Evaluating entrepreneurship through the lens of institutional quality and social capital theory

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Abstract

This paper investigates how the institutional quality in the frame of social capital helps to explain the current and expected entrepreneurial behavior. Based on the literature of social capital and institutional theory in this article we aim to examine how the relationship between the degree of trust, norms, networks, and associations within a society impact governance quality and therefore entrepreneurial orientation. The link between the perceived institutional quality and the entrepreneurial behavior as market-oriented or network-oriented is tested for a sample of 72 businesses in Albania. By using a quantitative methodology, the data collected through the Global Competitiveness Index are processed by conducting descriptive statistics and correlation analysis. The results showed the significance of perceived trust and quality at public and private institutions as important predictors of entrepreneurship behaviors toward market or network orientations. Taking into account that the link between institutional quality and social capital has not received much attention in the literature, the contribution of this study refers to practical investigations that address questions for policymakers to improve institutional quality.

Keywords: Trust, entrepreneurship, networks, social capital, institutional quality

JEL Codes: L26, D85, E02, E22

1. Introduction

This paper emphasizes the important role of positive social capital as described by the literature in solving and reducing both market and government failures. By explaining the effect of a positive social capital build by governments we can understand then better the ways by which institutions perform to support entrepreneurship. The contribution of this empiric study is the attempt to describe and analyze the relationship between perceived institutional quality and the social capital forms in Albania.

The study begins first through the introduction of institutional theory by emphasizing the importance of institutional quality in promoting and supplying entrepreneurship in an economy and also the introduction of social capital theory by emphasizing the forms of entrepreneurial networks and interconnections to facilitate entrepreneurial activity. In the next section, we discuss the literature which describes the kind of relationships between social capital and institutions, the discussion aims to understand the context of this interaction in Albanian businesses studied in this paper.

Regarding social capital theory, this study will focus mainly on those dimensions of social capital which target the entrepreneurial behavior if it is network-oriented or market-oriented.

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Then, based on the results of perceived institutional quality we will explain the effects and relationships between institutional quality and entrepreneurial orientation toward market or networks in the Albanian context.

The logic to study the link between the above-mentioned variables refers to the necessary awareness of policymakers for social capital existence and its impact on the entrepreneurial environment. The methodological tool used to measure institutional quality is the first pillar of the Global Competitiveness Index, an instrument developed by the World Economic Forum since 2004 and used to rank countries according to their competitiveness based on one single index which integrates the macroeconomic and microeconomic aspects. While measuring social capital we will refer to only one dimension of it, specifically the structural domain to understand the reasons behind entrepreneurial orientation toward market or networks. In the final section, we will refer to the importance of awareness for policymakers and researchers regarding the active consideration of social capital as a decisive economic force in promoting a positive entrepreneurial environment. The final section encompasses some concluding remarks.

1.1. Study objective and research question

This exploratory research introduces and analyzes the components of the social environment, as network forms, norms, and trust, which correspond to the attributes of social capital, and the overall institutional environment as important components of the entrepreneurial environment. This study's objective is to investigate the perceived institutional quality as a determinant factor of entrepreneurial strategy regarding their relationships with institutions and social interaction environment. Our research question which links three main components of entrepreneurial climate (social capital, businesses, and institutions) is: Which are the possible strategies to be chosen by entrepreneurs concerning the country's institutions based on their perception of institutional quality.

2. Literature review

The concept of social capital advocates the idea that social attributes like connections, norms, values, and trust interact in the context of facilitating coordination and collaboration between individuals and groups in society. The main authors who introduced the social capital theory are Coleman (1990) and Putnam (1993). They underlined the notion of social capital in terms of its effects on economic activity and economic development. Through the social capital theory approach, the common view of the authors was the creation of social networks based on the cooperation and reciprocity norms that several individuals have with each other relying on trust with one-other.

Putnam (1993) has defined social capital as characteristics of social organizations like trust, norms, and networks that improve the efficiency of society by facilitating coordinated actions. On the other side, Lin (2001) offers an individualistic view by describing social capital in terms of social structures to which are attached several resources and those social structures are accessed and/or mobilized in determined actions. Some of the well-known scholars of social capital like Coleman (1990) and Putnam (1993) have defined social capital in terms of trust and as access or membership in different forms of networks, also as mutual norms.

The concept of networks refers to ties that link individuals between each other and through individuals they also create links between firms. These links facilitate, support, and advance the

exchange of information, also help to search for information with lower costs. Trust can be explained as confidence in the reliability of others. The trust that people have in other people, in general, can be referred to as generalized or general trust. Knack and Keefer (1997) explain that in the case of high trust, people tend to follow the civic norms in their actions because the expectations that others will reciprocate are high. Fukuyama (1995) emphasizes that mutual trust at social networks provides the reduction of transaction costs. In the same logic Putnam (2000) explains that the difference between generalized reciprocity and trust absence at social networks is similar to the difference between money and barter. Kim and Aldrich (2005) explain the importance of social capital based on the advantages of wider social relations in which the majority of individuals have embedded their ties. The basic logic is that when people are connected with the others, as they share the same values, this will make them able to benefit and profit more than when they acted alone.

Social capital represents a multidimensional concept. Researchers have described three forms of social capital bonding, bridging, and linking. Bonding and bridging are described by Gitell and Vidal (1998) and Putnam (2000), the third dimension linking was described by Woolcock (1998, 2001). Bonding social capital refers to internal ties of a social group and is stronger and common in denser networks, bridging social capital refers to external ties and are weaker and common in larger networks, while linking social capital links citizens to formal institutions enabling them to access institutional resources. According to Granovetter (2005), the consequences of too much bonding are related to restraining innovation and adaption, creates monopolies, collusion, and cartels. While bridging which leads to larger networks is better than bonding for sharing information in denser networks with a high degree of overlapping information.

Lumpkin and Dess (1996) argue that entrepreneurial oriented companies try to realize independently their organizational visions and objectives, but they can't succeed because without all the necessary resources their strategies will tend to fail. Under these conditions is evidenced the positive effect of social capital by supplying the network with different and considerable resources. While the process is reciprocal, for the reason that entrepreneurial oriented companies can also have a valuable influence on social capital.

Rothstein and Stolle (2008) in their study approach the role of the state as a source of social capital, arguing that the mechanism of the relationship between institutions and social capital in the creation of the generalized trust. Authors explain that when the administrative system is characterized by bias (favoritism), unfairness and corruption all this causes low levels of social capital, this referring to social capital as generalized trust. Institutions and social capital as represented by norms and values interact to treat the necessary trade-offs and balances between freedom and competition on the one hand and regulation and predictability on the other.

Based on the logic that institutions replace and complement social capital Aoki (2007) argues that institutions affect the current social capital and co-evolve with it in positive and negative ways. Trust and good institutions reinforce each other. North (2003) explains that the main components of institutions that contribute to the definition of economic performance are a set of formal rules, informal rules (like norms), also conformity and implementation mechanisms. Referring to the definition of institutions as a set of informal rules (norms), we can say that social capital is usually linked with institutions thorough the concept of informal institutions. Ahlerup et al. (2009) in their study have reviewed the impact of institutions and social capital (represented by the interpersonal trust) on economic growth, they describe that strong institutions cause a

decrease in the marginal effect of social capital. The role of social capital in the form of trust as a promoter of economic growth was also emphasized by Zak and Knack (2001).

One of the most important contributions to explain the link between institutions and strategies is the study of Peng (2003) by proposing a two-phase model. Each one of the stages and related strategies is described by the author in terms of the institutional development level and terms of benefits and costs. In previous studies Peng and Heath (1996) emphasize that when institutions are during an early stage in transition and the formal rules which support the market systems are not well established, firms will choose the strategy which is network centered or network-oriented in other words, relying on strong personal ties. The authors explain that later when formal rules more matured take place, network strategy's cost may gradually outweigh their benefits while the benefits of market-oriented strategies gradually exceed their costs. For these reasons, firms' strategic choices will be market-oriented (Peng, Lee, and Wang 2005).

3. Methodology

This study has a quantitative methodology, by following a deductive logic. The deductive logic begins with existing theories and concepts and formulates hypotheses that are testable later. To answer the research question this study is based on quantitative methods of data collection and processing. As an empirical study, the paper collects numeric data which then are converted into statistically interpretable data. The research focus is to explore the relationship between the company´s behavior concerning perceived institutional quality. In the role of independent variable is the perceived institutional quality while the dependent variable is the strategy (company behavior) which can be relationship (network) based or marked based.

The method used to collect data for this study is a survey questionnaire, which is composed of two sections. The first section uses questions from Executive Opinion Survey (WEF, 2016-2017) referring only to the part that includes the first dimension of Global Competitiveness Index developed by WEF since 2004, the second part it refers to dimensions of social capital bonding and bridging to identify the entrepreneur's strategy related with institutions according to their perceptions for institutional quality. The last part of the study survey refers to demographics for the study sample: participant's gender, education, and business location. The total study sample is 70 participants.

The reason why we rely on the GCI index is the fact that it one of the most distinguished indicators that evaluates the countries competition at national levels, is an index that encompasses a wide range of dimensions, and is published every year by WEF. Institutions the first dimension of this general index, which is the first part of our questionnaire construction, it refers to the legal and administrative framework within agents of society interact between each other and the quality of this framework has a very important influence on competitiveness, growth and sustainable development of an economy. The following table shows the detailed data related to sample composition and its demographic characteristics.

The dependent variable of the study is social capital which is represented by two components studied in this paper bonding and bridging. The determinant variables are a set of 7 composed dimensions each of them detailed in components. All the composed variables are categorized into two groups: the first developed to evaluate the quality of public institutions, and the second developed for the assessment of the quality of private institutions.

Table 1. Demographic characteristics of the study sample

Gender	Frequency	Valid percent	Education							
Valid			High school	Valid percent	University	Valid percent	Master degree	Valid percent	Ph.D.	Valid percent
Female	24	35.3	4	16.7	4	16.7	14	58.3	2	8,3
Male	44	64.7	8	18.2	9	20,4	27	61,4	0	
Missing	2									
Total	70	100%	14	20%	13	18,5%	41	58,5%	2	3%

Source: Authors

The methodological model used in this study is configured like the figure below:

Figure 1. Methodological model
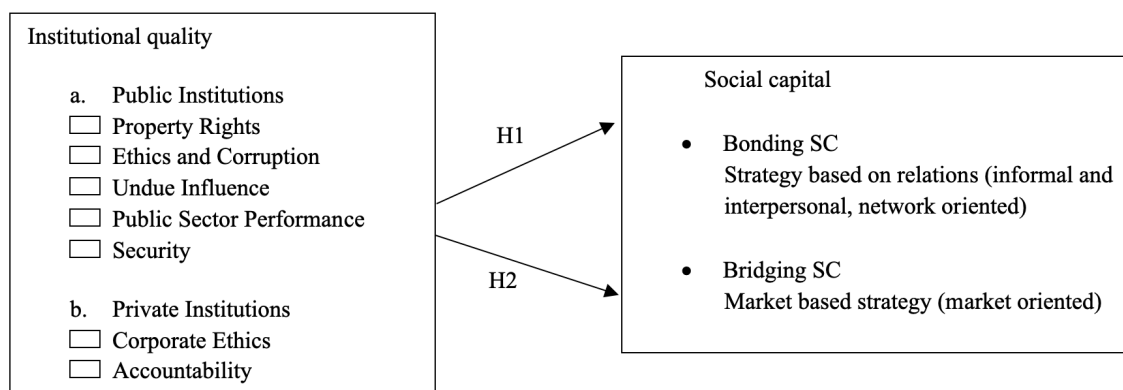
Source: Authors

The table below describes the detailed indicators and variables and the questions related with each one detailed variable.

Figure 2. Study Indicators

Perceived institutional quality	
General group of indicator	Questions
A. Public institutions quality indicators	
1.Property rights	Q01, Q02
2.Ethics and corruption	Q03, Q04, Q05, Q06, Q07, Q08
3.Undue influence	Q09, Q10
4.Public sector performance	Q12, Q13, Q14, Q15
5.Security	Q16, Q17, Q18, Q19
B. Private institutions quality indicator	
1.Corporate ethic	Q20
2.Accountability	Q21, Q22, Q23
Social Capital Components	
A. Bonding	Q24
B. Bridging	Q25

Source: For the perceived institutional quality GCI Report (World Economic Forum) 2016-2017, for social capital components according to literature Peng (2003)

There are 28 questions in total and all the collected data are in the form of attitudes that are held to the respective proposition, and each participant in the study chooses his/her attitude in a range of seven Likert scales. Likert scale is a 5- or 7-point ordinal scale used by respondents to

rate the degree to which they agree or disagree with a statement. Based on the fact that an attitude can be described in preferential ways of behaving and reacting in specific circumstances around an object, a subject or a concept acquired through social interactions, Likert scales are created to quantify the subjective preferential thinking, feeling and action in a validated and reliable manner (Schwarz et.al.,2001).

The statistical procedure used to analyze the collected data it refers to correlations statistics between the independent and dependent variables. The statistical results are provided by SPSS. The rule in evaluating the total institutional quality perceived is that every dimension is equally important and affects the performance of the other dimensions. In an attempt to answer our research question: Which are the entrepreneurial strategies toward institutions related to their perceptions for institutional quality, the study hypothesis to be investigated are:

H0: Entrepreneurs by perceiving a positive institutional quality are market-oriented.

H1: Entrepreneurs by perceiving a negative institutional quality are network-oriented.

Based on the literature we will expect entrepreneurs to be network oriented (create bonding sc-contact with people like oneself) when they do not trust in institutions that will be similar to having negative perceptions related to the country institution's quality. On the other side, we will expect entrepreneurs to be market-oriented when they trust in institutions that will be similar to having positive perceptions related to the country institution's quality. The following sections will be presented the reliability analysis and correlation statistics in order to control the study hypothesis. Detailed information related to the study questionnaire, reliability analysis, and Nonparametric Correlations are in the last section (appendix).

4. Results

Before examining the percentages of descriptive to control the study hypothesis, the reliability analysis will be performed to evaluate the internal validity and to see if all variables will need to be included in the subsequent analysis. Cronbach's alpha is the most common measure of internal consistency ("reliability"). It is most commonly used when we have multiple Likert questions in a survey that form a scale and we need to determine if the scale is reliable.

4.1. Reliability

The first table we need to look at in our output is the Reliability Statistics table. This gives us our Cronbach's alpha coefficient. We are looking for a score of over .7 for high internal consistency. In this case, $\alpha = .836$, which shows the questionnaire is reliable.

The next step of analysis is considering the correlations between the dependent and independent variables of the study. For each one of the dimensions of institutional quality we will consider the correlation with firm's choice strategy which can be market oriented or network oriented. But firstly, we will see the perceptions of entrepreneurs regarding institutional quality in the country. Then according the positive or negative perceptions we will consider then how this perceptions influence the firm's choice strategy in order to control the study hypothesis and answer the research question.

By analyzing frequency as descriptive statistics for each of the items which are components of institutional quality and based on the rule that the total institutional quality perceived is that every dimension is equally important and affects the performance of the other dimensions we can

distinguish that the overall perception of entrepreneurs for the institutional quality in public institutions is negative, while regarding to the private institutions, the entrepreneurs seem to have a neutral perception and uncertainty.

Table 2. Results of reliability analysis

Case Processing Summary			
		N	%
Cases	Valid	66	91.7
	Excluded	6	8.3
	Total	72	100.0
a. Listwise deletion based on all variables in the procedure.			

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.836	.855	25

The following tables show the reported evaluations of study participants for country institutional quality, specifically their reported evaluations related with property rights, ethical standards of politicians, and undocumented extra payments or bribes connected with public utilities. All the tables which include all the dimensions are in the appendix section but below are presented just 4 of them to help understand the overall idea just for a brief illustration.

Table 3. Descriptive statistics for the item "In your country, to what extent are property rights including financial assets, protected?"

		Frequency	Percent	Valid percent	Cumulative percent
Valid	Not at all	13	18.1	18.1	18.1
	To a small extent	15	20.8	20.8	38.9
	To some extent	17	23.6	23.6	62.5
	Neutral	15	20.8	20.8	83.3
	To a moderate extent	8	11.1	11.1	94.4
	To a great extent	2	2.8	2.8	97.2
	To a very great extent	2	2.8	2.8	100.0
	Total	72	100.0	100.0	

It is noticed according to the cumulative percent than 62.5 percent of respondents perceive that their property rights including financial assets are not at all, or to a small extent, or some extent protected.

Table 4. Descriptive statistics for the item "In your country, how do you rate the ethical standards of politicians?"

		Frequency	Percent	Valid percent	Cumulative percent
Valid	Extremely low	34	47.2	47.2	47.2
	Somewhat low	19	26.4	26.4	73.6
	Low	11	15.3	15.3	88.9
	Neutral	6	8.3	8.3	97.2
	Somewhat High	1	1.4	1.4	98.6
	High	1	1.4	1.4	100.0
	Total	72	100.0	100.0	

Regarding the ethical standards of politicians, it is noticed according to the cumulative percent than 88.9 percent of respondents perceive that they are extremely low, somewhat low, and low. While only 1.4% of participants evaluate according to their perceptions that ethical standards of politicians are somewhat high and another 1.4% of them perceive those standards as high.

Table 5. Descriptive statistics for the item "In your country, how common is it for firms to make undocumented extra payments or bribes connected with public utilities?"

		Frequency	Percent	Valid percent	Cumulative percent
Valid	Very commonly occurs	28	38.9	38.9	38.9
	Usually occurs	16	22.2	22.2	61.1
	Occurs	12	16.7	16.7	77.8
	Neutral	9	12.5	12.5	90.3
	Almost doesn't occur	3	4.2	4.2	94.4
	Does not occurs	3	4.2	4.2	98.6
	Never occurs	1	1.4	1.4	100.0
	Total	72	100.0	100.0	

Alarming negative perceptions are noticed for firm's engagements in making undocumented extra payments or bribes connected with public utilities, cumulative percent show that 77.8 percent of respondents perceive that such behavior very commonly occurs, usually occurs and occurs.

Table 6. Descriptive statistics for the item "In your country, how common is it for firms to make undocumented extra payments or bribes connected with imports and exports?"

		Frequency	Percent	Valid percent	Cumulative percent
Valid	Very commonly occurs	27	37.5	37.5	37.5
	Usually occurs	10	13.9	13.9	51.4
	Occurs	14	19.4	19.4	70.8
	Neutral	13	18.1	18.1	88.9
	Almost doesn't occur	6	8.3	8.3	97.2
	Does not occurs	1	1.4	1.4	98.6
	Never occurs	1	1.4	1.4	100.0
	Total	72	100.0	100.0	

Also distressing negative perceptions are noticed for firm's engagements in making undocumented extra payments or bribes connected with imports and exports, cumulative percents show that 70.8 percent of respondents perceive that such behavior very commonly occurs, usually occurs and occurs.

Regarding private institutional quality also all the tables which include the items measuring the entire dimension are in the appendix section but below are presented just 2 tables of the description statistics to help understand the overall idea just for a brief illustration. The results are shown as following:

Table 7. Descriptive statistics for the item "In your country, how do you rate the corporate ethics of companies (ethical behavior in interactions with public officials, politicians, and other firms)?"

		Frequency	Percent	Valid percent	Cumulative percent
Valid	Extremely poor	6	8.3	8.5	8.5
	Poor	5	6.9	7.0	15.5
	Fair	17	23.6	23.9	39.4
	Neutral	21	29.2	29.6	69.0
	Good	18	25.0	25.4	94.4
	Very good	4	5.6	5.6	100.0
	Total	71	98.6	100.0	
Missing	999.00	1	1.4		
Total		72	100.0		

The corporate ethics of companies it is mainly ranked fair, good or very good respectively 23.6%, 25% and 5.6%, while 15.5% of the study participants had considered it extremely poor or poor. Also, a significant part of respondents (29.6%) show neutral evaluations.

Table 8. Descriptive statistics for the item "In your country, how strong are financial auditing and reporting standards?"

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Extremely weak	6	8.3	8.3	8.3
	Weak	7	9.7	9.7	18.1
	Somewhat week	15	20.8	20.8	38.9
	Neutral	23	31.9	31.9	70.8
	Somewhat strong	12	16.7	16.7	87.5
	Strong	9	12.5	12.5	100.0
	Total	72	100.0	100.0	

The most part of respondents (38.9%) perceive that financial auditing and reporting standards are extremely weak, weak ore somewhat weak, while almost 32% of them are neutral compared to 29.2% of them who believe that those standards are somewhat strong or strong.

Considering the descriptive data from the statistical program related with entrepreneurial strategy orientation toward institutions we can distinguish in general mainly neutral attitudes and with a little percent of the results related with network-oriented strategy.

Table 9. Strategy based on relations (informal and interpersonal)

		Frequency	Percent	Valid percent	Cumulative percent
Valid	Not at all	18	25.0	25.4	25.4
	To a small extent	12	16.7	16.9	42.3
	To some extent	10	13.9	14.1	56.3
	Neutral	15	20.8	21.1	77.5
	To a moderate extent	7	9.7	9.9	87.3
	To a great extent	5	6.9	7.0	94.4
	To a very great extent	4	5.6	5.6	100.0
	Total	71	98.6	100.0	
Missing	999.00	1	1.4		
Total		72	100.0		

We can notice than most of the participants 77.5% show attitudes mainly neutral to a small extent, to some extent or not at all related to relationship-oriented strategy.

Table 10. Strategy based on market

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not at all	4	5.6	5.6	5.6
	To a small extent	2	2.8	2.8	8.3
	To some extent	10	13.9	13.9	22.2
	Neutral	13	18.1	18.1	40.3
	To a moderate extent	13	18.1	18.1	58.3
	To a great extent	14	19.4	19.4	77.8
	To a very great extent	16	22.2	22.2	100.0
	Total	72	100.0	100.0	

Most of the participants 59,7% in cumulative percent of the participants show attitudes that approve market-oriented strategies to a moderate extent, to a great extent and a very great extent. But our study focus is to consider the kind of relationship between each one of the strategies and the perceived institutional quality. In this framework, we will analyze the values of correlations between each one dimension of institutional quality and the alternative strategy.

According to the results we have distinguished not positive perceptions related to country institutional quality we can now expect to be proven the second study hypothesis *H2: Entrepreneurs by perceiving a negative institutional quality are network-oriented.* The statistical approach to explore this link between strategy and institutions are the correlations. When the study data are collected in Likert items it is more appropriate to analyze thorough non-parametric correlations. The detailed results of nonparametric correlations will be in the appendix section and the following table will be presented only the significant correlations marked by the statistical program.

Table 11. Summary table of significant statistical correlations

	Q24 strategy based on relations	Q25 strategy based on network	
Q7	-.239*		Significant but week correlation
Q5		.329**	Significant but week correlation
Q20		.345**	Significant but week correlation
Q24	-.284*		Significant but week correlation

The correlations results show that no one of the hypotheses can be verified statistically for the sample included in this study. In the following issue, we will give some explanation regarding these results and their implications.

5. Conclusions and implications

The purpose of this study was to provide an assessment of the perceived efficiency of both public and private institutions of the country in the light of the social dimension as an important economic force. Based on the fact that the legal and administrative interaction between individuals, firms, and governments impacts growth and competitiveness, and also based on the fact that great and favorable private institutions have a considerable influence in the sustainable development of a country economy this topic's results represent significant importance for policymakers.

Institutions, the first dimension of GCI it refers to the legal and administrative framework within agents of society interact with each other and the quality of this framework has a very important influence on competitiveness, growth, and sustainable development of an economy. This dimension of the GCI index aims to assess the ability of national economies to ensure and guarantee high levels of prosperity to offer sustainable economic development. As described and analyzed in the previous section, it results in a low level of perceived institutional quality for the public institutions and also a low level of perceived institutional quality for private institutions, although for public institutions the comparative assessment is lower. Those attitudes and perceptions describe not a very favorable framework to be promotional for competitiveness and entrepreneurial incentives.

One of our study limitations is the number of participants included in the research, a larger number of participants would enable a more accurate overall outcome of the study population. Also, we think that the study model would be more completed and comprehensive if it could be incorporated more elements of country competitiveness (other components of GCI) and some

variables to measure the trust (as another important component of social capital) to explain in a wider and more convincing form strategy that entrepreneurs choose to react in their relationship with institutions. This study offered a specific view of only one of the GCI components and a more completed model for the main both study variables remains a starting point for another more extensive study.

The reported attitudes and perceptions related to institutional quality in general talk about an environment in which is needed more attempt to guarantee an environment that encourages entrepreneurship. One of the reasons why a business has this kind of perception related to the institutional quality of the country is explained by the levels of trust they have for the country institutions. This low level of trust may be a result of previous experiences related to the relationship between them and institutions and also may be a result of the very slow improvement of the work of these institutions in guaranteeing the competitive environment and the promotion of entrepreneurship. Also, we can that the overall absence of trust makes possible that they do not create bonding or bridging relationships.

Finally, in another more extensive study, it is necessary to include as the independent variable the trust level of people in institutions to better explain the relationship between the forms of social capital and their strategy toward country institutions.

The new methodological framework would be as the following scheme:

Figure 3. The new methodological framework for another extensive study
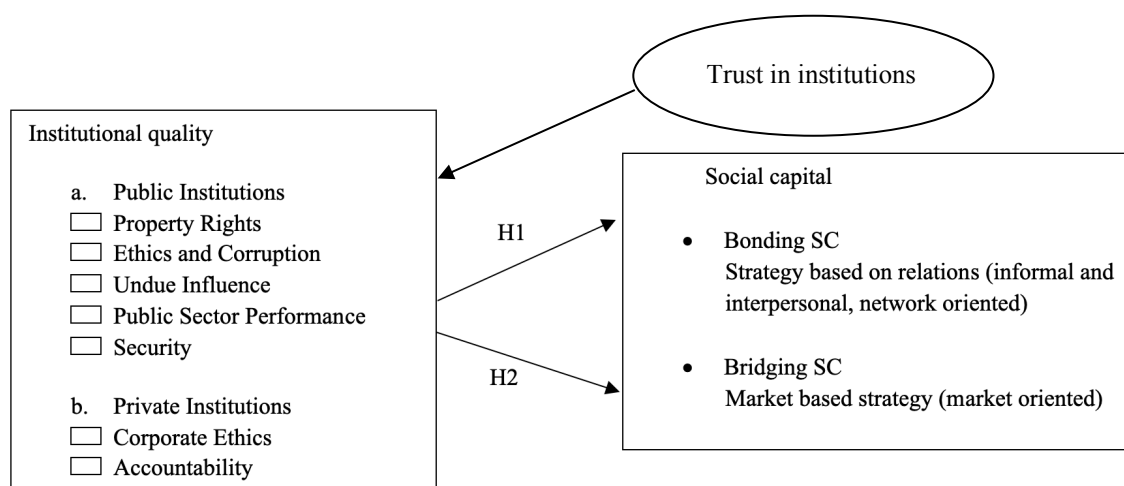
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Appendices

Frequencies

- In your country, to what extent are property rights, including financial assets, protected?

		Frequency	Percent	Valid Percent	Cumulative Percent
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	To a small extent	15	20.8	20.8	38.9
	To some extent	17	23.6	23.6	62.5
	Neutral	15	20.8	20.8	83.3
	To a moderate extent	8	11.1	11.1	94.4
	To a great extent	2	2.8	2.8	97.2
	To a very great extent	2	2.8	2.8	100.0
	Total	72	100.0	100.0	

- In your country, how do you rate the ethical standards of politicians?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Extremely low	34	47.2	47.2	47.2
	Somewhat low	19	26.4	26.4	73.6
	Low	11	15.3	15.3	88.9
	Neutral	6	8.3	8.3	97.2
	Somewhat High	1	1.4	1.4	98.6
	High	1	1.4	1.4	100.0
	Total	72	100.0	100.0	

- In your country, how common is it for firms to make undocumented extra payments or bribes connected with public utilities?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very commonly occurs	28	38.9	38.9	38.9
	Usually occurs	16	22.2	22.2	61.1
	Occurs	12	16.7	16.7	77.8
	Neutral	9	12.5	12.5	90.3
	Almost doesn't occur	3	4.2	4.2	94.4
	Does not occurs	3	4.2	4.2	98.6
	Never occurs	1	1.4	1.4	100.0
	Total	72	100.0	100.0	

- In your country, how common is it for firms to make undocumented extra payments or bribes connected with imports and exports?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very commonly occurs	27	37.5	37.5	37.5
	Usually occurs	10	13.9	13.9	51.4
	Occurs	14	19.4	19.4	70.8
	Neutral	13	18.1	18.1	88.9
	Almost doesn't occur	6	8.3	8.3	97.2
	Does not occurs	1	1.4	1.4	98.6
	Never occurs	1	1.4	1.4	100.0
	Total	72	100.0	100.0	

- In your country, how common is it for firms to make undocumented extra payments or bribes connected with public utilities?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very commonly occurs	28	38.9	38.9	38.9
	Usually occurs	16	22.2	22.2	61.1
	Occurs	12	16.7	16.7	77.8
	Neutral	9	12.5	12.5	90.3
	Almost doesn't occur	3	4.2	4.2	94.4
	Does not occurs	3	4.2	4.2	98.6
	Never occurs	1	1.4	1.4	100.0
	Total	72	100.0	100.0	

- In your country, how common is it for firms to make undocumented extra payments or bribes connected with annual tax payments?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very commonly occurs	14	19.4	19.4	19.4
	Usually occurs	11	15.3	15.3	34.7
	Occurs	15	20.8	20.8	55.6
	Neutral	11	15.3	15.3	70.8
	Almost doesn't occur	9	12.5	12.5	83.3
	Does not occurs	10	13.9	13.9	97.2
	Never occurs	2	2.8	2.8	100.0
	Total	72	100.0	100.0	

- In your country, how common is it for firms to make undocumented extra payments or bribes connected with public contracts and licenses?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very commonly occurs	24	33.3	33.8	33.8
	Usually occurs	14	19.4	19.7	53.5
	Occurs	13	18.1	18.3	71.8
	Neutral	6	8.3	8.5	80.3
	Almost doesn't occur	11	15.3	15.5	95.8
	Does not occurs	2	2.8	2.8	98.6
	Never occurs	1	1.4	1.4	100.0
	Total	71	98.6	100.0	
Missing	999.00	1	1.4		
Total		72	100.0		

- In your country, how common is it for firms to make undocumented extra payments or bribes connected with obtaining favorable judicial decisions?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very commonly occurs	24	33.3	33.3	33.3
	Usually occurs	25	34.7	34.7	68.1
	Occurs	7	9.7	9.7	77.8
	Neutral	3	4.2	4.2	81.9
	Almost doesn't occur	4	5.6	5.6	87.5
	Does not occurs	9	12.5	12.5	100.0
	Total	72	100.0	100.0	

- In your country, how independent is the judicial system from influences of the government, individuals, or companies?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not independent at all	18	25.0	25.4	25.4
	Not independent	22	30.6	31.0	56.3
	Dependent	15	20.8	21.1	77.5
	Neutral	10	13.9	14.1	91.5
	Somewhat Independent	5	6.9	7.0	98.6
	Independent	1	1.4	1.4	100.0
	Total	71	98.6	100.0	
Missing	999.00	1	1.4		
Total		72	100.0		

Qosja, E., Keçi, I. (2020). Evaluating entrepreneurship through the lens of institutional quality and social capital theory. *International Journal of Social Sciences and Education Research*, 6(3), 311-329.

- In your country, how efficiently does the government spend public revenue?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	To a very great extent no efficient	17	23.6	23.6	23.6
	To a great extent no efficient	25	34.7	34.7	58.3
	No efficient	18	25.0	25.0	83.3
	Neutral	12	16.7	16.7	100.0
	Total	72	100.0	100.0	

- In your country, how burdensome is it for companies to comply with public administration's requirements (e.g., permits, regulations, reporting)?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Extremely burdensome	23	31.9	31.9	31.9
	Burdensome	10	13.9	13.9	45.8
	Somewhat burdensome	11	15.3	15.3	61.1
	Neutral	11	15.3	15.3	76.4
	To some extent burdensome	4	5.6	5.6	81.9
	To a small extent burdensome	10	13.9	13.9	95.8
	Not burdensome at all	3	4.2	4.2	100.0
	Total	72	100.0	100.0	

- In your country, how efficient are the legal and judicial systems for companies in settling disputes?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	To a very great extent no efficient	4	5.6	5.6	5.6
	To a great extent no efficient	16	22.2	22.5	28.2
	No efficient	17	23.6	23.9	52.1
	Neutral	20	27.8	28.2	80.3
	Efficient	8	11.1	11.3	91.5
	To a great extent efficient	5	6.9	7.0	98.6
	To a very great efficient	1	1.4	1.4	100.0
	Total	71	98.6	100.0	
Missing	999.00	1	1.4		
Total		72	100.0		

- In your country, how easy is it for private businesses to challenge government actions and/or regulations through the legal system?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Extremely difficult	14	19.4	19.4	19.4
	Difficult	15	20.8	20.8	40.3
	Somewhat difficult	16	22.2	22.2	62.5
	Neutral	17	23.6	23.6	86.1
	Somewhat easy	6	8.3	8.3	94.4
	Easy	2	2.8	2.8	97.2
	Extremely easy	2	2.8	2.8	100.0
	Total	72	100.0	100.0	

- In your country, how easy is it for companies to obtain information about changes in government policies and regulations affecting their activities?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Extremely difficult	8	11.1	11.1	11.1
	Difficult	10	13.9	13.9	25.0
	Somewhat difficult	15	20.8	20.8	45.8
	Neutral	19	26.4	26.4	72.2
	Somewhat easy	10	13.9	13.9	86.1
	Easy	7	9.7	9.7	95.8
	Extremely easy	3	4.2	4.2	100.0
	Total	72	100.0	100.0	

- In your country, to what extent does the threat of terrorism impose costs on businesses?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	To a very great extent imposes huge costs	5	6.9	6.9	6.9
	To a great extent imposes huge costs	4	5.6	5.6	12.5
	To a moderate extent imposes huge costs	5	6.9	6.9	19.4
	Neutral	3	4.2	4.2	23.6
	To some extent imposes huge costs	7	9.7	9.7	33.3
	To a small extent imposes huge costs	21	29.2	29.2	62.5
	Not at all	27	37.5	37.5	100.0
	Total	72	100.0	100.0	

- In your country, to what extent does the incidence of crime and violence impose costs on businesses?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	To a very great extent imposes huge costs	7	9.7	9.7	9.7
	To a great extent imposes huge costs	12	16.7	16.7	26.4
	To a moderate extent imposes huge costs	9	12.5	12.5	38.9
	Neutral	14	19.4	19.4	58.3
	To some extent imposes huge costs	10	13.9	13.9	72.2
	To a small extent imposes huge costs	13	18.1	18.1	90.3
	Not at all	7	9.7	9.7	100.0
	Total	72	100.0	100.0	

- In your country, to what extent does organized crime (mafia oriented racketeering, extortion) impose costs on businesses?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	To a very great extent imposes huge costs	7	9.7	9.7	9.7
	To a great extent imposes huge costs	19	26.4	26.4	36.1
	To a moderate extent imposes huge costs	11	15.3	15.3	51.4
	Neutral	14	19.4	19.4	70.8
	To some extent imposes huge costs	3	4.2	4.2	75.0
	To a small extent imposes huge costs	12	16.7	16.7	91.7
	Not at all	6	8.3	8.3	100.0
	Total	72	100.0	100.0	

- In your country, to what extent can police services be relied upon to enforce law and order?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not at all	3	4.2	4.2	4.2
	To a small extent	16	22.2	22.5	26.8
	To some extent	10	13.9	14.1	40.8
	Neutral	21	29.2	29.6	70.4
	To a moderate extent	9	12.5	12.7	83.1
	To a great extent	11	15.3	15.5	98.6
	To a very great extent	1	1.4	1.4	100.0
	Total	71	98.6	100.0	
Missing	999.00	1	1.4		
Total		72	100.0		

- In your country, how do you rate the corporate ethics of companies (ethical behavior in interactions with public officials, politicians, and other firms)?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Extremely poor	6	8.3	8.5	8.5
	Poor	5	6.9	7.0	15.5
	Fair	17	23.6	23.9	39.4
	Neutral	21	29.2	29.6	69.0
	Good	18	25.0	25.4	94.4
	Very good	4	5.6	5.6	100.0
	Total	71	98.6	100.0	
Missing	999.00	1	1.4		
Total		72	100.0		

- In your country, how strong are financial auditing and reporting standards?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Extremely weak	6	8.3	8.3	8.3
	Weak	7	9.7	9.7	18.1
	Somewhat week	15	20.8	20.8	38.9
	Neutral	23	31.9	31.9	70.8
	Somewhat strong	12	16.7	16.7	87.5
	Strong	9	12.5	12.5	100.0
	Total	72	100.0	100.0	

- In your country, to what extent is management accountable to investors and boards of directors?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not at all	3	4.2	4.3	4.3
	To a small extent	6	8.3	8.6	12.9
	To some extent	8	11.1	11.4	24.3
	Neutral	19	26.4	27.1	51.4
	To a moderate extent	11	15.3	15.7	67.1
	To a great extent	16	22.2	22.9	90.0
	To a very great extent	7	9.7	10.0	100.0
	Total	70	97.2	100.0	
Missing	999.00	2	2.8		
Total		72	100.0		

- In your country, to what extent are the interests of minority shareholders protected by the legal system?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not protected at all	2	2.8	2.8	2.8
	To a small extent protected	13	18.1	18.1	20.8
	To some extent protected	21	29.2	29.2	50.0
	Neutral	15	20.8	20.8	70.8
	Protected	10	13.9	13.9	84.7
	Protected to a great extent	10	13.9	13.9	98.6
	Protected to a very great extent	1	1.4	1.4	100.0
	Total	72	100.0	100.0	

- Strategy based on relations (informal and interpersonal)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not at all	18	25.0	25.4	25.4
	To a small extent	12	16.7	16.9	42.3
	To some extent	10	13.9	14.1	56.3
	Neutral	15	20.8	21.1	77.5
	To a moderate extent	7	9.7	9.9	87.3
	To a great extent	5	6.9	7.0	94.4
	To a very great extent	4	5.6	5.6	100.0
	Total	71	98.6	100.0	
Missing	999.00	1	1.4		
Total		72	100.0		

- Strategy based on market

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not at all	4	5.6	5.6	5.6
	To a small extent	2	2.8	2.8	8.3
	To some extent	10	13.9	13.9	22.2
	Neutral	13	18.1	18.1	40.3
	To a moderate extent	13	18.1	18.1	58.3
	To a great extent	14	19.4	19.4	77.8
	To a very great extent	16	22.2	22.2	100.0
	Total	72	100.0	100.0	

Nonparametric Correlations

Correlations

			Q1	Q2	Q24	Q25
Spearman's rho	Q1	Correlation Coefficient	1.000	.498**	-.127	.194
		Sig. (2-tailed)	.	.000	.293	.102
		N	72	72	71	72
	Q2	Correlation Coefficient	.498**	1.000	-.001	.074
		Sig. (2-tailed)	.000	.	.993	.534
		N	72	72	71	72
	Q24	Correlation Coefficient	-.127	-.001	1.000	-.402**
		Sig. (2-tailed)	.293	.993	.	.001
		N	71	71	71	71
	Q25	Correlation Coefficient	.194	.074	-.402**	1.000
		Sig. (2-tailed)	.102	.534	.001	.
		N	72	72	71	72

**. Correlation is significant at the 0.01 level (2-tailed).

Correlations

			Q24	Q25	Q3	Q4	Q5	Q6	Q7	Q8
Spearman's rho	Q24	Correlation Coefficient	1.000	-.402**	-.100	-.053	-.182	-.179	-.239*	.102
		Sig. (2-tailed)	.	.001	.405	.661	.129	.135	.044	.399
		N	71	71	71	71	71	71	71	70
	Q24	Correlation Coefficient	-.402**	1.000	.169	.041	.329**	.171	.100	.097
		Sig. (2-tailed)	.001	.	.155	.735	.005	.150	.404	.420
		N	71	72	72	72	72	72	72	71
	Q3	Correlation Coefficient	-.100	.169	1.000	.353**	.409**	.508**	.459**	.506**
		Sig. (2-tailed)	.405	.155	.	.002	.000	.000	.000	.000
		N	71	72	72	72	72	72	72	71
	Q4	Correlation Coefficient	-.053	.041	.353**	1.000	.408**	.415**	.278*	.398**
		Sig. (2-tailed)	.661	.735	.002	.	.000	.000	.018	.001
		N	71	72	72	72	72	72	72	71
	Q5	Correlation Coefficient	-.182	.329**	.409**	.408**	1.000	.707**	.502**	.493**
		Sig. (2-tailed)	.129	.005	.000	.000	.	.000	.000	.000
		N	71	72	72	72	72	72	72	71
	Q6	Correlation Coefficient	-.179	.171	.508**	.415**	.707**	1.000	.612**	.576**
		Sig. (2-tailed)	.135	.150	.000	.000	.000	.	.000	.000
		N	71	72	72	72	72	72	72	71
	Q7	Correlation Coefficient	-.239*	.100	.459**	.278*	.502**	.612**	1.000	.572**
		Sig. (2-tailed)	.044	.404	.000	.018	.000	.000	.	.000
		N	71	72	72	72	72	72	72	71
	Q8	Correlation Coefficient	.102	.097	.506**	.398**	.493**	.576**	.572**	1.000
		Sig. (2-tailed)	.399	.420	.000	.001	.000	.000	.000	.
		N	70	71	71	71	71	71	71	71

**. Correlation is significant at the 0.01 level (2-tailed). *. Correlation is significant at the 0.05 level (2-tailed).

Correlations

		Q9	Q10	Q24	Q25
Q9	Pearson Correlation	1	.562**	-.065	.090
	Sig. (2-tailed)		.000	.589	.454
	N	72	71	71	72
Q10	Pearson Correlation	.562**	1	.061	-.032
	Sig. (2-tailed)	.000		.613	.794
	N	71	71	70	71
Q24	Pearson Correlation	-.065	.061	1	-.348**
	Sig. (2-tailed)	.589	.613		.003
	N	71	70	71	71
Q25	Pearson Correlation	.090	-.032	-.348**	1
	Sig. (2-tailed)	.454	.794	.003	
	N	72	71	71	72

**. Correlation is significant at the 0.01 level (2-tailed).

	Correlations	Q24	Q25	Q12	Q13	Q14	Q15
Q24	Pearson Correlation	1	-.348**	.011	-.079	.010	-.148
	Sig. (2-tailed)		.003	.925	.517	.932	.218
	N	71	71	71	70	71	71
Q25	Pearson Correlation	-.348**	1	-.153	.152	-.027	.177
	Sig. (2-tailed)	.003		.199	.204	.822	.138
	N	71	72	72	71	72	72
Q12	Pearson Correlation	.011	-.153	1	-.022	.236*	.031
	Sig. (2-tailed)	.925	.199		.853	.046	.797
	N	71	72	72	71	72	72
Q13	Pearson Correlation	-.079	.152	-.022	1	.103	.396**
	Sig. (2-tailed)	.517	.204	.853		.394	.001
	N	70	71	71	71	71	71
Q14	Pearson Correlation	.010	-.027	.236*	.103	1	.215
	Sig. (2-tailed)	.932	.822	.046	.394		.070
	N	71	72	72	71	72	72
Q15	Pearson Correlation	-.148	.177	.031	.396**	.215	1
	Sig. (2-tailed)	.218	.138	.797	.001	.070	
	N	71	72	72	71	72	72

**. Correlation is significant at the 0.01 level (2-tailed). *. Correlation is significant at the 0.05 level (2-tailed).

	Correlations	Q24	Q25	Q16	Q17	Q18	Q19
Q24	Pearson Correlation	1	-.348**	-.225	-.047	-.017	-.056
	Sig. (2-tailed)		.003	.059	.698	.887	.646
	N	71	71	71	71	71	70
Q25	Pearson Correlation	-.348**	1	.102	.059	.170	.195
	Sig. (2-tailed)	.003		.394	.624	.153	.104
	N	71	72	72	72	72	71
Q16	Pearson Correlation	-.225	.102	1	.543**	.560**	.258*
	Sig. (2-tailed)	.059	.394		.000	.000	.030
	N	71	72	72	72	72	71
Q17	Pearson Correlation	-.047	.059	.543**	1	.644**	.330**
	Sig. (2-tailed)	.698	.624	.000		.000	.005
	N	71	72	72	72	72	71
Q18	Pearson Correlation	-.017	.170	.560**	.644**	1	.447**
	Sig. (2-tailed)	.887	.153	.000	.000		.000
	N	71	72	72	72	72	71
Q19	Pearson Correlation	-.056	.195	.258*	.330**	.447**	1
	Sig. (2-tailed)	.646	.104	.030	.005	.000	
	N	70	71	71	71	71	71

**. Correlation is significant at the 0.01 level (2-tailed).   *. Correlation is significant at the 0.05 level (2-tailed).

	Correlations	Q24	Q25	Q20
Q24	Pearson Correlation	1	-.348**	-.196
	Sig. (2-tailed)		.003	.104
	N	71	71	70
Q25	Pearson Correlation	-.348**	1	.345**
	Sig. (2-tailed)	.003		.003
	N	71	72	71
Q20	Pearson Correlation	-.196	.345**	1
	Sig. (2-tailed)	.104	.003	
	N	70	71	71

**. Correlation is significant at the 0.01 level (2-tailed).

	Correlations	Q24	Q25	Q21	Q22	Q23
Q24	Pearson Correlation	1	-.348**	.009	-.284*	-.055
	Sig. (2-tailed)		.003	.938	.018	.650
	N	71	71	71	69	71
Q25	Pearson Correlation	-.348**	1	.167	.142	.026
	Sig. (2-tailed)	.003		.161	.242	.830
	N	71	72	72	70	72
Q21	Pearson Correlation	.009	.167	1	.479**	.170
	Sig. (2-tailed)	.938	.161		.000	.153
	N	71	72	72	70	72
Q22	Pearson Correlation	-.284*	.142	.479**	1	.463**
	Sig. (2-tailed)	.018	.242	.000		.000
	N	69	70	70	70	70
Q23	Pearson Correlation	-.055	.026	.170	.463**	1
	Sig. (2-tailed)	.650	.830	.153	.000	
	N	71	72	72	70	72

**. Correlation is significant at the 0.01 level (2-tailed).   *. Correlation is significant at the 0.05 level (2-tailed).