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Ahmad Al Asady
Kent State University, USA, aalasady@kent.edu

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SUMMARY

THE HONEY BEE AND THE GREEN FLY: THE EFFECT OF CORRUPTION ON INTERNATIONAL ENTREPRENEURS IN INFORMAL ECONOMIES

Ahmad Al Asady, Kent State University, USA

Principle Topic

Literature on corruption and international entrepreneurship posits that corruption is detrimental for entrepreneurship and for the economy of the host country. However, no literature addresses entrepreneurs who identify opportunities of profit, facilitated by corruption across national borders. While the literature often paints entrepreneurs, including international entrepreneurs, as honeybees whose entry is always beneficial to the home economy, in this paper by drawing on imprinting theory (Boeker, 1988; Kimberly, 1979; Stinchcombe, 1965), I suggest that they may be more akin to flies who are attracted to shadowy deals of questionable legality.

Method

The data collected on international entrepreneurs had an average of 100 respondents per host country for 1,600 observations operating in 16 countries across the Middle East and North Africa. The data was analyzed by means of ordinary least squares regression with standard errors clustered for the entrepreneurs’ home countries. Three models were considered. Model 1 included control variables (venture size, venture age, ease of doing business in the host country, entrepreneur’s age, etc.) and explained about 33% of variance in the dependent variable (degree of involvement in corrupt activities in the host country). Model 2 additionally accounted for the entrepreneur’s attitudes towards corruption (imprinted by the home environments), and levels of informal economy and corruption in the host country. All three extra variables were highly significant and explained additional 27% of variance. Model 3 included interaction effects of the attitudes towards corruption with host country’s corruption and informal economy. The increase in R-squared was very modest, and only one of the interaction terms (with informal economy) attained marginal significance.

Results and Implications

The results indicate that indeed, experiences in corrupt environments influence an entrepreneur’s degree of involvement in corrupt activities across national borders. I suggest that the path that international entrepreneurship takes depends not only on the institutional efforts of host countries but also on the imprinting effects that entrepreneurs themselves were exposed to in their home countries. The results have implications for different literature streams and overarching theoretical frameworks.

CONTACT: Ahmad Al Asady; aalasady@kent.edu; (T): + 1 330-672-1907; Marketing and Entrepreneurship Department, The College of Business Administration, Kent State University, P.O. Box 5190 Terrace Drive Kent, Ohio 44242 USA.