.g. the Ministry of Investment and International Cooperation). They act as crucial substitutive institutions in this period so as a more favourable business and legal environment is created for foreign investors. Additionally, the 2019 World Bank’s Doing Business report ranked Egypt at 72nd place out of 190 economies in protecting minority investors, eight places higher on the same indicator in 2018. Similarly, 2019 WEF Global Competitive Index ranked Egypt’s property rights at 34th out of 141 economies, 17 places higher than that of 2018 (WEF_GCI of 2018 total examined 140 economies in total, not 141 like 2019).

D. Competing Informal Institutions

Finally, institutions in the political economy are in the worst position in relation to entrepreneurial and economic outcomes, despite formal institutions and governance codes being respectable on paper. This is because, in practice, several networks of informal institutions **compete** with the formal arrangements. This provides fertile soil for corruption, clientelism, and cronyism.

Interviewees for example repeatedly mentioned arbitrary inspection teams from taxes, utilities and other agencies. They predominantly extort rents and work on a sub-system of power and incentives within the larger formal institutional framework.

The more detrimental form of implicit competition is represented in the military-economic might, politicised judiciary, parliament and press. In addition to low market openness and restricted move of funds. By extension, business owners on the demand side engage in unproductive and destructive behaviours to survive (Baumol, 1990; Henrekson and Sanandaji, 2011). This is represented in double reporting, paying bribes, cronyism, clientelism and more.

5.1.3. Institutional Uncertainty and Evasive Behaviour

The Egyptian regulatory framework's quality is at best mediocre. Business regulations do not look clear-cut. While some may look good on paper, others cannot be described as such. The implications of this on high-growth entrepreneurship are complicated, and here the roles of institutional uncertainty and evasive behaviour come to the fore.

Much of the regime uncertainty in Egypt is derived from surprising changes and anticipated shuffles in various administrations, e.g. ministries. Not only is this embedded in the society's history, but it was highlighted the last decade after the nation underwent two revolutions and currency depletion. As such entrepreneurs doubt the future of the system, especially as they question the manner in which business regulations are put to practice. For example, if property rights are secure today, Egyptian entrepreneurs remain convinced that they might be undermined at some point in the future.

Similarly, there is a clear mismatch between the formal Egyptian government's policy and what citizens were able to get away with (Baker *et al.*, 2016; Bylund and McCaffrey, 2017). This creates

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room for entrepreneurs to doubt whether and how higher-level institutions would enforce their constraints, or how these constraints would change over time (Bylund and McCaffrey, 2017). Accordingly, evading actions deepen the existing institutional uncertainty as entrepreneurs conduct businesses outside the constraints of formal institutions.

Elert et al., (2016) constructed a game-theoretic interdependency model⁶⁸ depicting the interaction between the regulator and entrepreneur. The model can be used to illustrate the positioning of the entrepreneur and the regulator in relation to one another, and how the entrepreneurs and the regulators frame their decisions and strategies by expecting how the other party will (re)act (Table 5.3.).

Egyptian HGFs and Regulatory Response

Table 5.3. Interaction between five groups of HGFs and the regulator

		Regulator's Decision		
		Adapt to (enforce)	Remain Inactive	Adapt to Accommodate
Entrepreneur's Decision	Abide by	←	Manufacturing AgriTech	
	Alter		FinTech, Transport	
	Evade			→
				E-commerce

Elert's et al., (2016) model can be applied to illustrate the evasive behaviour of some Egyptian HGFs amid operating in the institutional uncertainty.

In the last six years FinTech, transport & logistics and e-platforms HGFs started by evading regulations as they expected the Egyptian regulator to remain inactive, or hopefully adapt regulations to accommodate the evasion. However, as those sectors started gaining momentum, the regulator started to adapt laws to accommodate for change. For example, the Egyptian

⁶⁸ Elert et al., (2016) constructed the model predominantly to illustrate the interdependent and interactive nature of evasive entrepreneurship. However, in this researcher's opinion, the model enables analyses of several entrepreneurial responses and the economic and institutional repercussions thereof.

government has been relentlessly improving infrastructure so that investors are encouraged to come. This has indirectly encouraged ride-sharing and logistics startups to emerge.

Moreover, the government started holding talks with ride-sharing giants like Uber and Swvl following the employment they created and the strategic market gap they filled. This move is considered an equilibrium that promotes change. Similarly, FinTechs have been receiving the most support in all forms, as the government is working to increase tax revenue, cashless transactions, and roll out financial inclusion. This has been established by various e-government services that facilitated issuing and notarising documents online.

This positive institutional change, however, has not included all e-platforms. In general, online platforms in a variety of sectors have been encouraged to start, especially with their job creation ability. However, e-commerce in specific has been suffering as the state itself started competing with state-owned platforms. In this case, the regulator has become an evasive entrepreneur who enjoys a market monopoly. For manufacturing and AgriTech, entrepreneurs act as most Egyptian market actors do and abide by some regulations and evade others, the ones they can get away with, knowing the government will remain inactive.

However, after the Central Bank of Egypt introduced the 5% loan for manufacturing firms, entrepreneurs who fulfilled the criteria were no longer evasive. In other words, some manufacturing entrepreneurs who met the loan criteria switched into an institution-altering behaviour as the regular encouraged them to explore opportunities.

Finally, AgriTech and firms in R&D sectors have not yet gained momentum, despite the strategic importance of their products. Given what they do is not yet on the top Egyptian priorities, they abide by rules that they know the regulator will enforce, and evade others that the regulator will remain inactive as well.

5.2. Institutional Intermediaries in Egypt

Interviewed Institutional intermediaries (IIs) belong to four groups: entrepreneurship expert or consultant, business incubator, international aid agency, and mentoring networks (See table 3.1. in sampling and data collection). However, following data analysis it can be deduced that

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government-backed business incubators __and other government units__ can be considered institutional intermediaries given the roles perform (more on this later).

This research shed the light on the role IIs play in promoting entrepreneurship and innovation in Egypt. Some play a particularly important role in high-growth entrepreneurship. Following (Kivimaa *et al.*, 2019) typology on the types of innovation intermediaries, as well as (Dutt *et al.*, 2016; Kilelu *et al.*, 2011; Kivimaa, 2014) systematic reviews of the literature on their different roles, IIs of this study can be classified as follows (Table 5.4.).

Table 5.4. Role of Institutional Intermediaries

Category and sector	Type of II	Range of activities in entrepreneurial sector (areas of focus)
SME/Entrepreneurship Expert/Consultant II_E1 & 2	User	Demand Articulation + Institutional Support
Incubator, Accelerator or VC II_IVC1,2,3 &4	Process	Knowledge and Tech Brokering/Enterprise Support&Dev
<i>Government-backed Incubator, Accelerator or VC</i> G_IVC1 & 2	Regime-based & Systemic	Knowledge and Tech Brokering/Enterprise Support&Dev
International Aid Agency II_IOA1,2,3 &4	Systemic	Institutional Support + enterprise support (capacity building) Institutional Support + knowledge brokering
Mentoring, Consulting & Networking II_MCN1 & 3	Niche	Network Building and Knowledge Brokering
Mentoring, Consulting & Networking II_MCN2	User	Demand articulation + institutional support

5.2.1. Types and Roles of Institutional Intermediaries in Egypt

A. Entrepreneurship Consultants: User Intermediaries for Demand Articulation and Institutional Change

The interviewed entrepreneurship experts and consultants mediate between regime actors and users. They can thus be classified as user intermediaries (Kivimaa *et al.*, 2019). II_E2 and II_MCN2 in specific provide facilitation services between various ministries including MTI, and MCIT, in addition to their client companies. They specifically intermediate between their companies' technological solutions, such as new sectors in FinTech, infrastructure and ICT and the dominant legal configuration.

The first type of support role undertaken by the experts in this instance is **demand articulation** (Klerkx *et al.*, 2009; Van Lente *et al.*, 2003). II_E1 for example has been co-producing new technologies (Boon *et al.*, 2011) with his start-up clients by helping them create demand for their new technologies in the Egyptian context. II_MCN2 helps her clients gather information, conduct strategic planning and assess knowledge gaps in the market for their service.

Secondly, support roles include **institutional support** and change in which II_E2 is a leading expert. The consultant and his team advocate for their clients, specifically FinTech and ICT companies before influential figures in the government; figures who are keen to incorporate new technologies in the Egyptian setup such as the MCIT and MoP. In this case, he created a platform for policy advocacy (Kilelu *et al.*, 2011) through which regulation changes can arise and be facilitated (Kristjanson *et al.*, 2009).

II_MCN2 has been linking SMEs with policy figures and scientific agencies so as they assess the demand and feasibility of their service before mass production. This agrees with (Poppen and Decker, 2018) notion that intermediaries can be considered institutional intermediaries as they engage in institutional change and Triple Helix-like processes (Leydesdorff and Etzkowitz, 1998).

B. Business Incubators and VCs: Process Intermediaries for Knowledge Development and Enterprise Support

Incubators/accelerators and VCs sample in this research include both commercial and government-backed programs. Business incubators implement context-specific priorities, informed by broader *transition* trajectories (Kivimaa *et al.*, 2019), this can be associated with process intermediaries. Adapting Kivimaa's classification, process intermediaries' key role is to develop a connection between different groups to advance daily activities and exchange information (Elzen *et al.*, 2012 in Kivimaa *et al.*, 2019). Business incubators fit this description as they connect startups with investors. Both commercial and government.

However, the key role of a business incubator is capacity development as well as knowledge brokering. As the name suggests, they incubate startups in various stages to develop their technical and business knowledge and help them start. Similarly, they perform knowledge brokering as they disseminate and communicate knowledge (Barrie *et al.*, 2017; Katzy *et al.*, 2013; Polzin *et al.*, 2016). IVCs 1-4 all engage in capacity-building activities for their incubatees. They link them to investors at the end of the cycle and they also link them to one another during the cycle. This is especially typical of matching technological demand and supply through peer exchange (Kilelu *et al.*, 2011).

In regards to the government-backed incubators, typical of a government agency, they are regime-based (Kivimaa *et al.*, 2019). Both G_IVC1 and 2 do perform capacity and knowledge building, however, in correspondence with the institutional interests of the prevailing regime. G_IVC1 for example is predominantly backed by MoI and G_IVC2 by MCIT. As such they follow their respective ministries' mandates in recruiting and supporting their incubatees. This applies to selected sectors, technologies and markets.

C. International Organisations and Aid Agencies: Systemic Intermediaries for Institutional Support

Next are the international organisations and aid agencies. Following Kivimaa's typology, they can be categorised as systemic intermediaries. In this sense, they act as facilitators that assemble actors from the government, different institutions, nongovernment organisations and firms to identify and develop various societal innovations. As such they intermediate on the system level between multiple actors and interests. System-level investments help develop rules and infrastructures aimed at providing incentives, regulations, and market linkages (Sutter *et al.*, 2017). Typical of an international organisation or aid agency, it negotiates and aligns interests across different contexts or regimes so as they are more compatible with each other. There are processes of standardisation and strategizing (Van Lente *et al.*, 2003) as there are goals and plans inspired by the local context. IMF for example is a systemic intermediary in the case of Egypt. It standardises the development plans inspired by its expertise in similar emerging markets. It also designs the best reform program that fits the Egyptian context.

Similarly, the examined sample of systemic intermediaries gains funding from a variety of sources including governments (foreign and domestic), as well as private funders. There is some degree of independence, but the overall goal is to advance systemic change the way they see it as best. Like II_IOA1 they have consulted the government on establishing an independent agency for MSMEs and building a free zone along the Suez Canal. II_IOA3 have been co-developing policies with the government on revamping the bloated public sector. Similarly, II_IOA4 and II_IOA2 have been providing enterprise development services for both private firms and government agencies. In this sense, they develop the capacity of government officials who engage with entrepreneurs and entrepreneurship activities, as well as support entrepreneurial firms. enabling politically more radical opinions and actions.

However, it is uncertain whether there is an ambitiousness toward disrupting the existing system. In other words, the examined aid agencies cannot be strictly regarded as neutral and unbiased facilitators, despite having a seemingly ambitious interest in reform. It cannot be simply assumed that these foreign agencies dedicate large funds and in-kind aids to purely promote the Egyptian

entrepreneurship. Here, the role of the political economy comes to the fore (discussed later in section 5.2.2.).

D. Mentoring Networks: Niche Intermediary for Network Building

Finally, mentoring networks in the Egyptian setup can be classified as niche intermediaries as per Kivimaa's typology. This is because they intermediate solutions from the perspective of a given niche. Such as the case of II_MCN1 targeting and advancing the niche of Social Entrepreneurship, and II_MCN3 for high-growth entrepreneurship within the overall Egyptian innovation system.

The key role they play is predominantly network building. This entails linking, coordinating and forming partnerships. Both organisations in the Egyptian sample not only link their members to each other but their peers in the region through domestic and international networking. Additionally, they select their fellows through a series of painstaking filtering processes. This way fellows are regionally and globally renowned for being a part of their organisations. This not only applies to the nature of the entrepreneurial activity but the character of the entrepreneur as well.

Similarly, both networks facilitated the sharing of scale-up and social entrepreneurship models were fellow and encouraged and expected to mentor newcomers. As such, they fit the classification of professional associations or standardization organisations (Geels and Deuten, 2006; in Kivimaa). As such, niche intermediaries share collective interests to both aggregate knowledge and guide local developments (ibid).

5.2.2. Role of Political Economy

Most economists attest that sound economic advice requires an understanding of the political economy of the context (Rodrik, 1996). Acemoglu et al., (2003) argue that good economic institutions are those that provide security of property rights and relatively equal access to economic resources to a wide section of society, not only the political elite. As such, political institutions that place checks on those who hold political power are a prerequisite for good economic institutions (Acemoglu *et al.*, 2005). This, unfortunately, does not apply to Egypt.

Similarly, it has been established that entrepreneurship can either be a vehicle for economic growth through productive activities. It can also be channelled towards unproductive and even destructive

activities (Douhan and Henrekson, 2008; Henrekson and Sanandaji, 2011; Minniti, 2008; Sobel, 2008). This is because the entrepreneurial activity adapts to the institutional framework as it interacts with the political system (Douhan and Henrekson, 2007). In more detail, entrepreneurship enters directly into the political-economic system as it is closely affected by the status of property rights in society.

The findings of this study reveal how the political economy of Egypt and entrepreneurship are strongly intertwined in three ways: First, the economic reform, although seemingly radical it is widely unbalanced, leaving a lot in the society behind. This is because power-holders are still not held accountable. Second, development-targeted finance and a wide array of foreign aids in Egypt are clearly failing to bring about social justice and equality. Instead, they are focussing on short-term and superficial targets which are not directed to institution-building. Third, the continued military involvement in economic activity is becoming increasingly predatory in nature. This encourages cronyism, rent-seeking, and crowds out smaller players, i.e. entrepreneurs.

A. The Economic Reform: Radical but unbalanced

Regarding the economic reform. Not all aspects of the institutions were addressed, e.g. corruption, cronyism, addressing political opposition and freedom of expression. For example, II_IOA1 and II_IVC1 comment on the proliferation of “one-stop shops” to simplify business registration in Egypt since 2005. However, they are still not fulfilling their purpose. Buntaine et al., (2017) refer to the failure of developing countries to address corruption prior to rolling out wide economic reforms.

If one thing can be blamed for this, it will be the lack of accountability. This is in line with (Acemoglu *et al.*, 2005; Acemoglu and Robinson, 2000) notion that when left unchecked, political power holders, especially those with substantial investments, will specifically resist institutional change, particularly a change that precludes rent extraction. Like in Egypt, higher-up public officials and cronies are not opting for a system where property rights are equally available to the rest of society.

This is in line with Acemoglu *et al.*, (2003) that countries pursuing poor macroeconomic policies also have weak institutions including political institutions that do not constrain politicians and political elites, ineffective enforcement of property rights for investors, widespread corruption, and a high degree of political instability. All this is characteristic of Egypt.

B. Development Finance: Superficial, at best

Second, the IMF program in its entirety is questionable. This is partly evidenced by the new institutions that emerged post-IMF. This pack of reforms and the ensuing institutions are long overdue. Why were they rolled out now? Why not before? Especially if the Egyptian revolution, unfortunately, failed to bring about social justice and end political repression.

Research on development assistance and concessional loans agrees that when governance standards in the receiving economy are in bad condition, very little can be done by the donor to correct that (Asongu and Joseph, 2019; Asongu and Nwachukwu, 2014; Busse and Gröning, 2009; Rajan and Subramanian, 2007; Svensson, 2006). International development organisations seldom incentivise recipient countries to really solve their public problems. As such the governing elite are more busy preparing documents signalling their progress towards achieving the predetermined targets (Bräutigam and Knack, 2004; Buntaine *et al.*, 2017). Overall, research is in consensus that foreign aid is adversely affected by own government inefficiency, and also ineffective in achieving economic or promoting democratic institutions (Chong *et al.*, 2009; Chong and Gradstein, 2008).

In the Egyptian case, since the 2011 uprising, Egypt raised large funds from the international community, especially from the Gulf states⁶⁹. However, given the Egyptian government is not accountable to its citizens, it is under less pressure to maintain public legitimacy. Accordingly, similar to other sub-Saharan African nations, the Egyptian administration is less likely to have the incentives to cultivate and invest in effective public institutions (Moss *et al.*, 2005).

⁶⁹ Estimates indicate that Egypt raised approximately \$92 billion in aids and soft loans from Gulf states since 2011 (Al Arabiya, 2015; Carnegie Endowment for International Peace, 2020c; Middle East Monitor, 2019).

Foreign governments supporting Egypt were criticised for “throwing money” at Sisi’s administration with very little accountability (El-shimy and Dworkin, 2017). G_PU3 for example explained in detail how public officials are not only demotivated, they do not have the correct skillset, i.e. not technocrats, to manage and allocate public funds. This is in line with (Moss *et al.*, 2005) notion that local officials are not motivated to carry out developmental activities. This is because they were never included in the policy planning, and they are not rewarded for doing so.

Evans, (2004) and Rodrik, (2000) propose that development organisations are mostly preoccupied with installing “blueprint” and “best practice” institutions regardless of their applicability to the local context. This leads governments in developing countries to poorly implement those transplanted and standardised regimes, which mostly end in failure.

In the case of Egypt, there are even more complications. They predominantly deal with Egypt’s geo-political location. Egypt is a strategic barricade to illegal immigration to Europe⁷⁰. Furthermore, Egypt is a large arms buyer (especially from France). Arms it uses to curtail Islamic militias in Sinai. Consequently, despite raising concerns and international criticisms, several EU governments still view Egypt as “Europe’s *indispensable partner* in fighting illegal migration and counter-terrorism measures” (Al-Kashef and Martin, 2019; Financial Times, 2020; Open Democracy, 2020; Reuters, 2020d). As such, Western powers remain silent on the Egyptian record of human rights, corruption and dictatorship. This could be interlinked with the large financial and in-kind aid Egypt has been receiving, but with little impact on institution-building.

Thus aids, foreign grants, and international cooperation agencies follow specific political agendas in accordance with their countries of origin. This would undoubtedly implicate conflict. In fact, Greenwood *et al.*, (2011) suggest that when conflict arises between old and new institutional arrangements, compliance with introduced norms is impossible to achieve because satisfying the institutional pressures requires defying others resulting in unintended outcomes. In sum, external

⁷⁰ According to the UN’s International Organisation for Migration, illegal immigration from Egypt to Europe was thwarted to almost 0% in 2020 (Egypt Independent, 2020; Egypttoday, 2019g).

aids and grants should not be taken at face value. Much more investigation is needed on their immediate and long-term impacts.

C. Military Economic Might: Market, Disrupted

Third, this study has highlighted the economic might of the military on several occasions. Not only is the army budget untaxed (Carnegie Middle East Center, 2019; Marshall, 2015), but former military members are actively involved in the economy whilst benefitting from their contacts and power. Again, this is because, without checks on political power, army businessmen simply use their power to keep the economic institutions that benefit them, but not the rest of the society (Acemoglu and Robinson, 2000). Over time, military companies will increase their predation as economic actors, further hindering the Egyptian economy (Middle East Eye, 2018). Consequently, property rights will remain to be in the hand of the elite, i.e. crony capitalists, larger players, especially army-backed investments (Acemoglu *et al.*, 2005).

As it was confirmed by this research, HGFs are left behind, or at best, not encouraged to partake in commercial bids, international exhibits and bank loans, especially government-owned banks. Similarly, they share common frustrations about licensing, bureaucracy and lack of transparent policies. In brief, unless businesses are well-connected or too large to fail, their chances of success are very slim (Ali and Najman, 2019; Aziz, 2017; Basu and Miroshnik, 2016).

Surprisingly, ten army-affiliated companies were publicly listed on the Egyptian Stock Exchange throughout 2020. The listing allows foreign and domestic investors to own up to 100% of the shares (Al-Monitor, 2020c; Enterprise, 2020c; Reuters, 2020e). However, under the existing issues of transparency, unfair competition, and opacity of the business environment, there are significant hurdles against floating the military companies (Carnegie Middle East Center, 2020).

5.3. Institutional Entrepreneurship: Altering Behaviour Manifested

5.3.1. Patterns of Institutional Entrepreneurship by government, intermediaries and HGFs

This section examines the patterns of institutional entrepreneurship played by the three groups of social actors this study examined. Each actor is situated at a certain level in the Egyptian institutional setting from broad to specific. Similarly, each actor performs one or more types of entrepreneurship comprising a set of institutional work (IW) activities (Lawrence and Suddaby, 2006). Table 5.5. illustrates the set of IW activities performed by each group at their institutional level.

A. Government as an Institutional Entrepreneur

At the macro level, there are the government and regulatory bodies. Here, the government is an institutional entrepreneur undertaking policy entrepreneurship roles (Cao *et al.*, 2014).

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Given the broader institutional setting of Egypt is of low quality, weak feedback mechanisms may direct policy entrepreneurship toward unproductive activities (Henrekson and Sanandaji, 2011).

Table 5.5. Role of Actors in Institutional Change

Actors	Range of activities: IW Creating Institutions	Type of Entrepreneurship		
Macro Government	Defining & advocacy: mobilising political support through direct controls Construction of rule systems, defining boundaries and creating status hierarchies within a field Vesting: the creation of rule structure that confer property rights (in the market)			
Meso Intermediaries	Constructing normative networks: constructing inter-organisational connections through which practices become normatively sanctioned and which form the relevant peer group with respect to compliance and M&E (IMF, reporting on Egypt’s performance)			
Micro HGFs	Mimicry: associating new practices with existing sets of taken-for-granted practices, technologies and rules in order to ease adoption (HGFs new innovations, copying advanced economies innovations and localising them until they gain legitimacy, especially the market is underserved and is in dire need for them and the government is unable to fulfil those needs) Educating: educating of actors in skills and knowledge necessary to support the new institutions (educating masses, changing culture such as Uber and Careem educating drivers to use smart phones and people to call a taxi via an app until the new innovation gains momentum)	Political	Collective	Market & Business

In the Egyptian case, several policy agents, however, managed to mobilise enough political support to effectuate change (IW defining and advocacy). MoI, MTI, MoP and MCIT are some of those agents.

This was all supported by the Cabinet to create MSMEDA to regulate entrepreneurship. This in itself creates a structure for protecting property rights (IW Vesting). Furthermore, MSMEDA

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created an institutional arrangement where regulatory agencies act as agents. Those agents have shared “mental maps” with standardised routines to allocate and manage power and resources (Van Der Steen and Groenewegen, 2009).

The way those ministries perform political entrepreneurship is that their domain of action is a subsystem in the Egyptian institutional setup (Bakir and Jarvis, 2018). As has been mentioned before, they represent “micro successes” in an otherwise failed or weak setup (Peters, 2015). As such, they have become agents of change through designing entrepreneurship policies and solutions through coalition-building and access to key policymakers (Bakir and Jarvis, 2018), e.g. Prime Minister, influential officials at the Ministry of Finance as well as foreign organisations such as the UN, IMF, EBRD and others.

Typical to a developing country, existing public policies in other domains are in conflict with policies to promote entrepreneurship and SME promotion. Thus, policy misalignments almost undo the motive of entrepreneurship; suffocate business innovation and expansion; and contribute to necessity-type of entrepreneurship in the country (Edoho, 2015). As such, the institutional change that is happening in Egypt must accommodate the role of the government to facilitate, promote and regulate the entrepreneurial activity (Smallbone and Welter, 2012).

In conclusion, Henrekson and Sanandaji, (2011) point out that good institutions do not arise out of nowhere, as they are often the result of policy entrepreneurship by gifted pivotal individuals. The productive political entrepreneur deserves recognition as a fundamental agent in the economy, just like the productive market entrepreneur. This applies to the select political entrepreneurs in the Egyptian case. Similarly, Ahlstrom and Bruton, (2010) indicate that the greater acceptance by the government, and its associated changes in legal/regulatory institutions, can in turn impact other institutional pillars. For example, in the case of post-communist transition economies, the acceptance by the government strongly impacts the normative acceptance by society of entrepreneurs. The actions of the government also impacted the cognitive institutional pillars (ibid).

B. Institutional Intermediaries as Institutional Entrepreneurs

At the meso level, there are the institutional intermediaries represented in various entrepreneurship support organisations. Here, IIs are another type of institutional entrepreneur undertaking both collective and policy entrepreneurship roles.

Simply put, consulting, networking, mentorship and incubators construct inter-organisations connections through which entrepreneurship practices become normatively acknowledged, certified, standardised (Kilelu *et al.*, 2011) and even sanctioned (IW constructing and changing normative associations and networks). For example, II_MCN1 and II_MCN3 award their fellows domestic and regional statuses that grant them easier access to funding. II_IVC1,2,3 and 4 provide capacity-building services for their incubatees (Klerkx *et al.*, 2009). This includes training and strengthening managerial skills and competence.

Similarly, another group of the IIs provides similar services but for the Egyptian government, such as II_IOA1,2,3 and 4. Reports are written on the performance of Egypt on a set of practices, starting from legislation making to gender equality and business regulations. This kind of monitoring and evaluation positions Egypt in a relevant group with respect to compliance, i.e. standard-setting bodies (Khanna and Palepu, 2010). Not only does this allow cross-comparison between countries in which the different IOAs operate (Liverani and Lundgren, 2007), but also, it grants Egypt a form of credibility in the international business and civil community.

This is in line with Van Lente *et al.*, (2003) logic on the role of innovation intermediaries in changing innovation systems. In the Egyptian framework, II at the meso level function in networks as well as the system as their focus is primarily on the strategic level. Consequently, they operate more on the public, public-private, than in the private domain exclusively (*ibid*).

It can be assumed that this group of II engages in Collective Institutional Entrepreneurship (CIE) or Collective Entrepreneurship. In this sense, they integrate individual skills in groups to make innovation occur in the form of group activity (Dana and Dana, 2007; Kshetri, 2009). This facilitates collaboration among social networks that EE entrepreneurs direly need so the path to social change is paved (Ratten, 2014). Consequently, the collective efforts of numerous actors are

pooled together, rather than the skills of a few entrepreneurs (Lawrence and Suddaby, 2006; Suddaby and Greenwood, 2006). As such, collective institutional change occurs as a result of the IW of a broad category of actors (Lawrence and Suddaby, 2006; Wijen and Ansari, 2007).

However, it is worth-mentioning that as II can be promoters of a better business and entrepreneurship climate, they can also obstruct entrepreneurial growth. Eberhart and Eesley, (2018) arrived at this conclusion through analysing a Japanese case of technology firms. Their analysis deduced that there is a “dark side” for institutional intermediaries, especially when they alter resource flows to new ventures which negatively impacts new firm growth rates. In the developing countries, especially ones undergoing transition like Egypt and MENA countries, IIs’ roles cannot be assumed as purely beneficial to entrepreneurship.

C. HGFs are Institutional Entrepreneurs

Finally, on the microlevel, there are the HGFs. As institutional entrepreneurs, HGFs here undertake market, collective and policy entrepreneurship roles.

HGFs have been introducing market innovations to Egyptian consumers as the old system crumbled in 2011. Unlike policy entrepreneurship, market innovations enjoy low barriers to entry as they do not require mobilising a political majority (Henrekson and Sanandaji, 2011).

Following the regulatory and institutional upheavals of 2011, Egyptian innovators triggered technological discontinuities that raised the public sensitivity towards varied social issues. In this case, HGFs were endogenous drivers who emerged from within the Egyptian framework (Wijen and Ansari, 2007). Rip and Kemp, (1998) argued that technological changes promote sociotechnical transformations, thus giving rise to new socio-institutional contexts. When technology is introduced by entrepreneurs, a link is created between entrepreneurship and institutions (Douhan and Henrekson, 2007). A feedback loop then develops between entrepreneurship and institutions—which explains the discontinuous nature of economic growth (Henrekson and Sanandaji, 2011).

This reasoning could explain the speed at which the Egyptian economy rapidly took off. Following 2011, after a long stagnation, both political transformation and entrepreneurship led to an

institutional change. The then-united political entrepreneurs induced turmoil that destroyed the legitimacy of political institutions. This created an opportunity for market entrepreneurship to fulfil the new emergent and unmet market needs as the shift disrupted the existing setting. Similarly, as technological changes –promoted by business entrepreneurs—became successes, they, in turn, created an opportunity for productive political entrepreneurship (Elert and Henrekson, 2017).

As far as market entrepreneurship is concerned, HGFs in Egypt succeeded to exploit the market opportunities which emerged following the IMF loan that was facilitated by productive political entrepreneurs. As prices doubled, markets underwent a shock and innovators were quick to react by associating new technologies that largely fit the existing accepted practices. For example, HGF_TL1,2 and 3 and Swvl for ride-sharing, HGF_EP1,2, and 3 and HGF_TL4 for sharing economy. All also contributed a great deal to job creation. Similarly, HGF_FIN1,2,3 and 4 localising FinTech technologies (IW mimicry) as the state was quickly shifting to cashless transactions. Here, the innovators filled large and underserved market segments while the government was unable to make the transition on its own. Almost all HGFs in this sample also educated customers (IW educating) on using the new technology as the new emergent institutions are supported, and cultural changes are taking place quickly. Over time, technological novelties such as ride-sharing and online platforms structured changes within the existing sociotechnical landscapes (Rip and Kemp, 1998). As they amassed popularity, they led to irreversible sociotechnical transformations (ibid).

This explains how HGFs engaged in collective action to solve problems associated with the underdeveloped physical and commercial infrastructures in Egypt (Marquis and Raynard, 2015). HGFs could not have done this on their own. Here, HGFs acted as collective institutional entrepreneurs as they navigate the challenging Egyptian contexts by mobilising other actors. In this case, both the Egyptian consumers and policymakers are the other actors who contributed to the divergent changes (Battilana *et al.*, 2009)

Lastly, HGFs performed policy entrepreneurship to some extent. Here, their innovations attracted public attention which in turn integrated multiple political actors embedded in the public policy

sphere⁷¹ (Hillman *et al.*, 2004). Political and regulatory support were mobilised through varied manners of social suasion (IW advocacy). As such, policymakers facilitated implementation policies that are favourable for entrepreneurship (Battilana *et al.*, 2009; Woolthuis *et al.*, 2013). These collaborative political activities were positively associated with public interests. Unlike before 2011 in the Mubarak administration where political ties were primarily informal, and directed towards private business interests (Ge *et al.*, 2019).

Accordingly, through market, collective and policy entrepreneurship, Egyptian HGFs mobilised diverse resources and actors for institutional changes directed at changing formal regulations.

5.3.2. Altering Behaviour and Institutional Change

Achieving institutional changes led by entrepreneurs in developing economies is a challenging feat (Kalantaridis and Fletcher, 2012; Khanna *et al.*, 2005; Lajqi and Krasniqi, 2017). However, when entrepreneurs form a critical mass into collective action against arbitrary regulations (Wegner, 2019) they can orchestrate a change (Elert and Henrekson, 2020).

In Egypt, political, collective and market entrepreneurship have been occurring in tandem. Regulatory, normative and cultural changes were brought softly after 2011, and hardly at all after the IMF deal in 2016.

After the 2011 revolution, social unrest unveiled the severe political and social voids, leading to institutional upheavals. It was the hope for political opposition to unite and pave the way for a liberal regime. However, their failure of unity allowed other powers to (re)organise and (re)emerge.

The Egyptian state has indeed shaped the institutional framework in several productive and unproductive/destructive ways.

Egypt managed to position itself amid global business communities by devaluing the pound, thus making Egyptian exports much cheaper, and reshaping business and entrepreneurship regulations,

⁷¹ Hillman *et al.*, (2004) refer to this as Corporate Political Activity (CPA) in which corporates attempt to shape government policy in ways favourable to the firm.

among other reforms. Thus, it managed to elicit international entrepreneurship (Nasra and Dacin, 2010). Blessed with natural resources, a strategic geopolitical position, a youthful population that is tech-savvy and cheap to hire, a wide consumer base and a hungry market, as well as strong ties with Gulf states, Western and Far Eastern powers and Africa, it has undoubtedly capitalised on its competences and crafting the institutions required to do so (Al-Sayyid, 2017).

Unfortunately, they are not all positive changes or at least equally distributed. The military has all but lost its control over power and the economy. It has tightened its grip, only not wearing the green uniform. To do so, it has cracked down on freedom of expression, press, civil sector (Abd, 2012), and all types of political opposition (El-Haddad, 2020) and it draconianly seized public and private media leaving absolutely no breathing room for dissent (Acemoglu *et al.*, 2014; Herrold, 2016; El Issawi and Cammaerts, 2016). At the same time, using the generally low quality of the institutional framework, army-affiliated businesses reorganised themselves to provide essential services for the Egyptian public, both faster and cheaper than their private counterparts (Adly, 2017; Carnegie Middle East Center, 2019; Marshall, 2015; Middle East Eye, 2018). Thus crowding out smaller or unconnected investors (Ali and Najman, 2019; Schwab, 2018). As such, more room for unproductive behaviour was encouraged (Elert and Henrekson, 2017). This is because it made more sense for commercial actors to be crony capitalists (Chekir and Diwan, 2015), and engage in corruptive and nonmarket behaviour to achieve economic gains (Oriaifo *et al.*, 2020; Springborg, 2017).

It is undeniable that entrepreneurship has flourished under Sisi, coupled with strengthening business institutions, infrastructure and international investment (Gem Consortium, 2020; Ismail *et al.*, 2018). However, the political power is still in the hands of the elite without access to the broad section of the society (Acemoglu *et al.*, 2005). Thus, a military dictatorship could be a threat (Acemoglu *et al.*, 2010).

Research primarily indicates that it is only through a fair and equal political system that good economic institutions are able to emerge (Acemoglu, 2006, 2011; Acemoglu and Robinson, 2000). However, China has proven it is possible to have both a large government and a strong economy (Kshetri and Dholkia, 2011; Yang, 2007).

On the meso level, there are external organisations introduced entirely or partly by governments or other formal authorities like the IMF, USAID, or the World Bank (Boettke *et al.*, 2015). Similarly, there are domestic and transnational organisations created by or in affiliation with the Egyptian government or entirely by outsiders. The goal here is concretely the same, community development and installing lasting changes. However, those plans, or blueprints of reform can only do so much. It is only within the hands of the indigenous institutions that institutional change can truly happen (Boettke *et al.*, 2015; Bräutigam and Knack, 2004; Svensson, 2006).

Finally, Egyptian entrepreneurs in general and high-growth entrepreneurs in specific are acting as micro-institutional actors. Here, bottom-up changes are created through a blend of entrepreneurs' commercial goals and their aim to strengthen the emergent institutional infrastructures post-2011 (Sydow *et al.*, 2020). Luckily, entrepreneurship accumulated success that complemented top-down interventions as Egypt was restructuring its institutions, and allowing supporting intermediaries (e.g., incubators, development organizations, science parks) to fill various institutional voids.

5.3.3. New Institutions, Fluid Institutions

Egypt has undergone relentless shifts in an institutional environment as one can see. Examined HGF have had to make a range of changes to keep up with the constant changes in their new environment, including working to alter their institutional environments.

The rapid evolution of technology in Egypt after 2011 paved the way for ICT and tech-enabled high-growth firms. Thus, there is a greater acceptance of entrepreneurship and technological solutions as the environment for business and competition is less hostile than it was in the past. However, there is still significant, if not more, interference from both the government, political elite and cronies.

Legal institutions as represented by laws and regulations have evolved to become more supportive. Under the Mubarak administration, the government was inefficient if not a hindrance to entrepreneurial ventures. There was rampant corruption, no room for small players and oligopoly by well-connected businesses. Today the government finally recognised the importance of self-employment and entrepreneurship in all its forms. Encouraged --or forced-- by the IMF reform

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program new technology ventures are becoming more legitimate and viewed as crucial for the development of Egypt. Firm registration has become far more efficient than in the past as a group of policy entrepreneurs in the Egyptian government has created an encouraging environment.

The IMF inspired various state-owned banks to fund micro and small businesses covering a wide variety of sizes, sectors and geographical areas. Egypt is paying attention to female-led businesses, informal economy, Upper Egypt and decentralisation for the first time in its modern history. The world has been witnessing those changes and contributing to large investments.

Entrepreneurs have been approached by key government officials to help in financial inclusion technologies, mobile wallets, renewable energy and other essential sectors at this sensitive time. Similarly, entrepreneurs have not been passive amid the rapid changes. Rather, they modified, adapted and even exploited the new environment to create solutions helpful for the public.

Table 5.6. illustrates the institutional changes in regulative, normative and cultural institutions.

A. Changes in Regulative Institutions

This research predicts that regressive changes to the Egyptian business environment will slow down. This is because Egypt has been involving with the global market which in itself is associated with great socioeconomic impacts; ones that Sisi's administration cannot openly reject.

Entrepreneurship is finally being appreciated as a source of employment and economic development. This is observable in the change of business-related institutions as they are more effective and predictable. Egypt has enacted much entrepreneurship, business and investment laws and enforcement mechanisms are notably strengthening.

As such, unlike in Mubarak's crony era, motivation for entrepreneurial ventures is growing as property rights are becoming more embedded in formal institutions.

In the last few years, for example, following visits from European and American diplomats, political prisoners and journalists were released from prison. Furthermore, several reports indicate that the new Biden administration will not overlook human rights problems in Egypt like Trump.

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Furthermore, as international investors are involved in many of Egypt's mega projects, Egypt is expected to honour property rights, promote private entrepreneurship and address its human rights issues so that it gains worldwide respect.

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Table 5.6. Institutional Change Influencing and Influenced by Entrepreneurship in Egypt

Institutional Pillar	Institutions in the Past	Institutions Today
Regulative	<p>Low motivation for entrepreneurial ventures given weak property rights. Very weak enforcement.</p>	<p>Change in design and effectiveness of formal institutions Increasing taxes and regulation as the regulatory institutions become more stable. Egypt has enacted many entrepreneurship, business and investment laws were enforcement mechanisms are strengthening.</p>
	<p>Government and political elite are still not held accountable</p>	
Normative	<p>Cronyism, clientelism are the only way to successful grow a business. Political elite. Almost no VC funds, accelerator and incubator programs. SFD supporting small businesses who are politically-connected. No place for innovation and youth. Little economic value.</p>	<p>Change in distribution of power and resources Role of government increases in society as greater institutional stability increases Support organisations and networking organisations are more important than in the past as several means of certifications and memberships/fellowships emerge as this is what investors rely on. Social networks gain more importance especially informal relationship with high government officials. Inflows of foreign investment and FDI thanks to successful exits and improving legal atmosphere.</p>
Cognitive	<p>No respect for entrepreneurship as a career path. Perceived as sign of failure to find a formal employment and alternative jobs. Strong culture of complacency, fear, conformity and risk-aversion given the Mubarak draconian administration. No social networks with political elites.</p>	<p>Cultural evolution: Updating of beliefs/mechanism for coordination and change in societal values Increasing legitimacy of entrepreneurial ventures in society and entrepreneurship as a respected career path. Social attitudes are increasingly favouring entrepreneurship. Role of government increasing in technological sector as a major funding source for such firms.</p>

Secondly, as the legal framework is becoming more encouraging for entrepreneurship, more entrepreneurs are given a role in policymaking. In January 2021, Neveen El Tahri, Egypt's first woman to sit on the board of the Egyptian Stock Exchange, was appointed by the House of Representatives. El Tahri owns a VC fund and has been financing a series of successful ventures.

II_MCN2 also mentioned that a former fellow joined policymaking circles and managed to convince key politicians to allow students with HIV to be on campus, unlike before when they were not permitted.

As such, various actors from the society are contributing to policymaking, giving rise to the role of institutional entrepreneurship. However, what has not changed, is the lack of accountability for the political elite.

B. Changes in Normative Institutions

In the Mubarak era, entrepreneurship was almost unheard of given the economy was predominantly ruled by the well-connected cronies and political elite with vested interests. Taking loans is still associated in the Egyptian mentality with criminality, corruption and lack of patriotism after a series of imprisonments in the 80s and 90s. Businessmen who did not share profits with Mubarak's Nationally Democratic Party were framed for fraudulent crimes and thrown in jail.

However, following the 2011 social upheaval, particularly after the 2016 IMF deal, Egypt started shifting toward a market economy. This in turn has led to socioeconomic and cultural changes. As business-friendly institutions emerged, the road to entrepreneurship was smoother. Similarly, competition became fairer for smaller players and corruption was observably weaker than before.

Consequently, educated and returnee entrepreneurs, especially those running high-tech ventures were achieving success and sitting precedents as role models.

Egypt represents one of the fastest-growing markets for VC in MENA and the emerging world (source Magnitt). VC investment in Egypt amounts to \$xx in year xx. This rapid increase can be attributed to the growing confidence in the Egyptian entrepreneurs as well as institutions and property rights. This is a considerable change in comparison to the Mubarak era when there were

almost no VC funds and a limited number of incubator programs, primarily dominated by the government-run SFD. Such incubation programs supported low-tech sectors with little economic value and a high volume of corruption.

However, the distribution of power and resources has now changed. This is related to the increasing role of government in ensuring institutional stability and safeguarding property rights.

By extension, this inspired confidence in nongovernment organisations such as support and networking organisations to join. As institutional intermediaries, they fill roles the state is unable to fill. For example, providing several means of legitimation through certifications or fellowships, thus inspiring confidence in investors. This is evidenced by the rising inflows of foreign investment thanks to successful exits and an improving legal atmosphere (source).

Moreover, social networks are gaining importance of gain as informal relationships with high government officials are becoming readily accessible. This is a considerable change in comparison to the Mubarak era where government networks were exclusively for capital cronies and well-connected *partners* of the political administration, with absolutely no room for smaller players to join.

C. Changes in Cultural-Cognitive Institutions

The Egyptian institutions have been witnessing rapid changes after long periods of stagnation and a strong culture of complacency. In the Mubarak era there was an embedded sense of fear, conformity, and risk-aversion within a corrupt administration; one that strongly promoted social networks with political elites.

However, as regulative institutions are improving allowing room for private ownership and respecting property rights, entrepreneurship is now becoming respected and celebrated. This is unlike before when it was perceived as a sign of failure to find alternative formal employment.

As entrepreneurs as growing in success and setting precedents, cultural evolution has been quietly taking place. Here, the legitimacy of entrepreneurial ventures has been increasing in society, and entrepreneurship is becoming increasingly respected as a career path. In 2020, entrepreneurship is

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perceived as a good career choice by 71.5% of Egyptians. This is above the global average of 68.5 (Ismail *et al.*, 2021).

This is facilitated by the growing role of government in building entrepreneurship-friendly institutions, listening to entrepreneurship, and becoming a major funding source for entrepreneurial, and technological firms.

Optimistically, this indicates that the emergence of the Egyptian market economy is indeed altering the cognitive institutions giving rise to entrepreneurship and self-employment as respectable avenues for employment. This is a big step given the Egyptian government was the main provider of employment following decades of socialism and post-independence turbulence (Barsoum, 2015; World Bank Group, 2018a).

CHAPTER 6: Conclusions and Implications

This dissertation is aimed to investigate the institutional conditions that allow high-growth entrepreneurship to flourish within a developing country that is undergoing structural transformation. The findings of this research uncovered a triad relationship among high-growth firms, institutional intermediaries, and formal institutions.

This account captures the patterns of institutional entrepreneurship and collective institutional entrepreneurship played by market and policy entrepreneurs. By exploring the role of government, support organisations and high-growth entrepreneurs not only as institutional intermediaries but also as institutional entrepreneurs a new dimension is added to the institutional theory. Thus, this research deepens the understanding of collective institutional entrepreneurship and the entailed activities played therein by market and policy entrepreneurs.

The following section details the research implications and contributions.

6.2. Research Implications and Contributions

Implications for Theory

This research examined the extent to which the institutional voids impact entrepreneurial activity, and the manner through which three groups of economic actors behave across three institutional levels (government on the macro level, institutional intermediaries on the meso level and high-growth firms on the micro level). The empirical setting for this research is Egypt, an emerging economy undergoing fundamental economic and institutional changes, thereby providing a rich research setting where it is possible to understand the impact of the institutional context on entrepreneurial processes and vice versa.

Institutional Voids

The empirical findings demonstrate that the profusion of institutional voids and informal institutions create institutional uncertainties (among other implications) in the emerging economy (Bylund and McCaffrey, 2017; Helmke and Levitsky, 2004; McCarthy and Puffer, 2016). This

elicits workaround practices by the HGFs which can be categorised as evasive behaviour (Henrekson and Sanandaji, 2011; Moulick *et al.*, 2019). Consequently, the government, as the regulator, reacts in a variety of ways: enforcing extant laws, remaining inactive or adapting to accommodate (Elert *et al.*, 2016). Each carries different implications to entrepreneurs and their respective sectors.

The analysis and findings reported here fill important gaps in the literature. This study provided insights into various mechanisms associated with the interplay of formal and informal institutions in high-growth entrepreneurship. This is especially articulated in a developing country that is undergoing a transition from a planned economy to a market economy.

Furthermore, this research extends the discussion on institutional voids specifically as a room of opportunity for entrepreneurship provided being in the right institutional field position (Battilana, 2006). For example, in the Egyptian case high-tech industries especially in the financial and transport sectors have witnessed the greatest growth rates as they coincide with the state's current strategic goals. As such the entrepreneurs have had easier access to government contacts, loans and advice higher than their low-tech counterparts, e.g. in the agriculture and manufacture sectors.

This carries important implications for the emerging countries undergoing structural transformations. Firstly, because entrepreneurs and investors seldom wait for the institutions to improve so that they undertake their ventures. However, they deal with current institutions as a "second-best" alternative (Rodrik, 2008). Moreover, voids are a vehicle of change when countries with low-quality institutions undergo wide reforms. During such institutional changes policymakers address large-scale problems leaving many smaller details behind. As such, it is up to the entrepreneurs and intermediaries to work at the lower institutional levels, and draw the government's attention to what can be changed further.

Institutional Intermediaries

Secondly, the findings highlighted the role of institutional intermediaries, a type of institutional entrepreneurs (Armanios *et al.*, 2017; Mair and Martí, 2009; Poppen and Decker, 2018; Sutter *et*

al., 2017), presented as a variety of support organisations who are solely or partially focused on advancing the impact of entrepreneurship in the Egyptian economy. These organisations undertake several functions to build the capacity of the entrepreneurs, government or other support organisations. In accordance with their functions, they are grouped to four main categories: user intermediaries, process intermediaries, systemic intermediaries and niche intermediaries (Kilelu *et al.*, 2011; Kivimaa *et al.*, 2019).

Although this research employs high-growth entrepreneurship as the unit of analysis, this does not write off IIs' role in promoting other types of entrepreneurship. As it has been detailed the different types of IIs introduce support across the various levels of the institutional setup; i.e., government at the top and entrepreneurs at the bottom. Whether high-growth or necessity, IIs⁷² support entrepreneurship that fits their workplans and main purpose. In Egypt for example there are incubators, accelerators, VCs and networking organisations designated to the specific stage of the startup, some are industry agnostic and some focus on specific types of industries. The difference, however, is in the type of the support given, main purpose and whether the organisation is domestic, regional or foreign (see Appendix Chapter 6: pages 232-4 for a comprehensive map of the support organisations of entrepreneurship in Egypt; this map, however, does not include support programs provided by foreign aid and international cooperation agencies).

Similarly, a large body of research investigated the relationship between institutional quality and economic prosperity (Acemoglu, 2011; Asongu and Kodila-Tedika, 2018; Glaeser *et al.*, 2004; Tebaldi and Mohan, 2010). Here, the perspective of political economy emerges. This analysis uncovered that the role played by the institutional intermediaries would have not been very important had it not been for the role of the political economy.

It is safely assumed that the Egyptian political economy is the “elephant in the room”. i.e., it is what gives Egypt its peculiarity as a research case. In more detail, institutional analysis, policymaking, entrepreneurship support and entrepreneurial activity are not straightforward in

⁷² Some IIs examined in this thesis, according to their type and main purpose, provide support to both necessity and high-growth; others are solely focused on high-growth, and others solely on necessity and low-tech. Those sectors, however, are beyond the scope of this thesis.

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Egypt solely due to the effect of the political economy. Because of this, commonly known methods to assess, explore and view institutions are not simply applicable to Egypt. This refers to the fact that the Egyptian political economy carries in its folds a myriad of complications, if not contradictions. They preclude entrepreneurship from achieving its potential and exacerbates institutional uncertainty. Three manifestations of political economy are most evident: the economic reform plan (central higher-level planning disassociated from execution), the external finance for development (e.g. aids, grants and loans mostly addressing superficial reforms but not institutional changes at core), and most importantly the economic might of the Egyptian military. Each of the three comprises implications that suffocate entrepreneurs and all what surrounds them.

This carries important implications for emerging countries. Firstly, more discussion is needed on institutional intermediaries and their impact on promoting entrepreneurship. Institutional intermediaries in emerging countries play variety of roles in accordance with their types. Other than financial intermediaries such as banks and incubators (Armanios *et al.*, 2017; Dutt *et al.*, 2016; Howells, 2006), more attention needs to be paid to the other types of intermediaries and their role of promoting change in emerging countries (Oriaifo *et al.*, 2020). At the same time, this research suggests perceiving intermediaries as institutional entrepreneurs themselves. However, more research is needed to investigate the extent to which intermediaries can promote change in emerging countries with weak institutions.

In sum, investigating the role of institutional intermediaries in emerging countries cannot be complete without considering the political economy of the country. However, there is a paucity of research that combines these streams of literature. The conversation on the role of institutional intermediaries in promoting entrepreneurship while considering the political economy of the emerging country is even more limited. Institutional intermediaries should not be simply regarded as enablers and capacity builders. There are, however, political agendas, foreign aid contracts, and conflicting interests at home that need to be considered (see section 5.2.2. B for more detail).

Institutional Entrepreneurship: The Altering Behaviour

Thirdly, the findings extract representations of the altering behaviour manifested by each of the three groups in question: government, institutional intermediaries and HGFs. Here, each group acts an institutional entrepreneur in its respective area.

The State as Institutional Entrepreneur

Findings of this research demonstrate that the state can act as an institutional entrepreneur, crafting the institutions required to capitalise on opportunities in the environment. In the Egyptian case, however, due to a complicated political economy, the state is represented by a group of scattered actors or units. Within such regimes actors have more freedom to act and promote change, rather than perceiving voids as a limitation (Nasra and Dacin, 2010). Thus, there is a need to further the current view of institutions beyond the role of governments at face value, and consider the heterogeneity of institutions especially the challenging and hostile ones. Moulick *et al.*, (2019) suggest looking beyond aggregate measures, e.g., “Ease of Doing Business Index” from the World Bank) as they over-emphasise the regulatory aspect of institutions. However, attention should be paid the underexplored cognitive and normative dimensions. This applies to the political economy in the Egyptian case. In addition to the importance of understanding institutions from a multi-level perspective (Kim *et al.*, 2016).

Similarly, research agrees that it is through technological evolution that nations climb up the development hierarchy. In the case of Egypt, several technological sectors have largely developed, while impacting regulative and normative institutions. Thus, gaining acceptance and legitimacy, even when regulators and culture were ambivalent to adopt their technologies at first. Another sign of rapid changes following periods of stagnation. MCIT has been a central player in developing technology and mobile connections in Egypt. However, it was not before 2011 that other political-institutional entrepreneurs joined to promote similar sectors. As entrepreneurs were legitimising their technologies through public acceptance, the government has not taken long to approve and encourage them. This was possible through government-backed VC funds, rolling out plans for financial inclusion, as well as digitising government and public services. As such, the role of

political-institutional entrepreneurship should not be underestimated, especially within the fluid and unpredictable institutions.

Institutional Intermediaries as Institutional Entrepreneurs

Next, findings uncover the role of support organisations as institutional intermediaries. Support organisations construct inter-organisational connections through which practices become normatively sanctioned or awarded within a “peer group” model. This is in agreement with the notion of Sutter *et al.*, (2017) on the concept of institutional scaffolding, or the institutional arrangements constructed by intermediaries that support entrepreneurs' transition between institutional fields (from originally informal markets to formal ones in this paper).

In the Egyptian case, institutional intermediaries help both HGFs and the government to transition to a better and stronger institutional field. This is possible through a coordinated set of tactics consisting of new norms and practices, new relationships and positions, and new systems that support transitioning to a new institutional context. In the case of HGFs they have access to better knowledge, resources and networks. The government, on the other hand, also obtains access to better knowledge and networks, in addition to a better “peer group evaluation” with respect to compliance and performance against pre-determined universal benchmarks. Moreover, as it has been mentioned before, the role of intermediaries in the Egyptian setup is especially important in light of the political economy. It has been explained how the Egyptian political economy obstructs institutions and commercial activity.

As it has been explained, foreign granting bodies, and international agencies follow specific political agendas in accordance with their countries of origin. In a country undergoing transition and shifting from central planning, this would undoubtedly implicate conflict. In fact, Greenwood *et al.*, (2011) suggest that when conflict arises between old and new institutional arrangements, compliance with introduced norms is impossible to achieve because satisfying the institutional pressures requires defying others resulting in unintended outcomes.

As such, this research provides insights on the importance of IIs for entrepreneurship growth but great attention is needed to their nature, types, origin and involvement in the political economy.

Very little prior research is available on the effect of foreign aid on entrepreneurship in the emerging countries, especially ones undergoing transition. Some research has explored the political economy of foreign aids from an economic perspective, but without addressing entrepreneurship (Asongu and Joseph, 2019; Bräutigam and Knack, 2004; Busse and Gröning, 2009).

HGFs as Institutional Entrepreneurs

Finally, HGFs too have been acting as institutional entrepreneurs. Through their commercial ventures. In line with the analysis of Sydow *et al.*, (2020) HGFs are contributing proactively to laying the foundations of their country's institutional infrastructure – e.g., pushing for new laws and regulations, creating formal associations and community groups, etc. – while concomitantly pursuing their business goals. More interestingly, they have not let the severe institutional voids in the Egyptian setup to hold them back. On the contrary they seized them to exploit entrepreneurial opportunities (McCarthy and Puffer, 2016) while receiving support from intermediaries (support organisations and their varied types and activities). As such they were able to promote a bottom-up change instead of waiting for the government and other formal bodies to improve the situation from the top down (Sydow *et al.*, 2020).

Collective Institutional Entrepreneurship and Fluid Institutions

The three examined groups across the three institutional levels have been engaging in Collective Institutional Entrepreneurship. Here policy, collective and market entrepreneurs have been acting as change agents (especially HGFs involuntarily) but without having an explicit aim of changing institutions. Instead, their aim is to exploit institutional misalignments and deficiencies to their own profit. Hence, collectively, such behaviour is contributing to favourable changes over time (Welter and Smallbone, 2011).

What can be learned is that contrary to common knowledge, institutions are not slow to change. Like Egypt, countries undergoing transition, the need and the speed of change are high. Not only because of the fast economic growth in transition economies, but also because of the enactment of many new commercial regulations and their (new) enforcement (Ahlstrom and Bruton, 2010).

Conceptual Model

Figure 6.1. depicts the conceptual model derived by this research.

Firstly, a developing country suffers from low-quality institutions which are inundated by voids and informal institutions. This gets specifically complicated when the country’s leadership undertake a structural transformation that is common with developing countries; i.e. shifting to a market economy from central planning. Institutional voids, however, represent an opportunity which is seized by create some entrepreneurial ventures to grow their existing markets or create new ones.

As the country transitions rapidly to the new order, many details are left behind, thus informal institutions proliferate even further. They complement formal institutions, both the effective and ineffective ones.

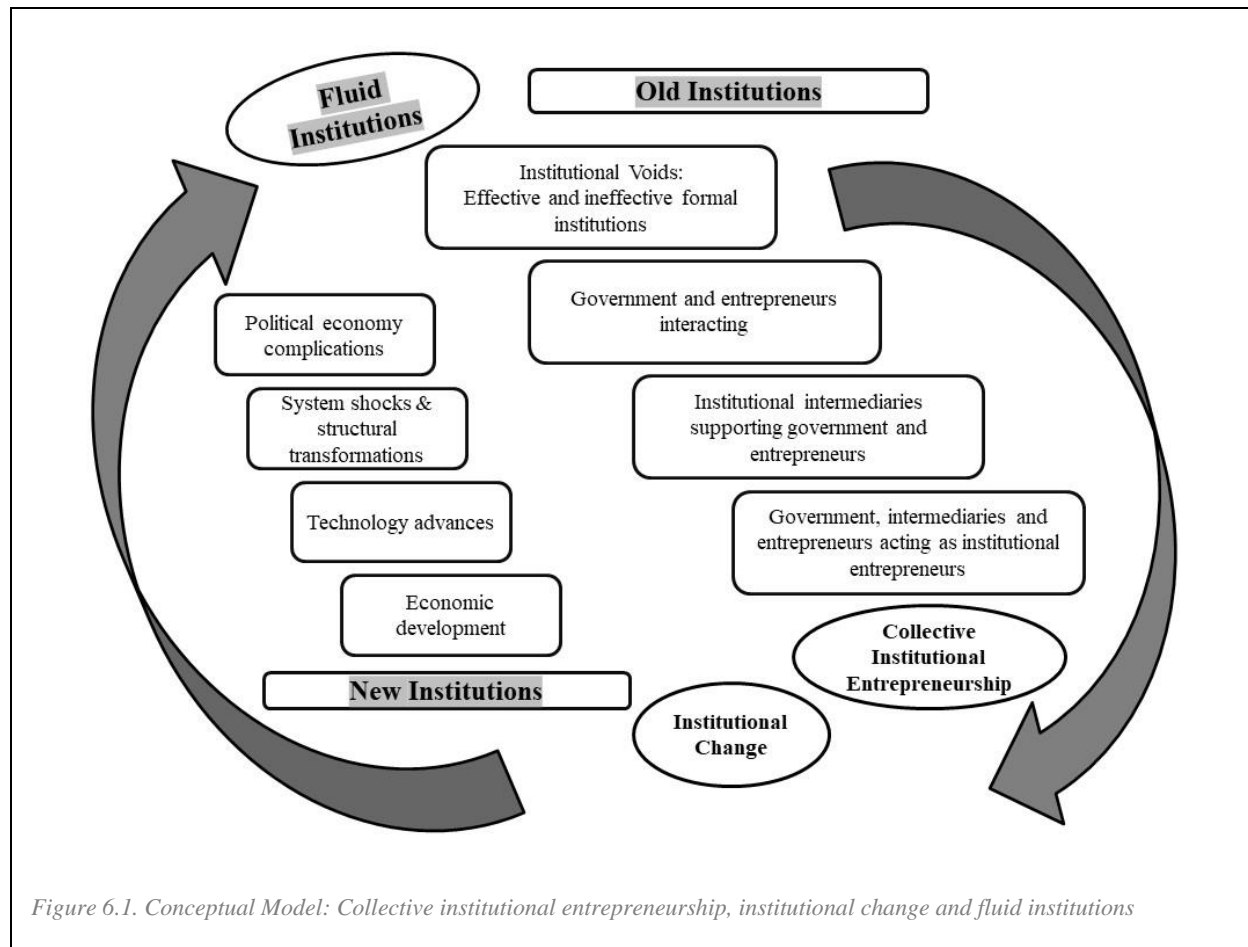


Figure 6.1. Conceptual Model: Collective institutional entrepreneurship, institutional change and fluid institutions

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As entrepreneurs continue introducing more innovations and new solutions, the government starts to react in a number of ways (adapting to enforce existing rules, remaining inactive, adapting to accommodate the new innovations). The government and entrepreneurs maintain a reiterative cycle of actions and reactions as long as technologies advance and customers demand more of them.

In the meantime, institutional intermediaries provide their support to both the government and entrepreneurs. Entrepreneurs benefit from this support by developing their capacity, accessing more resources and learning novel models of business. Supporting the government, on the other hand, takes longer and may or may not translate to institution-altering reforms. This depends on the type of the intermediary, the origin, main purpose and the political agenda. Thus, dynamics of the political economy are considered when examining the role of institutional intermediaries in the developing country.

While aggressive structural changes are taking place at the country, actors across the institutional realm manifest varied altering behaviours that strive at promoting change. The government is engaging in aggressive changes despite the vested interests of some existing actors of conflicting interests (paradox of embedded agency). As the same time, some new political actors use the large-scale changes in their benefit and promote further positive changes at their own organisations, albeit the resistance (micro-successes).

Similarly, institution intermediaries of all types support both the entrepreneurs and government. This support is not limited to entrepreneurship, but extends to capacity building, knowledge brokering, networking and policy advising. In a way intermediaries act as institutional entrepreneurs as they instigate change through the government and entrepreneurs.

Entrepreneurs too manifest altering behaviour which may or may not have the intention of promoting change. Entrepreneurs are mainly focused on growing their ventures and garnering customers and more success. By introducing new innovations and attracting masses of customers to their solutions, the government reacts by legalising, penalising or “pretending” to ignore entrepreneurs by simply letting them operate “remaining inactive”. Sooner or later policymakers

realise the economic benefits of the new technologies and they find nothing to do but accommodating to the inevitable change.

As such, actors at all levels of the institutional setup -- government on the macro level, intermediaries on the meso level and entrepreneurs at the micro level – instigate institutional change by collectively engaging in altering behaviour.

Those altering behaviours contribute to the economic development which is the main reason the developing country leadership has decided to undergo the initial structural change. This occurs as more entrepreneurs enter the market, investors gain more confidence in the country and quality of the human capital rises, along with other positive changes. (See section 2.3.1. “models of institutional change and link to economic development” for a detailed account on the relationship between institutions (and change) and economic development/poverty.)

This process is not in any means static or one-directional; i.e. it is not a process where a layer of action leads to the next one. It is, however, cyclic in nature. Here, actors across the institutional setup levels act and interact with each other as aggressive changes keep happening from above⁷³, and informal institutions continue replacing the uncertain and rapidly changing formal institutions. Similarly, new innovations are introduced to the market, the government size is slowly decreasing, making the market freer, and large infrastructure projects as undertaken by the government and public private partnerships (all are typical signs of transitional change to a market economy).

Other unplanned “system shocks” may also occur such as pandemics, wars, economic recessions and climate changes (e.g. Covid-19, Russian-Ukrainian war, Chinese-Taiwanese aggression, the resulting global economic recession in various parts of the world, in addition to the environmental disasters witnessed by various parts of the world resulting from climate changes).

⁷³ In the case of Egypt, the institutional change forced from above may have good intentions but it remains questionable as it still has not addressed core institutional flaws. The Egyptian change can be categorised as “capitalism from above” in the classification of King and Széleányi, (2005); or a combination between “layering” and “drift” in Mahony and Thelen's typology, (2010a). (see section 2.3.1. for more details on models of institutional change.)

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In the same time, more and more actors with vested interests are resisting the change as they used to benefit from the status quo (corruption, institutional informality and uncertainty, political elite, cronyism, etc). Depending on their individual and social position in the field, they exercise their power to restrain and block positive changes and market freedom. Such political economy complications exacerbate the institutional change process.

All of the above influences the developing country (already fragile) institutions. This quickly makes the new institutions old, and a need arises to change them again. As it has been mentioned, this process is cyclic in nature. Thus, there is a loop where voids, opportunities and institutional entrepreneurship lead to institutional change. These changes in turn create new voids on top of the old unchanged voids, and more opportunities are exploited by different entrepreneurs. The government on the other hand acts and reacts to the new innovations, and intermediaries keep providing support to both the government and entrepreneurs, and the cycle continues. This represents the notion of “fluid institutions”. It is through the collective institutional entrepreneurship of all actors across the institutional setup that changes occur and re-occur in a self-correcting cycle.

To date, research confirms that institutional changes aiming at a smaller government and a freer market do indeed lead to economic development. But this knowledge is withdrawn from post-socialist and post-communist economies in Eastern Europe and Asia respectively. Those transitions occurred before the technological boom where changes were not rapid in rhythm as they are now.

As such, the speed to which institutional change occurs in a developing country similar to Egypt is indeed high. However, this does not apply to all institutions. In the Egyptian case for example normative and (some) cultural institutions may change momentarily in accordance with the technological advancements and engaging in global markets. However, regulative changes will take very long to change, especially that they are complicated by aspects of political economy and vested interests of some powerful actors.

As such, there are new avenues of research on recently-independent economies such those in Africa in general, and in MENA in particular. This research has explored Egypt as it is located at the heart of the Middle East. It provides an idea of this region that has been neglected by literature. However, Egypt's very economic and geopolitical peculiarity call for more research on the dynamics of institutional change both in Egypt and other MENA countries. This way a more accurate image can be captured.

Policy Recommendations

Firstly, if the Egyptian government wants to truly unlock the potential of high-growth entrepreneurship, it needs to address the regulative institutional deficiencies. This includes reducing, if not eliminating, corruption, political instability, and arbitrary regulations. Similarly, administrative burdens must be eased, and promotional taxes introduced so that more businesses are encouraged to register and given an incentive and room to grow.

Institutional voids allowed informal institutions to grow, which by extension encouraged unproductive entrepreneurship through nonmarket behaviour. Egyptian policymakers accordingly need to understand the informal factors which undermine the legitimacy of the formal institutions.

Secondly, Egyptian policymakers need to include the factors of the political economy in their economic planning. Similarly, more entrepreneurship and institutional intermediaries should be encouraged to contribute to policymaking and even motivated. This means that their advice should be implemented, not just considered. (Rodrik and Zeckhauser, 1988) A promising strategy for being responsive is to base government actions on variables not under the control of individuals, such as unalterable characteristics or aggregate outcomes. These are at best palliative measures: Informed policymaking must recognize the tension between providing appropriate incentives and permitting the government to be responsive.

On the other hand, better governance needs to be in place in disbursing donor grants and aids. In fact, the objectives of the donor governments, organisations and receiving agencies must all be aligned together. This will guarantee more efficient delivery. Buntaine et al., (2017) argue that receiving governments' primary concern is satisfying domestic constituencies that care about

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actual institutional performance. They are therefore more likely to focus their reform efforts on more difficult targets that measure whether institution-building activities solve public problems.

Furthermore, the size of government and military-economic involvement need a great revision. More confidence needs to be placed on the civilian sectors, led by entrepreneurial and innovative firms, irrespective of their political affiliations. Allowing more economic freedom in Egypt will not only encourage domestic investment but also a foreign investment. By extension, this points out the necessity and urgency of transparency in policymaking, implementation and governance. Only through *true* transparency, knowledge-sharing and eliminating a self-centred mentality that the economic and entrepreneurial activities will translate positively to the national economy.

In a similar vein, as Egypt is transitioning to a market economy with a growing appreciation for the role and value of entrepreneurship as well as increasing exposure to the international economy, entrepreneurship policy needs to be addressed differently.

Egyptian policymakers first need to include a wide range of technocrats of various skill sets. Additionally, this includes encouraging a conversation amongst all government agencies and promoting cooperation instead of competition. The reason is simple: entrepreneurship policy does not exist in a vacuum. As Audretsch et al., (2007) point out, entrepreneurship policy should be less about specific new agencies, and more about how existing policies and agencies are to be redirected from their traditional role in a planned economy to an open and entrepreneurial economy. This explains how establishing an independent agency (MSMEDA) is a celebrated step to include all parties, and regulate and organise entrepreneurship efforts. Such political-institutional entrepreneurs will create change from within. Join by market forces and public acceptance, the institutions surrounding business and entrepreneurs will evolve together.

This research finally stresses the importance of eliminating institutional asymmetries and regime uncertainties. Institutions are in a constant state of fluidity, therefore economic actors should not exist in isolation from political actors, or one another. This is the core of collective institutional entrepreneurship. Political stability, transparency and societal conversation will provide market and political entrepreneurs with the much-needed predictability to make sound economic decisions.

6.3. Research Limitation and Further Research

This analysis is not without drawbacks. First, the sample and location of the firms are limited. The ICT sector has always been a winner for the Egyptian economy. Investigating low-tech traditional startups in the manufacturing or food industries could uncover more strategic voids. Especially outside Cairo.

Secondly, a time-series study for the same sample could provide a deeper analysis of the institutional changes and ensuing entrepreneurial responses. Both market and political. As such, this account could have been expanded by exploring how the recent reforms and changes impacted the firms, support organisations and government agencies.

Thirdly, this research examined a limited sample of intermediaries and government agencies. This is expected given the difficulty of obtaining contacts. However, further research can investigate the role of political-institutional entrepreneurs in promoting entrepreneurship, especially during a transition.

Fourthly, the relationship between entrepreneurship and the Egyptian political economy has been investigated superficially. More studies should focus on the role of foreign aid and entrepreneurship-focused programs on institutional building and more robust outcomes of entrepreneurship.

Similarly, the Egyptian military has been all but commended for the positive strides the Egyptian economy has taken. To the best of this researcher's knowledge, no empirical or conceptual research was conducted to link the institutional changes to the military-economic achievements. Lack of transparency and published data could be a reason, but future research should make a distinction between politically connected and unconnected businesses with a largely military-controlled economy. For example, where the private sector has fallen apart, why the military has positively influenced the economy after 2011 but not before, and where does entrepreneurship fall in this.

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CHAPTER 8: APPENDICES

APPENDIX: Chapter 3

A.3.1. ICT's contribution to the Egyptian Economy

GEM puts businesses into four categories – 1) extractive (oil and gas, mining and agriculture); 2) transformative (manufacturing), 3) business services (ICT, finance & insurance, real estate and professional services) and 4) consumer services (public admin, defence support, education, health, accommodation and food) (GEM Business Type Codebook, 2018). This classification of industries by sectors is adapted from the UN Statistics Division's International Standard Industrial Classification (ISIC) (DESA, 2008). The HGFs sample selected for this research operates in the Business Services (ISIC-UN-4.0) (Global Entrepreneurship Research Association, 2017)

Information technology contributes 4 percent to the Egyptian GDP (Egypttoday, 2019c). In 2018, Egypt has won membership in the UN's Administrative Council of the International Telecommunication Union (ITU) from 2019 to 2022. Through this position, Egypt actively participates in reviewing the activities and operational plans of the ITU various sectors, and issues decisions on them in between the quadrennial Plenipotentiary Conferences (MCIT, 2018).

On the job creation front, the Ministry of Communication, Information and Technology (MCIT) plans to create 100,000 more jobs by 2022 in the ICT's export business, as the number of employees in the sector has risen 13 percent y-o-y⁷⁴ to about 175,000. ICT is specifically attractive for internal and external investments because of its stability and not being "vulnerable to volatile circumstances, as is the case with other sectors". According to MCIT, Egypt's ICT exports reached \$2.5 billion in 2018, growing 38 percent in investments in the sector (total exports of IT services reached 3.25 billion dollars). MCIT targets enabling 45,000 young men and women in three years through interactive learning platforms and technical training in response to the requirements of the

⁷⁴ Year-Over-Year growth

local and global labour market (MCIT, 2019). However, the main cost of ICT services is the human development and training cost.

The newly appointed World Bank country director of Egypt shares that when it comes to digital economy and Information and Communication Technologies (ICTs) there is a lot to be done. Egypt has some start-ups, is well-placed in the Arab World, and the Middle East and has incredible job generation potential (Egypttoday, 2019d). Egypt's ICT sector increasing every year, and it is forecasted that the ICT sector will represent 8.43% of GDP by 2020. This makes the country one of the most important leaders in the Middle East and North Africa region and could be potential competitors for the ICT companies operating in Central and Eastern Europe (Baltušis, 2017).

In connection with capacity-building of the ICT sector, and as Egypt attempts to increase foreign investment, MCIT has launched a three-year strategy that is based on two pillars: human development- expanding digital skills, innovation and entrepreneurship, and digital content- and the digital economy- a digital government and offering digital public services to the public (Egypttoday, 2019e). In "Digitizing Egypt", MCIT announced that there will be more digital public services to automate governmental agencies, e.g. health insurance, vehicle licensing, taxation documents, notary offices, E-Visa, endowed asset management, farmer's card, and law enforcement. This also includes making them available on mobile applications by mid-2019. The initiative is one of the steps taken to transform Egypt into a digital country (Egyptian Streets, 2018).

According to GEM Egypt National Report 2017-2018, (2018), the share of knowledge-intensive industries, such as ICT, finance or professional services is very limited among new startups; 23.7% of early-stage entrepreneurs expect to grow their business by six or more jobs within five years; reflecting high-growth aspirations among a quarter of the early-stage entrepreneurs. This is because 74.4% of all early-stage entrepreneurs in Egypt represent necessity entrepreneurs (agriculture, wholesale and retail sectors), i.e. running informal micro/small enterprises that are not capital or knowledge-intensive and have limited or no aspirations for growth or job creation. The report states that the ICT sector "*shows amazing promise in the field of entrepreneurship*" (p. 67) and cited this as one of the key factors fostering entrepreneurship in Egypt.

A.3.2. ICT as a High-growth industry sectors in Egypt: Statistical Analysis on GEM data

To confirm that ICT is the appropriate high-growth industry in Egypt for this study, the researcher contacted GEM's main statistician in the MENA region to statistically identify the high-growth industry sectors in Egypt. We want to study the growth of firms in the four sectors, given by the variable name SIC4C (Business Sectors). GEM's definition of "Growth" aligns with that of the OECD's, as such it denotes a recent change in the number of employees (OMNOW JOB) as well as the firm age (FIRMAGE). We have focused on the historical growth rate more than the expected rate, meaning we studied firms' growth since the upstart as opposed to the owners' expectations of future growth. As such, using Compare means in SPSS⁷⁵, an ANOVA F-test (p-value = 0.000) confirmed that sector 3-Business Services, received the highest measure of growth (RELATLOG = 0.93), followed by the Extractive (.80), Transformative (.79) and then Consumers (.70).

As the ICT sector is broad, the researcher thus targeted sub-sectors that are *technology-enabled* and trending in terms of macroeconomic planning, contribution to GDP and national growth prospects (State Information Service, 2018). Three technology-enabled sectors are selected: ICT infrastructure (programming, telecommunications, financial technology/fintech, e-commerce), technology-enabled transportation and logistics, and agricultural technology (agritech) (Ministry of Finance, 2015).

⁷⁵ We have three variables relevant for growth: 1) FIRMAGE, 0-218 years, 2) OWNERS, 1-22 persons, 3) NOWJOB, 0-2002 persons. A new variable PERSONS was created as the sum OWNERS+NOWJOB, going from 1 upward. As a reasonable measure of growth of a firm is its persons now relative to its age, logarithmic scales, LN(PERSONS), from 0 upward were used, and named LPERSONS in the datafile, and LN(FIRMAGE+1), from 0 upward, named LFIRMAGE in the datafile. Finally, the measure of growth as the ratio was created: LPERSONS / (1+LFIRMAGE), and called RELATLOG in the datafile. A Compare means in SPSS yielded the mentioned results.

A.3.3. Background Information on the Interviewees

Government Units (N=8)		
1	Entrepreneurship-related Unit G_EU1	Entrepreneurship programme established at 2017 under the umbrella of the Ministry of Planning & Economic Development. aims to build an integrated and inclusive entrepreneurial ecosystem that enables youth to establish their own businesses and projects.
2	Entrepreneurship-related Unit G_EU2	An entity concerned with the development of SMEs, and entrepreneurship either directly or through the coordination of the efforts of all parties and civil associations and initiatives in the field of these projects, or through the establishment or participation of companies. The Agency was established by decree of the Prime Minister No. 947 of 2017.
3	Government-backed Incubator or VC G_IVC1	Government-backed VC. Established under the Egyptian Ministry of International Cooperation. Main mission is to find and empower talented and ambitious seed stage tech startup founders. Offers sector-agnostic support that focuses on improving startups' product-market fit; fine-tuning their business, operating and revenue models; growing their customer base; and raising follow-on investments.
4	Government-backed Incubator or VC G_IVC2	Established in 2010 under the umbrella of the Ministry of Communications and Information Technology. Aims to drive innovation and entrepreneurship in the local industry to promote ICT benefits. Provides an intellectual property framework to foster ICT innovation and growth in the local economy.
5	Policy-related Unit G_PU1	A national initiative established in 2008 supervised by the Ministry of Planning and Economic Development. Aims to reform the Egyptian legislative and regulatory framework in view of enhancing policy making, stimulating businesses, encouraging investment, and establish a dialogue between government and businesses.
6	Policy-related Unit G_PU2	Established in 1971. Is the national umbrella for the planning of scientific research activities in Egypt. Responsible for science and technology in Egypt. It is affiliated at present to the Ministry of Scientific Research
7	Policy-related Unit G_PU3	Former high-profile official at the Ministry of Finance. Ran programmes of formalising informal businesses and raising government tax revenue.

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8	Policy-related Unit (G_PU) ⁴	High-profile official at the Ministry of Planning and Economic Development.
Support Organisations (N = 13)		
1	SME/Entrepreneurship Expert/Consultant (II_E) 1	Lawyer and trainer specialised in supporting entrepreneurs navigate the business legalities in Egypt.
2	SME/Entrepreneurship Expert/Consultant II_E 2	Public policy advisor to government and international investors. Specialised in high-tech and financial technologies. Advises government on formulating more business-friendly policies.
3	Incubator, Accelerator or VC II_IVC 1	Academic incubator/accelerator (university). Works in close contact with the Central Bank of Egypt. Supports startups and SMEs in the domains of manufacturing, agriculture, and digital transformation through applying different innovation instruments.
4	Incubator, Accelerator or VC II_IVC 2	Accelerator/incubator. Selected startups receive mentoring, training, support services, and possibly a monetary investment. It also acts as an experimental investment in these new startups, as well as preparing them to be good quality businesses for further investment during the venture stage.
5	Incubator, Accelerator or VC II_IVC 3	Academic incubator/accelerator (university). Works in close contact with the Central Bank of Egypt. Supports startups and SMEs in the domains of manufacturing, agriculture, and digital transformation through applying different innovation instruments.
6	Incubator, Accelerator or VC II_IVC 4	Academic incubator/accelerator (university). Aims at empowering Arab youth to create a sustainable growing ecosystem in the Arab region and Africa. Support is offered to startups in different growth stages.

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7	International Aid Agency II_IOA1	European bank that finances several development projects in Egypt. The bank provides several programs that supports entrepreneurship. It works directly with entrepreneurs and startups (training and financing), as well as financing government programs that support entrepreneurship themselves. It also provides capacity-building programs for government officials in several development fields.
8	International Aid Agency II_IOA2	European aid agency that finances several development projects in Egypt. It provides several programs that supports entrepreneurship. It works directly with entrepreneurs and startups (training and financing), as well as financing government programs that support entrepreneurship themselves. It also provides capacity-building programs for government officials in several development fields.
9	International Aid Agency II_IOA3	American aid programme specialised at supporting entrepreneurship in Egypt through financing and capacity-building. It works directly with entrepreneurs and startups as well as government officials and programs addressing entrepreneurship.
10	International Aid Agency II_IOA4	UN agency involved in varied development programs in Egypt. It provides specific programs that support entrepreneurship (financing and training), especially necessity entrepreneurs, female and marginalised entrepreneurs in remoter areas.
11	Mentoring, Consulting & Networking II_MCN1	International non-profit organisation specialised at supporting social entrepreneurs through acceleration programs, capacity-building, consulting, and introducing entrepreneurs to several networks.
12	Mentoring, Consulting & Networking II_MCN2	For-profit consulting agency that works with established entrepreneurs. Support includes legal, financial and administrative advice.
13	Mentoring, Consulting & Networking II_MCN3	International non-profit organisation specialised at supporting high-growth entrepreneurs through acceleration programs, capacity-building, consulting, and introducing entrepreneurs to several networks.
	HGFs (N= 19)	
1	Agri-Tech HGF_AG1	Early-stage biotech startup (prototyping and seed stages). Converts marine waste to bio-fertilisers while employing marginalised women in rural areas. (1-10 employees; in incubation at the time of the interview)

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2	Agri-Tech HGF_AG2	Established venture that works on soilless agriculture and develops water-saving irrigation technologies. Receives financial and other support from international and Egyptian organisation. (50-100 employees, established 2014)
3	Agri-Tech HGF_AG3	Newly established venture that develops water quality monitoring systems for aquacultures. The startup introduces farmers of specific crops to water-saving technologies and other solutions. (1-10 employees; established 2018)
4	E-Platform HGF_EP1	Established B2B online marketplace connects merchants with vendors of household products and fast-moving consumer goods (FMCG), offering multiple payment methods and shipping options to streamline the buying process. Secured funding from various regional and international VCs. (11-50 employees; established 2017)
5	E-Platform HGF_EP2	Established online platform for medical services. As of 2022 it became one of the largest in MENA. Secured investments from various regional and international VCs (latest is series D). Started expanding in MENA and African markets. (100-250 employees; established 2012)
6	E-Platform HGF_EP3	Established online education platform. Connects learners with educators across various school and university stages. Operates in various MENA countries. Started in a renowned Egyptian incubator program. In November 2021 it acquired a large Egyptian education platform. (Established 2017)
7	E-Platform HGF_EP4	Offers personalised itineraries to travellers with flexible budgets and interests, using an AI-backed algorithm to ensure an optimised travel experience based on the inputs of other travellers. (11-50 employees; established 2017)
8	Fin-Tech HGF_FIN1	Online payment gateway. Offers a solution that connects users directly to all the key payment methods globally, allowing businesses to accept payments and grow their customer base across online, in-app, and in store. (11-50 employees; established 2016)
9	Fin-Tech HGF_FIN2	An application platform that allows its users to conduct electronic payment with a credit card using smartphone. Businesses can accept credit card payments-Remotely or upon delivery-without any hardware installation. Through providing the seller with a simple QR code, which allows buyers to pay through scanning the QR code with their phones. (11-50 employees; established 2015)

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10	Fin-Tech HGF_FIN3	B2B payment platform. Builds payments infrastructure technologies empowering the underserved with access to financial services. Address financial inclusion through enabling businesses of all sizes to benefit from the power of digital payments. Works in close contact with the government and public banks. Started in a renowned academic incubator in Egypt. Recently raised funding from PayPal Ventures (series B). (500-1000 employees; established 2015)
11	Fin-Tech HGF_FIN4	An open mobile payment platform that connects consumers, businesses, and mobile operators for operator billing. Offers full-service mobile payments platform that gives local and global digital service providers access to consumers across the Middle East, Africa, and Türkiye. To-date the only Egyptian FinTech founded by a woman. (11-50 employees; established 2014)
12	Manufacturing HGF_MAN1	The startup manufactures dental 3D printer manufacturer and aiming to complete the digital dental work flow. Considered the first Egyptian company that designs, manufactures and markets DLP 3D printers. Operates in Egypt, MENA and USA. Started in a renowned Egyptian incubator. Latest funding raised in November 2021; pre-seed. (11-50 employees; established 2013)
13	Manufacturing HGF_MAN2	Startup that manufactures tech-enabled wind turbines and provide electricity for farms to save on rising fuel costs. Financially supported by II_IOA1. (1-10 employees; established 2017)
14	Manufacturing HGF_MAN3	Established startup that manufactures bio-fuel from used cooking oil. Backed by one of the largest Egyptian VCs. Company directs its investments in acquiring and developing the most advanced biodiesel production technology to ensure supplying clients with high biodiesel quality. (11-50 employees; established 2013)
15	Manufacturing HGF_MAN4	(defunct) early-stage startup. Manufactures small electronic device that converts any ordinary surface (Wall or LCD screen) into up to 100-inch interactive surface, so that it can be used as interactive whiteboard in educational purpose, or even as a touch screen in presentation purposes. (1-10 employees; established 2013).
16	Transportation & Logistics HGF_TL1	International ride-hailing company. Largest in Egypt. Employs hundreds of thousands of drivers in Egypt.

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17	Transportation & Logistics HGF_TL2	Egyptian shared ride-hailing company. Latest funding raised, Series A. (11-50 employees; established in 2016)
18	Transportation & Logistics HGF_TL3	Regional ride-hailing company, acquired by HGF_TL1 in 2019. Second largest in Egypt.
19	Transportation & Logistics HGF_TL4	Tech-based e-commerce delivery and logistics company. Raised funding from Egyptian and international VCs. Has links to Amazon Egypt. (100-500 employees; established in 2016)

A.3.4. Pilot Interview Guide

Main inquiry: Explore governmental programs to promote entrepreneurship, with a special attention to high-growth entrepreneurship (definition provided), and governmental policies reforms to promote entrepreneurship in a way that translates to job creation and impacts macroeconomic development.

Questions:

-Your institution, description, beneficiaries, number of businesses/jobs created in the last 3 years and size, volume of finance raised, etc.

-In the Egyptian context do you think high-growth ventures are distinguished from regular ones? (young, but not necessarily small, ones which possess job creation potential and, in sum, contribute to local macro-economic development through job creation)? Do you consider your company one of them? E.g. How many employees do you think you will have on your payroll in five years from now?

-What are the most persistent challenges, pertaining policy, which hinder high-growth entrepreneurship (and/or new firms to grow and achieve impact): Please use the below challenges as guide.

<p><u>Government Policies and Legal Framework</u></p> <ul style="list-style-type: none">-Bureaucracy, regulations and licensing requirements-Regulations treating growing firms as more mature firms, even when they typically do not have the resources or capability of complying to the same degree-Awareness and transparency of governmental policies, regulations and labour laws-Taxes and other governmental regulations are applied to growing firms in a predictable and consistent way-Lack of publicly available market data, maps of active micro businesses, corporate data (identities of the company directors, shareholders and beneficial owners) <p><u>Access to Finance</u></p> <ul style="list-style-type: none">-Government presents equity and/or debt funding for growing firms-Laws pertaining angel or venture capitalist investment protect and are attractive to investors	<ul style="list-style-type: none">-Laws pertaining foreign investment are publicly available, consistent and attractive to foreign investors-Regulations pertaining growing firms seeking to raise capital are flexible and tailored to their size and the resources <p><u>Innovation Transfer and Market Dynamics</u></p> <ul style="list-style-type: none">-Policies and regulations pertaining commercializing innovations and technology transfer (from research to industry and market) are clear, consistent and effective-Global economy policies pertaining overseas trade, accessing foreign technology/parts and import/export, for growing firms and clear, consistent and effective-Current legal setting is attractive for foreign investors (FDI) and large tech multinationals
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-In your opinion, what have been the most successful programs and policies implemented by the Egyptian government pertaining high-growth entrepreneurship? Do you think the government is treating mainstream entrepreneurship and high-growth entrepreneurship the same way?

-Do you think they are sustainable, i.e. will reflect on job creation and growth?

-In your opinion, should specific policies and programs be introduced specifically for promoting high-growth entrepreneurship? If so, what kinds of programs and policies should be prioritized for a maximized impact?

-Do you recommend tailoring programs and policies for high-growth entrepreneurship? Why or why not? What do you recommend in terms of encouraging high-growth entrepreneurship which reflects on job creation?

A.3.5. Main Study Interview Guide

Interview Questions for Entrepreneurs

Part 1: Start-up

- a- Background of the start-up, industry, idea origin, funding source/rounds, current number of employees, estimated growth expectations in term of turnover and employees
- b- Was there a specific market/environment challenge that inspired the business? E.g. gap to be exploited.

Part 2: Environment and institutions

- a- What main challenges did you face in during start-up?
- b- What are the most prominent weak and strong points in the environment in which you operate? Please describe briefly in terms of the following aspects.

Formal institutions:

- Regulations (licensing and registration, red tape)
- Access to credit (banks), R&D loans, innovation grants, business angel finance, VC, capital market/IPOs, legal protection, bankruptcy
- Taxation, contract enforcement, IP, access to public resources, access to qualified talent, access to data

Informal institutions:

- How are the societal culture and norms affect your existence and growth? (e.g. entrepreneurship viewed as an admired career path, social implications of failure (stigma, etc), risk taking and ambition, extent of the positive/negative enterprise culture
- Embedded social networks, cronyism and level playing field, political connectedness, anti-competitive behaviour of competitors, transparency
- Functionality and credibility of laws, political and policy stability, reliable infrastructure
- c- To what extent does the business environment foster formal vs. informal institutions? Which over the other and which do you trust more? Please explain and share some example.

Part 3: Working around voids and thriving

- a- What are the some of the solutions you resort to in order to overcome the aforementioned challenges? (e.g. dealing with public officials and misinformation, opaque rules, informal networks)
- b- How is the rapidly-changing structure and policy uncertainties affecting your response strategies?
- c- Have you in fact devised novel ways to deal with the structural challenges and uncertainties? E.g. define own quality norms, form/join industry groups to gain leverage/overcome weak position. Please share some examples.
- d- How do you identify opportunities in the current environment in general? Do you actually perceive challenges as exploitable opportunities or obstacles to overcome?
- e- What do you think distinguishes your company from other types of SMEs? E.g. ambitions of growth and challenges?
- f- What are the main challenges that slow your growth (bottleneck to firm growth)?

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Sub-part 3: Internationalization

-What is the domicile of the company's registration? If not Egypt, why abroad, who acquired you, what are the advantages and disadvantages of offshoring? (e.g. teaming with abroad partners, access to wider knowledge)

- Challenges to cross-border trading, motives of offshoring to advanced economies or other EEs.

Part 4: Government support

- a- Have you specifically received any special support from the government? E.g. special tax breaks of incentives, access to public resources, facilitated procedures, special training.
- b- In your opinion, what are the most successful government reforms, especially those to foster entrepreneurship? Are industry sector, size, or other factors targeted differently?
- c- What were the most prominent changes?
- d- How do you assess the buy-in/cooperation of the public servants in implementing policy changes/new

Interview Questions for Public Officials

Part 1: Institution background

- a- Background of the institution/body (public, ministry, public-private partnership, etc).
- b- Nature of policy/program related to entrepreneurship (business laws and policy making, finance, training, support and networking, etc).
- c- Are there targeted policies/programs for high-growth startups and growth entrepreneurship?

Part 2: Execution mechanisms

- a- How does your institutions/department connect with entrepreneurs? Does the interaction contribute to the firm activities and growth? Please explain.
- b- Did you establish any partnerships while launching this policy/program? (e.g. social organizations, international development, local or international NGOs, influential entrepreneurs?)
- c- Would you classify this interaction method formal or informal?
- d- How long does the buy-in from public servants down the pipeline take? How do you assess the efficiency and effectiveness of the process?

Part 3: Policy impact and evaluation

- a- Do you assess the impact of the policy/program? (e.g. any pre-determined KPIs such as number of businesses created and still in business after three years, licenses granted, jobs created after three years).
- b- What has been the most tangible output? (e.g. access to technical knowledge, formalizing informal ventures, jobs created) How do you prioritize job creation? How do you prioritize high-growth entrepreneurship?
- c- Do you consider the policy/program sustainability upon formulation? (e.g. tracking created ventures to achieve growth and create more jobs, revisiting policy periodically to cope with current changes)

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Part 4: Challenges (for program and entrepreneurs)

- a- What were the greatest difficulties in:
 - Diffusing the policy/program across execution channels?
 - Interacting with and acceptance from entrepreneurs?
- b- What were the greatest challenges that your policy/program is confronted with in general? What are the most worrisome?
- c- In your opinion, what are the greatest challenges of entrepreneurship pertaining formal and informal institutions? What are the most worrisome?
 - Formal institutions: licensing and registration, red tape, access to credit, capital market/IPOs, legal protection, bankruptcy, taxation, contract enforcement, IP, qualified talent, access to data
 - Informal institutions: societal culture on entrepreneurship as a career path, acceptance of failure, embedded social networks, political connectedness, trusting credibility of laws, political and policy stability, cronyism and level playing field, fair competition
- d- What is your awareness of the solutions entrepreneurs resort to in order to overcome the institutional difficulties? What are the most alarming?
- e- How are the current rapid structural changes affecting entrepreneurship and policy formulation?
- f- Which support actors in the ecosystem do you consider to be very important? Which actors are missing (e.g. development, international cooperation, investors, active government, mentorship, incubators for growing startups, etc)?

Part 5: Recommendations for change

- a- In your opinion, what policies/programs should be prioritized in terms of entrepreneurship for a maximized impact? (job creation, exports, reflecting on national GDP, etc)
- b- What are the most promising sectors? Long-term or short-term.
- c- Do you think there should be targeted programs for entrepreneurial firm growth and removing growth bottlenecks for high-growth entrepreneurship? Or, do you prefer approaching the entrepreneurship context more holistically?
- d- What have been the most successful government reforms in your opinion? Please share some examples.

Interview Questions for Support Organisations

Part 1: Organization background

- a- Background of the institution/body, main sources of funding and main partners (international cooperation/development, public-private partnership, foreign governments, local organizations).
- b- Domain of policy/program related to entrepreneurship (policy advising, finance (entrepreneurs or government), training (entrepreneurs or government), support and networking, etc).
- c- Who benefits the most from your programs? Entrepreneurs or government/public officials? Please share examples.
- d- If entrepreneurs, are there targeted policies/programs for high-growth startups and growth entrepreneurship?

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Part 2: Execution mechanisms

- a- How does your institution connect with the government? Does the interaction contribute to policy formulation/program launch? Please explain.
- b- Which category best describes the nature of your activities:
 - political actions to mobilize political support
 - construct inter-organizational networks of peers that share new views and assumptions
 - altering categories and boundaries (associating new practices with existing taken-for-granted practices, educating actors in skills and knowledge necessary to support the new institutional norms)
 - reducing uncertainties through problem-solving and filling institutional voids?
- c- Would you classify the government response as: supportive, responsive, resistant?
- d- Were a long-term partnership and trust established? Please explain.
- e- Would you classify the interaction method formal or informal?
- f- Are the strategies followed borrowed from other institutional contexts or are they specified designed to work in Egypt?

Part 3: Program impact and evaluation

- a- Do you assess the impact of the policy/program? (e.g. any pre-determined KPIs such as number of businesses created and still in business after three years, jobs created after three years, government formulating new policies as per your advice)
- b- What has been the most tangible output- government level? (e.g. positive changes in business laws, government conversation with entrepreneurs, more policy transparency, access to data, etc)
- c- What has been the most tangible output- entrepreneurship level? (e.g. access to technical knowledge, formalizing informal ventures, jobs created) How do you prioritize job creation? How do you prioritize high-growth entrepreneurship?
- d- How do you assess the structural changes/reforms? What is being neglected and what is receiving more attention than needed?
- e- What is mostly attractive about the Egyptian market/context/entrepreneurs?

Part 4: Challenges (institution-level and context-level)

- a- What were the greatest difficulties you faced in:
 - Interacting with and acceptance from government?
 - Interacting with and acceptance from entrepreneurs?
- b- What were the greatest challenges that your policy/program is confronted with in general? What are the most worrisome?
- c- In your opinion, what are the greatest challenges of entrepreneurship pertaining formal and informal institutions? What are the most worrisome?
 - Formal institutions: licensing and registration, red tape, access to credit, capital market/IPOs, legal protection, bankruptcy, taxation, contract enforcement, IP, qualified talent, access to data, protecting minority investors

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- Informal institutions: societal culture on entrepreneurship as a career path, acceptance of failure, embedded social networks, political connectedness, trusting credibility of laws, political and policy stability, cronyism and level playing field, fair competition
- d- What is your awareness of the solutions entrepreneurs resort to in order to overcome the institutional difficulties? What are the most alarming?
- e- How are the current rapid structural changes affecting entrepreneurship and policy formulation?
- f- Which support actors in the ecosystem do you consider to be very important? Which actors are missing (e.g. development, international cooperation, investors, active government, mentorship, incubators for growing startups, etc)

Part 5: Promoting change

- a- In your opinion, what policies/programs should be prioritized in terms of entrepreneurship for a maximized impact? (job creation, exports, reflecting on national GDP, etc)
- b- What are the most promising sectors? Long-term or short-term.
- c- Do you think there should be targeted programs for entrepreneurial firm growth and removing growth bottlenecks for high-growth entrepreneurship? Or, do you prefer approaching the entrepreneurship context more holistically?
- d- What have been the most successful government reforms in your opinion? Please share some examples.
- e- What is the role of support and international organizations in helping new ventures to emerge and existing ones to grow?

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A.3.7. Codebook

Name	Nickname	Cycle: Type	Description	Files	References
Category: Regulatory Framework Voids (parent)	MAIN_REG_VOIDS	Theming	Formal institutional deficiencies. Fragmented rules, policies, regulations and contradictory laws in relationship to Institutional Voids.	35	185
(child) Sustainability and enforcement issues	REG_V_ENFORCE	First: Initial	Challenges and themes pertaining opaque rules and grey areas in framework in relationship to sustainability; this includes temporary rules and laws, absence of RIAs (regulatory impact analysis). Also lack of law and rule enforcement, regulations and laws with room of multiple interpretations, manipulation or avoidance altogether. Rules sustainability in relationship to people; people-centric rules and regulations; laws that emerge and disappear around certain individuals in power positions.	17	47
(child) Opaque Rules; IV; Centralization & Lack of Transparency	REG_V_CONFUS	First: Initial	Challenges and themes pertaining contradictory rules, regulations (or lack thereof) which leaves room for manipulation and workarounds; grey areas in legal framework which create Institutional Voids; lack of transparency in rules as well as lack or absence of clarity; regulations and rules which allow multiple interpretations. Geographic centralisation of services and privileges in Cairo for example; locus of control at different institutional levels and among public servants.	18	39
(child) Lack of Regulations; Licensing & Grey Areas; Policy keeping up with Tech & Culture	REG_V_UNREGUL	Second: Theoretical	Institutional Asymmetry where tech and innovation trends are not in sync with those of policy and regulations; absence of conversations between leaders of both sides, laws evolving in isolation from tech and cultural trends evolution.	19	38
(child) Taxation & Bankruptcy issues	REG_V_TAX	First: Structural	Challenges pertaining taxation, rules of lack thereof, transparency, collection and subjectivity thereof, etc. This also includes exiting the market when businesses go bankrupt, insolvency rules, etc.	20	32
(child) High-growth; MSME; self-emp; informal econ & other def	REG_V_DEFIN	Second: Theoretical	How different government authorities, private investors and related stakeholders refer to different types of entrepreneurship and sizes of SMEs; terms interchange and confusion. All about informal and shadow economy, parallel forms of employment,	12	22

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			unregistered businesses, unrecognized self-employment and the like.			
Category: Other Framework Determinants (parent)	Other Voids	OTHER_REG_V	Theming	Formal institutional deficiencies not pertaining to rules, e.g. knowledge diffusion, access to data, talent, support. Etc.	37	172
(child) Knowledge Diffusion & Access to Data		O_REGV_DATA	First: Structural	Challenges pertaining access to reliable and quality data on which social players; government, IIs and businesses, can made sound decisions; overcoming those challenges and related results. This also includes data hoarding by government units and contradictory market data. IP, patenting, innovation commercialization in the Egyptian framework; different levels of government authorities, regulations, universities, governmental TTOs and private incubators.	25	58
(child) Finance Regulations & Access to Finance		O_REGV_FIN	First: Structural	Challenges pertaining access to finance and overcoming/working around them; and related results. How the legal framework regulates allocation of funds through different sources; bodies overseeing loans; opportunities of access to finance.	20	48
(child) Access to Talent		O_REGV_TAL	First: Structural	Challenges pertaining access to qualified talent; overcoming them; and related results.	19	35
(child) Access to Support& Networks & Mentorship		O_REGV_SUP	First: Structural	Challenges pertaining access to mentorship and support, especially non-financial; overcoming them; and related results.	17	26
(child) Physical Infrastructure		O_REGV_PHYS	First: Structural	Challenges pertaining infrastructure and related physical difficulties; e.g. roads, computerization, migration to e-government services or automation, bargaining power.	4	5
Category: Informal Institutions; Embeddedness & Culture (parent)	Social &	INF_REG_V	Theming	Informal institutions, non-verbal rules embedded in social actors' tacit knowledge. They are applied so as actors gain legitimacy.	33	117

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(child) Grey Areas, Uncertainties and Informalities	INF_REGV_UNCER	First: Initial	Formal institutions, government regulations, policies, absence of laws and policies regulating certain industries (namely innovative & modern ones to which laws have not been created to cater to yet such as ride-hailing, fintech) resulting in social players going informal or using legal loopholes when they need to be formal.	21	48
(child) Relevant Cultural Challenges	INF_REGV_CUL	Second: Theoretical	Different cultural issues and relationship to Institutional Voids. Other cultural issues in relationship to institutional voids: e.g. respect of state, perceiving laws as binding, resisting change; women issues, accepting failure, etc. Entrepreneurial success stories that created positive impact and encouragement; Importance of encouraging successful models. Mistrust and Disrespect for state.	21	39
(child) Issues with public servants	INF_REGV_P_SERV	First: Initial	How public servants at lower-levels of government perceive, understand and execute laws; public-servants dealing directly with citizens to provide services; buy-in. Fear of accountability.	14	30
Category: Market Conditions (parent)	MRKT_CON	Theming	All about market characteristics, attractive and not. This includes free market rules, supply and demand, (difficulties of) access to market, growing and dying industries, etc.	30	111
(child) Main attractiveness	MRKT_ATTRAC	First: Initial	Features that make the Egyptian market attractive for business and investors.	17	27
(child) Offshore Registration; M&A	MRKT_OFFSHOR	First: Initial	All about HGFs registering overseas to overcome legal difficulties at home, mergers and acquisitions, double-taxing, overseas company acquiring home subsidiary, etc.	15	26
(child) Capitalizing on market gaps; market shifts & job creation	MRKT_SHFT	Second: Pattern	Exploiting market gaps for new technology, service or innovation; tech trends allowing new industries or services to emerge; Market movements, growing industries which lead to job creation.	11	22
(child) Fast growing industries	MRKT_INDUS	Second: Pattern	Industries and technologies that are observably gaining momentum and acquiring new markets faster than others.	11	18
(child) Main risks; uncertainties; informal unfair competition	MRKT_COMPET	Second: Theoretical	Risks and threats to operate in the Egyptian market; caused by certain rules or lack thereof, unfair and/or informal competition for a group of social players rendering them unable to access the market; various market uncertainties and lack of clarity.	9	14

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Influencing the IS & Actors' Interactions (parent)	REL_INTERACT	Theming	Government responsiveness to social players, in this case HGFs and/or intermediaries, by creating or changing laws; social actors' interactions within the Institutional Setting.	31	110
(child) Lack of coordination; silos & govt-to-govt relationships	RINTER_LACK	First: Initial	All about uncoordinated efforts, repetition, lack of conversation, spirit of competition amongst government authorities and lack of conversation in general between government, intermediaries and businesses, spirit of competition within the government. When social actors; succeed, or fail, to hold conversations with another player and/or communicate with government seeking help or changing/creating laws.	23	59
(child) Govt & HGFs	RINTER_GU_HGF	Second: Pattern	Interactions and conversations between key government units/officials and HGFs; initiated by either; successful or not. Approachability to lawmakers, key public officials with relevant powers, government units reaching out for HGFs to hold conversations, provide support. Lack of conversation and coordination to and from government and businesses.	12	20
(child) Govt & II	RINTER_GU_II	Second: Pattern	Interactions and conversations between key government units/officials and IIs; initiated by either; successful or not. Lack of conversation and coordination to and from government and intermediaries.	9	15
(child) II & HGFs	RINTER_II_HGF	Second: Pattern	Interactions and conversations between IIs and HGFs; initiated by either; successful or not.	2	3
Category: Policy Recommendations (parent)	POL_RECOM	Theming	Policy recommendations pertaining examined institutional voids, voiced by the three groups in light of challenges they face.	29	101
(child) On general missing actors in the Eco	RECOM_MISS_ENBLR	First: Initial	Policy recommendations on general missing enablers in the Egyptian entrepreneurial ecosystem to further promote entrepreneurship and growth.	17	29
(child) On capacity-building	RECOM_CAP_BLDG	First: Initial	Policy recommendations pertaining capacity-building for entrepreneurs, public servants, access to mentorship and non-financial support as well as supporting HGFs in specific; not startups or SMEs; all about precluding growth bottlenecks.	14	25
(child) On Policy sustainability and M&E	RECOM_POL_RIA	First: Structural	Policy recommendations pertaining M&E for regulations, laws and programs to avoid waste and repetition; RIAs on side of government and KPIs for support programs provided by the IIs.	10	16

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			Policy recommendations pertaining sustainability of rules and regulations and enforcement regardless of who is in charge to create stability and inspire trust.		
(child) On Government-backed funding; taxation & informal econ	RECOM_GOVERN	Second: Theoretical	Policy recommendations pertaining government acting as VC to financially back and support entrepreneurs; allowing smaller players to compete fairly in government bids and tenders; recommendations on improving tax procedures; transitioning informal economy to formal economy.	9	16
(child) On coordination, transparency and e-government	RECOM_RINTER_EGOV	Second: Theoretical	Policy recommendations pertaining coordinating all efforts on promoting entrepreneurship from all institutions together to avoid waste and/or repetitiveness, transparency of support and equal opportunity and relationship of all the above mentioned to e-government services and automation.	8	15
Category: Policy Reforms (parent)	POL_REF	Theming	All about policy reforms in the field of business and entrepreneurship, including recently passed laws but not yet enforced as well as passed and implemented; removing old laws, passing new ones, new reformed rules, programs and policies; approachability to lawmakers and their responsiveness, which was not otherwise possible.	31	55
(child) Successful Implemented Reforms & Programs	PREF_SUCCESS	First: Initial	Reforms which have been implemented and enforced as well as praised by social players proving their effectiveness; this includes improving the process of doing business in general and promoting entrepreneurship in specific. Reforms pertaining compiling and coordinating similar efforts, as opposed to silo mentality; government creating overarching regulations to organize otherwise isolated but similar efforts, whether within government or between government, IIs and HGFs; this also includes simplifying entre	19	28
(child) Reforms in Progress	PREF_PROG	First: Initial	Any reforms in progress such as recently passed laws but not yet enforced and implemented; abolishing old unuseful laws or rules, introducing new rules and policies to promote doing business in general and entrepreneurship in specific, such as migration to e-government and automizing services, etc.	17	25

A.3.8. Naturalistic and Rationalistic Inquiries

According to Guba, (1981); Guba and Lincoln, (1989).

	Rationalistic Inquiry	Naturalistic Inquiry
Reality	-The rationalistic paradigm rests on the assumption that there is a <u>single</u> reality upon which inquiry can converge. -Reality is separable or fragmentable into independently manipulatable parts (commonly called variables).	-The naturalistic paradigm rests on the assumption that there are <u>multiple</u> realities; inquiry will diverge rather than converge as more and more is known. -All "parts" of reality are interrelated so that the study of any one part necessarily influences all other parts. -The inquirer and the respondent are interrelated, with each influencing the other.
Methods	Rationalistic practitioners prefer <u>quantitative</u> methods.	Naturalistic practitioners prefer <u>qualitative</u> methods.
Quality	Most important criterion for assessing the quality of an inquiry is its <u>rigor</u> (internal validity)	Proponents of the naturalistic approach argue for <u>relevance</u> (external validity)
Theory	-Adherents of the rationalistic paradigm prefer a <u>priori theory</u> , usually of the hypothetico-deductive type. -Such theory is indispensable since the rationalistic approach requires the statement of <u>hypotheses to be tested</u> or questions to be answered in advance.	-Adherents of the naturalistic paradigm prefer to have the theory <u>emerge from the data</u> themselves, that is, they wish the theory to be grounded (Glaser & Strauss, 1967) - Assumption that generalisations are not possible, best one can hope for are "working hypotheses" that relate to a particular context. -Such <u>hypotheses or questions can be generated</u> only from theory existing before the fact.

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A.4.1. Brief History of Egypt

River Nile brought life and fertility to Egypt and Egypt’s civilisation would have been impossible without it. The annual flood, also called inundation, was treasured, worshipped and feared by the ancient Egyptians (Christensen, 2009). A unified kingdom arose in 3200 B.C., and a series of pharaonic dynasties ruled Egypt for the following 3000 years (Elgood, 2018; Wilkinson, 2002). The last native dynasty fell to the Artaxerxes III, the King of Persia in 341 B.C. (Manning, 2012).

This dynasty was later disestablished by Alexander the Great upon his conquest of Egypt, and then the Greek dynasty itself was replaced by the Romans, and Byzantines (Bevan, 2014; Brunt, 1975;

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Clarysse, 1985). In the seventh century, the Arabs introduced Islam and the Arabic language to Egypt and ruled it for six centuries to come (Bowman, 1996; Cohen, 2018; Redford, 2020).

After this, the Mameluke Sultanate, an army of slave soldiers, had established itself as a caliphate following the fall of the Ayyubid Dynasty in 1250. They ruled Egypt and Syria until 1517 when Egypt fell to the Ottoman Turks (CIA Library, 2020; Fischel, 1957). It was not until 1789 when Napoleon I's ships arrived at Abu Qir (Port 23 KM northeast of Alexandria) to occupy Egypt as well as aiming to destroy the British trade. Revolts, however, took place and after negotiations with the Ottomans, they decided to evacuate in 1800 (Fischel, 1957).

In 1801 a threefold invasion of Egypt was carried out by British troops, British Indian forces as well as the Ottomans again. Acting independently of the Ottoman Empire, the Albanian forces installed their leader in 1803, the same year the war was reignited between the British and Napoleonic forces. This has confirmed the strategic importance of Egypt, especially after the discovery of the Rosetta Stone (Quataert, 2005). So, two years later in 1805 following the assassination of the Albanian leader, the Albanians installed the late leader's lieutenant, Muhammad Ali, as the viceroy of Egypt. He is regarded as the founder of modern Egypt given his radical administrative, military, economic, and agricultural reforms. Although many of those reforms did not sustain, he paved the way for an independent Egyptian state. Before his death in 1849, he had established a hereditary control of Egypt to his heirs and successors (nine successors until 1952) (Mitchell, 1991).

Two of his successors (Said Pasha 1854-1863; and Ismail Pasha 1863-1879) were specifically keen on modernising Egypt by opening it to the Western influence. Ismail Pasha is noted for inaugurating the Suez Canal and by the end of the project, the country was left bankrupt following his lavish spending. Egypt at this point had numerous European creditors who used the opportunity to interfere in Egyptian affairs and strengthen their internal control (Toussaint, 2016).

As such the country had capitulated to the British colonisation in 1882 (Halvorson, 2010). Egypt thus became a "veiled protectorate" under British rule, but it was not a part of the British Empire until 1914. Egypt was also an autonomous province of the Ottoman Empire. However, following the fall of the Ottoman Empire after WWI, Egypt became a kingdom after Sultan Fuad I declared

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himself King of Egypt (Carman, 1921). The British occupation was still in force with stationed troops in Egypt to defend the Suez Canal, the British Empire's link with India (Mitchell, 1991)

Finally, in 1951 an anti-British government abrogated the Anglo-Egyptian treaty that was signed in 1936. Then on the 23rd of July 1952 the Free Officers, a group of Egyptian nationalist army officers, staged a Coup d'état and deposed Farouk I, hence overthrowing the Egyptian monarchy (Fletcher, 1958).

British forces had also withdrawn their troops. However, four years later in 1956, Egypt was invaded by Britain, France and Israel (also called the tripartite aggression) so the Western control over the Suez Canal is regained, especially after the then-Egyptian President Gamal Abdel Nasser had nationalised the canal (Shlaim, 1997).

After the fighting had started, coupled with insufficient international support for Britain, and political pressures from the United States and United Nations, the three invaders withdrew. This episode is said to have caused the ultimate fall of the British empire, as well as an international humiliation to both the United Kingdom and France (Independent, 1996).

Following Egypt's independence in 1956, Egypt has been ruled exclusively by military leaders following its independence from Great Britain in 1952. From then on, the country went through several social, political and religious instabilities, including armed conflicts with Israel in 1967 and 1973. This led to the signing of the Camp David Accords led by the then-Egyptian President Anwar Sadat with Israel in 1978, which later earned him a Nobel Peace Prize (Stein, 2011).

The country continued to face growing social and economic challenges until the 2011 revolution broke out. The revolution's aftermath was ensued by terrorism and other turbulence that brought much of the country's economic activity to a halt. Egypt's current government is a semi-presidential republic (Khalil, 2018) headed by President Abdel Fattah el-Sisi, whose policies have been widely regarded as repressive and totalitarian by humanitarian organisations (European Council on Foreign Relations, 2019; Foreign Policy, 2019). On the other hand, however, his radical economic reforms are hailed by international investors (Financial Times, 2019).

Structural Transformation and State-led Development

Overall, Egypt experienced positive but low structural change. The period following 1990 was characterized by greater trade openness and investment liberalisation as well as stronger incentives for private sector development and export promotion. However, economic activities were limited to traditional sectors as the country failed to transition to the modern economy or create skilled jobs (Mouelhi and Ghazali, 2018).

The lucrative petroleum and mining sectors have benefited from many advantages as a result of the end of the state and public monopoly, in the late 1990s. Exemptions from taxes and tariffs (EL-Haddad *et al.*, 2013) encouraged many players and big multinationals to join, albeit a non-transparent field deeply influenced by cronyism and bad governance. Exports of elementary metals including iron, aluminium and steel highly increased in the late 1990s (EL-Haddad *et al.*, 2013)

Unfortunately, this slowed down the country's impetus to move to the next phase of industrialisation through sophisticated and technology-intensive production and exports. This was further exacerbated by a nonefficient service sector, due to various institutional and non-institutional barriers embedded in an ill-governed autocratic regime (Mouelhi and Ghazali, 2018).

Mubarak's state-led development in Egypt has indeed provided millions of jobs. This was coupled with highly subsidised health, education, and consumer goods. Over time, the economic performance worsened, leading to the collapse of this model as the state could no longer provide these deliverables (Shehata, 2011). As such, an 'unsocial' social contract emerged under liberalisation in which the state used to trade, industrial and preferential economic measures for a select emerging group of crony capitalists who in turn supported the regime (El-Haddad, 2020).

This was and still is deep-rooted by the military acting as a leading business group using industrial policy to political ends (Carnegie Middle East Center, 2019). Hence, the Armed Forces' strong involvement in the economy makes them an interested party rather than an impartial arbitrator.

Accordingly, how the economic regulations are set up corroborates the public choice theory (Acemoglu *et al.*, 2000) which argues that regulation chiefly serves the interests of those who create it. Here, the laws became an instrument for favouritism toward only a select group of

business tycoons allowing a new class of ultra-rich to emerge. Hence, the growing inequality and waning benefits for all citizens undermined economic and political sustainability, all leading to the Arab Spring (El-Haddad, 2020).

A.4.2. Country Profile Now

The Arab Republic of Egypt is a lower-middle-income country as classified by the World Bank (The World Bank, 2019). Egypt is situated in the Middle East & North Africa region giving it a strategic geographical location, at the heart of the Arab world and at the crossroads of three continents. This strategic geopolitical position offers an array of both opportunities and challenges (Ministry of Planning, 2018). Long known for its ancient civilisation, Egypt is the largest Arab country and has played a central role in Middle Eastern politics in modern times.

Egypt's cities, and most of its agricultural activities, are concentrated along the banks of the Nile, and on the river's delta. Deserts occupy most of the country (BBC, 2019). Only 3 percent of Egypt's total area is arable. This limited area, which sustains on the average 9 persons per acre, is, however, highly fertile and can be cropped more than once a year.

However, rapid population growth and the limited amount of arable land are straining the country's resources and economy. Moreover, political unrests that broke out in 2011 have slowed down the government's efforts to address several pressing problems. In 2020 Egypt hit the 100 million people mark, and the government is “*on high alert*” to combat overpopulation. This makes Egypt the most populous country in North Africa, the Middle East, and the Arab world; it is also the third-most populous in Africa (after Nigeria and Ethiopia), and the thirteenth most populous in the world (NY Times, 2020).

This number excludes Egyptians abroad, estimated at over nine million people (Ahram Online, 2020b). Moreover, 42.71% of the population are living in urban areas, and almost 23.7% of the total population is youth (UN-Habitat Egypt, 2016). Unfortunately, by 2019 it was estimated that 32.5 percent of the population live below the poverty line (\$3.2 a day) as announced by Egypt's Central Agency for Public Mobilization and Statistics (CAPMAS), compared to 27.8 percent in 2015, i.e. an increase of 4.7 percent. The government has struggled to meet the demands of Egypt's fast-growing population as it implements far-reaching economic reforms, including the reduction

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of select subsidies, large-scale infrastructure projects, energy cooperation, and foreign direct investment appeals (CIA Library, 2020).

Since 1973 following an armed conflict with Israel, Egypt started transforming into a market-based economy dominated by the private sector. The push for private-sector development and partial trade and capital liberalisation was motivated primarily by the economic and fiscal crises that Egypt was facing at that time. Egypt has primarily been a planned economy, under which the government had complete control over resource allocation, distribution and pricing (Adly, 2017).

As such Mubarak's administration (in office: 1981-2011) has implemented structural reforms, heavily encouraged Foreign Direct Investment (FDI), resorted to privatisation (more detail in the following sections), and allowed supply and demand to dictate the distribution and pricing of goods. However, in 2011, the government underwent a political turmoil that brought the economy to its knees (World Atlas, 2017).

The Egyptian economy primarily relies on cash remittances from Egyptian expatriates abroad, Suez Canal revenues, agriculture, manufacturing, as well as extractive and construction industries. At the production services level, tourism and communication technologies are among the main growing sectors. Growth increased to 5.6 percent in FY2018/19 (up from 5.3 percent the previous year), a rate that was sustained through Q1-FY2019/20 driven by the aforementioned sectors (Central Bank of Egypt, 2018; ECES, 2020; Egypttoday, 2020b).

Region and Geographic Position

Regionally, Egypt's geostrategic power emanates from its central location in the heart of the Middle East serving as a bridge between Africa, Asia, and Mediterranean Europe (E-International Relations, 2019). With one of the largest and most diversified economies in the Middle East. It is also a founding member of the United Nations, the Non-Aligned Movement, the Arab League, and the African Union, in addition to the Organisation of Islamic Cooperation (Chatham House, 2009; Cooper *et al.*, 2007).

The MENA region has a population of 569 million in 2017 (UNDESA, 2017). 420 million of which are Arabic speaking people sitting across twenty or so countries (Qaddumi, 2019). An EU report expects MENA's population to double that of Europe by 2100, with more than 1 billion people, and that it will be bigger than China's by 2100 (Mckee *et al.*, 2017). More importantly, more than 60 percent of the MENA population are under thirty years old (UNICEF, 2019).

The Middle East stands at the crossroads of the old and new economies. Its proximity to developing economies like Africa and India gives it a significant strategic advantage over those in Western countries and creates tremendous opportunities for the region (Bradford, 2016).

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The following figure illustrates entrepreneurship ecosystem map in Egypt (Shalaby, 2021). The map categorises support organisations into five categories (EgyptInnovate, 2021):

1. Capacity building organisations focussing on early-stage entrepreneurs or individuals at the ideation stage.
2. Financing organisations including pre-primary financing, seed financing, angel financing, bold capital, private equity, crowdfunding platforms, non-refundable grants and loan risk assurance companies.
3. Non-financing services, comprising information, legal, accounting and marketing support channels, employment and technical support.
4. Growth phase, which includes assisting enterprises in research and development, protection of intellectual property, patenting, transfer of technology and knowledge.
5. Networking, and other supportive platforms useful to business leaders, e.g. conferences, events and competitions, or hosting entrepreneurs and providing them with common working spaces.

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