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THE ANALYSIS OF LEVEL OF INSTITUTIONAL SUPPORT FOR INTERNATIONAL ENTREPRENEURIAL EXPANSION OF SMALL AND MEDIUM-SIZED ENTERPRISES FROM DEVELOPING COUNTRIES

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ABSTRACT

The initiating and development of international entrepreneurial expansion of small and medium-sized enterprises (SMEs) from developing countries (DCs) is under the influence of numerous internal and external challenges and limitations. Unlike developed countries, the institutional context of DCs determines specific business conditions, so the relevant literature indicates the necessity of incorporating institutional theory in international entrepreneurship research. Compared to previous research in which the estimation of institutional environment was performed on the basis of one dimension, in this paper, a composite indicator of benefits of country institutional profile for entrepreneurship (CIPE), which is relevant for export SMEs, is used. The aim of the paper is to point out the importance and the necessity of measuring entrepreneurs' perception on the characteristics of institutional environment of a small and open economy, encompassing its regulatory, normative and cognitive dimension. The subject of the research is the attitude of entrepreneurs/managers of export SMEs from Bosnia and Herzegovina (BIH) about the level of institutional support for their international expansion. The results of the research indicate that the CIPE scale has high reliability and validity. Based on the data collected from 81 export SMEs from BIH, it has been determined that the institutional environment in BIH does not provide significant support for international entrepreneurial activities. The normative dimension of institutional environment has been rated the most favorably, while the regulatory dimension is considered to be the greatest obstacle to international entrepreneurship development. The paper, both theoretically and empirically, presents the complexity of institutional profile of DCs, states the recommendations for overcoming institutional barriers, the areas of institutional framework where measures of government policy are necessary, as well as recommendations for future research.

Introduction

International entrepreneurial expansion of small and medium-sized enterprises (SMEs) in developing countries (DCs) does not depend only on organizational characteristics and resources that they control or possess, but also on specific factors of the external environment they are exposed to. In the relevant literature, numerous conceptualizations of the external environment factors are present, whereby DCs pay special attention to the country institutional environment. The country institutional environment can influence an enterprise's strategic activities and the level of innovations in a certain country, the manner in which innovations manifest, possibilities and forms of establishing foreign partnerships, as well as differences in entrepreneurial activities (Bruton et al., 2008; Busenitz et al., 2000). Consequently, during the research of international entrepreneurial activities in DCs, besides the industrial approach and resource approach, the institutional approach to the international business strategy of SMEs from DCs must be acknowledged (Peng et al., 2008, p. 920).

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Institutional theory represents a useful conceptual framework for incorporating the external business context of SMEs in the research of international entrepreneurship, and with it the research of international entrepreneurial expansion of SMEs in DCs. According to the institutional theory, the basic premise of the research on business subjects' internationalization is based on the position that all enterprises are rooted in institutional arrangements specific to each country (Busenitz et al., 2000). The main reason for incorporating institutional perspectives in the research of international entrepreneurship is the lack of adequate theories that take into consideration the importance of social context for international entrepreneurial activity (Bruton et al., 2010).

SMEs in DCs face institutional systems that differ to a greater or lesser extent, both from each other and in relation to their domicile environment. The institutional environment defines, that is, limits and drives the activity of international entrepreneurial organizations affecting the nature, development tempo and entrepreneurial range as well as entrepreneurs' behavior (Welter & Smallbone, 2011). Founding and designing international entrepreneurial organizations, their growth and development, as well as the management of external relations depend on their compatibility with the domicile institutional environment and the institutional environment of the countries whose markets they want to access. On the other hand, their readiness for compatibility is under the influence of the degree of flexibility of the institutional environment rules, the incentives that motivate engagement, business opportunity offers that are available to them, as well as the provision of support infrastructure (Tolbert et al., 2011).

Without neglecting the importance of the country institutional profile of the target foreign market, the focus of the paper is on the home country institutional profile for entrepreneurship as it determines the initial conditions for the establishment, development and internationalization of SMEs in DCs. Compared to previous research where the assessment of institutional environment was conducted on the basis of one dimension, for example, culture, social norms, cognitive structure and others, a composite indicator of the benefits of country institutional profile for entrepreneurship (CIPE), which is relevant for export SMEs, is used in this paper.

The aim of the paper is to indicate the importance and necessity of measuring entrepreneurs' perceptions regarding the features of the institutional environment of a small and open economy, enveloping its regulatory, normative and cognitive dimension, with the focus on international entrepreneurial expansion of SMEs in DCs. It implies determining the most relevant and most frequent limitations and dangers that SMEs in DCs face during the inclusion in international business, so that they could be avoided or removed.

Understanding the contextual aspect of entrepreneurship is an important segment of entrepreneurial research (Gupta et al., 2012), so the subject of research is directed at studying the domicile institutional conditions of internationally oriented SMEs in a context characterized by a low level of institutional development. More specifically, the focus is on the attitudes of entrepreneurs/managers of export SMEs from Bosnia and Herzegovina (BIH) about the level of institutional support for their international expansion. The paper is structured in such a way as to contain an introduction, literature review, research methodology, research results, conclusions and implications.

1. Literature review

According to North (North, 1991, p. 97), institutions are human limitations that arrange political, economic and social interactions. They represent rational, non-personalized and relatively long-term features of a social system, determining the purpose and the manner of behavior of social actors. By ensuring the stability and the order of a social order, institutions significantly contribute to lowering the degree of uncertainty in social interactions. Based on the type of rules they define, institutions were traditionally classified into formal and informal institutions (North, 1991, p. 97). Scott (Scott, 2013) asserts that the degree of formality/informality of institutions ought to be observed as a continuum, that is, he suggests the classification of institutions into: (1) regulatory institutions (with the highest level of formality), (2) normative institutions (with moderate level of formality) and (3) cognitive institutions (with the lowest level of formality) (p. 56).

Regulatory institutions (a dimension or a profile of the institutional environment) represent the most formal form of social structuring based on a rational model of behavior (sanctions and conformism). They consist of the prescriptive dimension (defining rules/actions), the evaluative dimension (monitoring and evaluating actions) and the obligatory dimension (the obligation of behaving in a certain manner) (Janićijević, 2014, p. 260). They are manifested in the form of national legislation and industry agreements and standards, whereby their compliance is ensured by the threat of sanctions.

Considering the specificities of the regulatory environment of DCs relevant to entrepreneurial activities is primarily oriented toward determining the level of equality of national legislation for all economic participants (Wu & Li, 2020). The extent to which national laws, regulations and government policies of countries in transition support international entrepreneurship (the regulatory profile) is assessed on the basis of: supporting entrepreneurs in setting up businesses; providing a number of government contracts for new small businesses; providing special incentives to entrepreneurs who want to start a new business; sponsoring businesses that help

new businesses develop and assisting entrepreneurs in new business endeavors (regardless of previous failed attempts) (Busenitz et al., 2000).

Normative institutions (a dimension or a profile of institutional environment) are less formal models of behavior based on obligatory dimensions of social, professional and organizational interaction. They consist of a value (what is preferred or considered right, i.e. desired goals or standards) and norms in accordance with those values (how things should be done, that is, describing the manner of realizing goals and standards) (Scott, 2013, p. 64). Values represent normative expectations of one group of dominant actors, and so other actors often experience them as pressures. Besides determining how things should be done, norms are used to define legitimate means for achieving value goals as well. Values and norms may have a general or limited scope, that is, they may be applicable to all society members or only to certain social structures (Krygier, 2012, p. 115).

Normative rules imply standards, procedures, routines, conventions, roles, strategies, organizational forms and technologies (North, 1991). Assessing the characteristics of the entrepreneurial aspect of the normative institutional profile of DCs refers to determining the degree to which the population of a certain national economy expresses admiration for the business activities of entrepreneurs and respects creative and innovative thinking and acting (Wu & Li, 2020). The extent to which a society believes that entrepreneurial export is a desirable and common business practice (the normative profile) is determined on the basis of: entrepreneurs' perception of the social respect of individuals who succeed in commercializing their business ideas in a foreign market; entrepreneurs' perception of social acceptability of innovative and creative thinking as a fine way for realizing successful export; entrepreneurs' perception of social respect of successful foreign business and entrepreneurs' perception of social respect of new businesses which are dealing successfully in a foreign market (Busenitz et al., 2000).

Cognitive institutions (a dimension or a profile of institutional environment) are the most informal form of social structuring because social actors do not experience them as imposed prescriptive rules (whether in the form of a law or professional standards - norms) but as implied behavior pattern (Scott, 2013, p. 67). They consist of mental models, knowledge and patterns of behavior that the social actors experience as the only acceptable and possible model of interaction. From the cognitive aspect, the behavior of individuals is largely the result of the subjective perception of the environment that is shaped via symbols (words, signs and gestures) related to certain objects and activities, while the manner of symbol interpretation is under the influence of external cultural framework (Bunnell et al., 2016). Cognitive elements may occur based on mutual collective interactions and become accepted in time, but they can also be consciously conceived and spread by institutional authorities (Scott, 2013, p. 68).

According to Busenitz et al. (Busenitz et al., 2014), the entrepreneurial insights that depend on the knowledge and skills of individuals about starting up and managing a business enterprise are relevant for entrepreneurial activity from the aspect of the cognitive environment. Many potential and new entrepreneurial organizations do not possess adequate knowledge of business opportunities domestically and abroad, although they often have the same level of formal education as the managers/owners of large business systems. It may be a consequence of the lack of experience, the impossibility of inclusion in business networks, but also the absence of adequate entrepreneurial role models (Wu & Li, 2020, p. 6). The extent to which society accepts and values entrepreneurial behavior and determines the manner of the realization of international business (the cognitive profile) depends on: entrepreneurs' familiarity with the mechanisms of legal protection of new ventures; knowledge of how to deal with high risks; knowledge of how to manage risk and entrepreneurs' knowledge of the potential sources of information about foreign markets where they plan to place their products (Busenitz et al., 2000).

2. Research methodology

3.1. Research procedure and sample research

In order to realize the goal of the research, i.e. to indicate the importance and necessity of measuring the perceptions of export-oriented entrepreneurs about the features of the institutional environment of DCs, empirical research was conducted. A questionnaire created in electronic form using the online tool Google Docs was used as a research instrument. The process of preparation and realization of the empirical research was carried out in the period from September 2020 to March 2021.

Based on the analysis of the available electronic databases about the enterprises from Bosnia and Herzegovina, it was determined that the enterprises recorded in the Foreign Trade Chamber of Bosnia and Herzegovina Export Directory constitute a representative target population. A letter of invitation to participate in the research, in which the subject, aim and importance of the research, the guarantee of respondents' anonymity, the participation instructions and the estimated duration of the survey were stated, was sent to 1.066 e-mails recorded in Export Directory.

88 enterprises took part in the survey (response rate is 8.25%), but after the conducted validation procedure of obtained data, the sample was reduced to 81 enterprises. Seven enterprises from the sample do not belong to the SMEs category according to the criteria defined by the Law on Development of Small and Medium Enterprises

(Official Gazette of the Republic of Srpska, 2013, No. 50/13) and the Law on Amendments to the Law on Development of Small and Medium Enterprises (Official Gazette of the Republic of Srpska, 2019, No. 84/19), so they were excluded from further analysis.

Through the survey research, the data on the general demographic features of the sample were obtained as well as the perceptions of SMEs entrepreneurs/managers about the features of the domicile institutional environment. The statistical processing and data analysis were performed with Statistical Package for Social Studies, IBM SPSS Statistics 24.0 and Microsoft Office Excel 2017.

3.2. Measuring the basic construction

To evaluate respondents' opinions in the survey research on the benefits of country institutional profile for entrepreneurship in BIH, a composite indicator created by Busenitz et al. was used (Busenitz et al., 2000), that is, CIPE scale, as it proved highly reliable and valid in numerous research (Chew et al., 2021, p. 343) so it represents an adequate instrument for researching the institutional environment of DCs (Manolova et al., 2008, p. 212). The scale consists of thirteen items, five of which refer to the regulatory dimension, and four each to the cognitive and normative dimension of the institutional environment (Table 1).

Table 1: Measures of Country Institutional Profile for Entrepreneurship (CIPE scale)

Dimensions	Items
Regulatory dimension (RD)	Government organizations in BIH assist individuals with starting their own business. (RD1) The government in BIH sets aside government contracts for new and small businesses. (RD2) Local and national governments in BIH have special support available for individuals who want to start a new business. (RD3) The government in BIH sponsors organizations that help new businesses develop. (RD4) Even after failing in an earlier business, the government in BIH assists entrepreneurs in starting again. (RD5)
Cognitive dimension (CD)	Individuals know how to legally protect a new business. (CD1) Those who start new businesses know how to deal with much risk. (CD2) Those who start new businesses know how to manage risk. (CD3) Most people know where to find information about foreign markets for their products. (CD4)
Normative dimension (ND)	Turning new ideas into foreign businesses is an admired career path in BIH. (ND1) In BIH, innovative and creative thinking is viewed as the route to export success. (ND2) Successful exporting entrepreneurs are admired in BIH. (ND 3) People in BIH tend to greatly admire those who start their own foreign business. (ND 4)

Source: Retrieved and adapted from Busenitz et al., 2000, p. 1002.

Since CIPE phenomenon is of cognitive nature (a qualitative attribute), whose value cannot be determined through the use of conventional measuring techniques, a 5-point Likert scale was used, based on which the respondents assessed the items (Table 1), depending on the level of agreement (from strong disagreement (1) to strong agreement (5)). Then, in accordance with the criteria defined by Joshi et al. (Joshi et al., 2015, p. 399), the appropriateness of transforming the used items into one composite indicator was considered. Since the criteria were positively evaluated, it was determined that a latent variable as an average value of manifested indicators, i.e. respondents' answers for all the items that refer to institutional environment, as well as three additional latent variables for subscales representing regulatory, cognitive and normative dimension, can be formed (Pallant, 2009, pp. 86-88).

Prior to determining the values of latent quantitative variables, an inversion of evaluations for each item was conducted. Namely, the original items in the questionnaire were formulated so that a higher value also signifies a higher level of perception of the benefits of CIPE. So that the manner of their quantification is in accordance with the research goals, the transformation of positive into negative items was carried out (De Clercq et al., 2010, pp. 91-92). The items that the respondents assigned evaluation five (5) (strongly agree) were replaced with evaluation one (1) (strongly disagree), evaluation four (4) was replaced with evaluation two (2), etc. Afterwards, the reliability and validity of the measuring scale were checked.

CIPE scale was retrieved from relevant literature with the adjustment to the research context. For the purpose of the modifications made to the original scale and due to the fact that the reliability of the measuring scale changes depending on the sample for which it is used, an examination of its reliability was conducted on a sample of 81 surveyed enterprises. CIPE scale represents a composite variable, so for each dimension (subscale) a reliability indicator was to be determined, and then for the entire CIPE construction. The results of the analysis of reliability indicators demonstrated that Cronbach's alpha coefficients for all the dimensions and the entire CIPE construction are in the range from 0.879 to 0.910 (RD (α=0.879); CD (α=0.880); ND (α=0.912); CIPE (α=0.910)), which is above the recommended acceptable value of 0.7 (Sekaran, 2016, p. 311). It indicates that the items based on which the operational variables are compatible, i.e. that the respondents assign the same or similar meaning to them, so it was concluded that the items can make a measuring scale.

The average value of the Inter-Item Correlation for all the dimensions and the entire CIPE construction is positive, so it was concluded that all items measure the same feature and that there are no "reversely" formulated

items. The aforementioned was also confirmed on the basis of the indicators of the average value of Corrected Item-Total Correlation, which is above 0.3 for all individual dimensions and the entire construction (Pallant, 2009, p. 100). Through the analysis of values of Cronbach's Alpha if Item Deleted, it was determined that Cronbach's Alpha coefficient would go down if any item which is an integral part of the dimensions and CIPE construction were to be removed. Based on this, it was determined that all items are retained for the needs of further analysis.

The validity of CIPE scale used in the empirical research on the sample of SMEs from BIH was examined using Principal components analysis - PCA. Before conducting the analysis, it was considered whether the data obtained in the research satisfied the assumptions for the use of this technique. It was determined that the condition of the minimal required sample size was fulfilled (Tabachnick & Fidell, 2007, stated in Pallant, 2009, p. 183) and that the data obtained in the sample are suitable for factor analysis. The value of the Kaiser–Meyer–Olkin test (KMO = 0.893, which is higher than the recommended 0.6) shows that the singled out components contain enough variables, while the significance level of Bartlett's test (p = 0.000, which is higher than the recommended 0.05) indicates that there is a strong correlation between the items of CIPE scale (Pallant, 2009, p. 187), which refers to the conclusion that the data are suitable for factor analysis.

For the needs of the extraction of components, Principal components technique was used. First, the matrix of correlation of original items was analyzed and it was determined that most correlation coefficients have a value higher than 0.3 (Pallant, 2009, p. 192), whereby the suitability of data for analysis was once more confirmed. The results of the principal components analysis indicate that only the first three components have eigenvalues above 1 (the first component 6.315, the second component 2.272 and the third component 1.115) and they explain the total of 74.62 % variances (the contribution of the first component is 48.58%, the second 17.47% and the third 8.58%). By applying the Kaiser criterion, according to which the number of components is determined on the basis of eigenvalues of the components, which should be 1 or higher (Pallant, 2009, p. 192), it was decided to single out only three components. The values of the unrotated factor loadings listed in Component Matrix indicate that for the first three components, all items have factor loadings above 0.4, thus confirming the adequacy of the three-component solution (Pallant, 2009, p. 194).

After the performed component rotation by applying the oblique rotation method - Promax, factor loadings of items with their eigenvalues were determined, which is shown in Table 2. The rotated solution of principal components analysis for CIPE scale (Table 2) discovered the existence of a simple structure since all three components have quite large factor loadings (the average factor loading is 0.97) and all items give large loadings only per one component. It implies that it is appropriate that these items are combined in one scale. Thus, 13 items were singled out that define three scale components with which the perception of the benefits of country institutional profile for entrepreneurship was measured. Interpreting these three components is in accordance with the previous research (De Clercq et al., 2010; Urban, 2019) because the items referring to the regulatory dimension gave large factor loadings to the first component, the items that refer to the normative dimension of the factor loading per second component, and the items that refer to the cognitive dimension of the factor loading per third component. There is a moderate positive correlation among the mentioned three components.

Based on the results of the analysis of reliability and validity of the used scale for measuring perceptions of the benefits of country institutional profile for entrepreneurship, it was determined that the scale has adequate internal accordance and clear factor structure. Accordingly, it was concluded that latent variables can be formed by determining the arithmetic mean of respondents' evaluations for subscales referring to regulatory, cognitive and normative dimension, as well as composite CIPE indicator.

Table 2: The results of Principal components analysis with the Promax rotation for CIPE scale

Items	Components		
	1	2	3
RD1 (Sponsorships)	0.884		
RD2 (Government contracts)	0.858		
RD3 (Incentives)	0.839		
RD4 (New attempts)	0.768		
RD5 (Help with starting up)	0.730		
ND1 (Respecting innovativeness)		0.902	
ND2 (Respecting foreign business)		0.861	
ND3 (Respecting entrepreneurs' ideas)		0.861	
ND4 (Respecting enterprise internationalization)		0.789	
CD1 (Risk management)			0.952
CD2 (Overcoming risk)			0.868
CD3 (Access to information)			0.710
CD4 (Legal protection)			0.681
Eigenvalues	6.315	2.272	1.115

Note. Extraction Method: Principal Component Analysis. Rotation Method: Promax with Kaiser Normalization. Rotation converged in 5 iterations. Factor loadings below 0.4 are not shown. Source: Research results (N=81).

3. Results of the research

Categorical and quantitative variables formed based on the respondents' answers to the questions covered by this survey questionnaire were used for the statistical analysis of the sample. The analysis of the business headquarters of the survey participants established that there is a pronounced geographical dispersion of SMEs from the sample, as the survey included SMEs from 42 cities and municipalities in BIH. The sample is also diverse regarding the type of main business activity of SMEs: SMEs from processing activities are most prevalent (22.2%), food industry (19.8%), timber industry (17.3%) and agriculture, hunting and forestry (14.8%), which together make 74.1% of the sample.

In Table 3, other main demographic features of the enterprises from the sample are shown, based on belonging to a certain category (size, legal form, ownership structure).

Table 3: The distribution of enterprises from the sample according to qualitative features

Demographic features of the enterprise	Frequency	Percentage	Cumulative percentage
The enterprise size			
Micro enterprises	28	34.6	34.6
Small enterprises	27	33.3	67.9
Medium enterprises	26	32.1	100.0
Total	81	100.0	
The legal form of organizing the enterprise			
Limited liability company	72	88.9	88.9
A cooperative	4	4.9	93.8
A joint-stock company	3	3.7	97.5
Self-employment	2	2.5	100.0
Total	81	100.0	
The ownership structure of the enterprise			
Private ownership	80	98.8	98.8
Other business subjects	1	1.2	100.0
Total	81	100.0	

Source: Research results (N=81).

According to the criteria defined by the Law on Development of Small and Medium Enterprises (Official Gazette of the Republic of Srpska, 2013, No. 50/13) and the Law on Amendments to the Law on Development of Small and Medium Enterprises (Official Gazette of the Republic of Srpska, 2019, NO. 84/19), in the conducted empirical research, 28 micro enterprises (34.6%), 27 small enterprises (33.3%) and 26 medium enterprises (32.1%) took part, which implies equal representation of the abovementioned categories in the sample. From the aspect of the legal form of organizing, limited liability companies dominate in the sample (88.9%), while regarding the ownership structure, private enterprises are the most prevalent (98.8%).

In Table 4, the data referring to the time period of the enterprise's operation (the age of a company) from the sample are presented.

Table 4: The age of the companies from the sample

The age of the company	Value	The age of the company	Value
Minimum	1	**Std. Deviation**	10.754
Maximum	49	**Mode**	4*
Mean	14.25	**Median**	13

Note. * The lower value of the mode is shown. Source: Research results (N=81).

The enterprises from the sample are also diverse in terms of the time dimension of their operations. The oldest enterprise was founded in 1971, and two enterprises in 2019, i.e. the age range of the enterprises is from 1 to 49 years. The average age of the enterprises is 14.25 years. The median determined on the basis of the chronologically ordered values of the characteristics indicates that 50% of the enterprises in the sample were founded before 2007, that is, that 50% of the enterprises in the sample were founded after 2007. This is also confirmed by the calculated value of median which amounts to 13 years. However, the height of the standard deviation is 10.75, which indicates that the age of a company on average deviates from the average age of a company by 10.75 years. This is a consequence of the existence of a small number of enterprises that have been in business for a longer period of time (e.g. only seven or 8.6% of enterprises have been in business for 39 years or more). The largest number of enterprises in the sample was established in 2015 (8 enterprises aged 5 years) and 2016 (eight enterprises aged 4 years), i.e. the mode has two values (the variable is bimodal), with the lower value shown (Table 4).

Based on the results of the analysis of the reliability and validity of CIPE scale, it was established that it has an adequate internal agreement and clear factor structure. Accordingly, latent variables were formed by determining the arithmetic mean of respondents' evaluations for subscales referring to regulatory, cognitive and normative

dimension, as well as composite CIPE indicator. Afterwards, a descriptive analysis of the variable that represents the features of country institutional profile for entrepreneurship, as well as its integral dimensions, was conducted, which is shown in Table 5.

Table 5: Descriptive analysis of the CIPE perception of BIH enterprises in the sample

Variable (dimension/ construction)	N	Mean	Std. Deviation	Range	
				Theoretical	Empirical
Regulatory dimension (RD)	81	4.08	0.690	1.00-5.00	1.00-5.00
Cognitive dimension (CD)	81	3.73	0.831	1.00-5.00	1.50-5.00
Normative dimension (ND)	81	3.66	0.895	1.00-5.00	1.00-5.00
CIPE	81	3.84	0.651	1.00-5.00	1.69-4.77

Source: Research results (N=81).

For the needs of the interpretation of the arithmetic mean of the latent variables of regulatory, cognitive and normative dimension, as well as CIPE, the intervals were formed that correspond to the meaning of the evaluations that respondents gave to the items on a scale of one (1) to five (5) (from strong agreement to strong disagreement, after the transformation of positive items). The established width of a group interval, through the application of a formula for calculating group interval width (Tenjović, 2020), amounts to approximately 0.8, whereby four intersection points are: 1.80, 2.60, 3.40 and 4.20. The interpretation principle is shown in Table 6.

Table 6: Intervals for the interpretation of the arithmetic mean of institutional environment and its dimensions

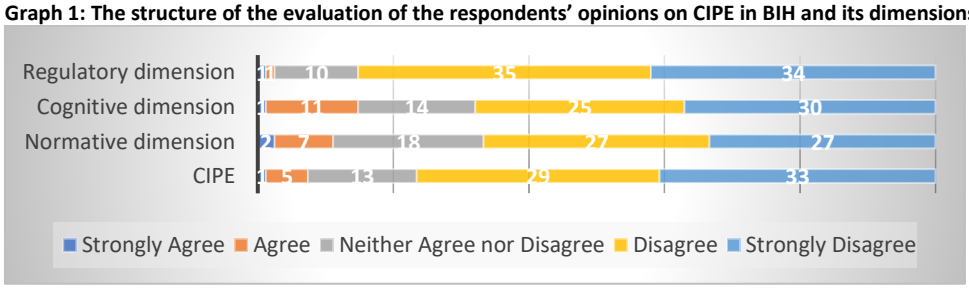
Likert scale	Interval	Description
1	1.00-1.80	Strongly Agree
2	1.81-2.60	Agree
3	2.61-3.40	Neither Agree nor Disagree
4	3.41-4.20	Disagree
5	4.21-5.00	Strongly Disagree

Source: Research results (N=81).

The average value of the evaluation of CIPE features in BIH is 3.84 (SD=0.651) and it is within the fourth interval (I disagree), which implies that an average enterprise in the sample considers that the institutional environment in BIH does not provide significant support to international entrepreneurial activities. The normative dimension of the institutional environment was the most favorably assessed with an average evaluation of 3.66 (SD=0.895), while the average evaluation for the cognitive dimension is 3.73 (SD=0.831), and for the regulatory dimension 4.08 (SD=0.690), which is rated as the greatest obstacle to international entrepreneurship development. The values of average evaluations for all dimensions of CIPE are also within the fourth interval that corresponds to the statement "I disagree". The average deviation from the arithmetic mean for all latent variables shown in Table 5 is less than one (1), that is, it does not go over one whole evaluation, which implies the representativeness of average evaluations.

In order to analyze the structure of latent variables in more detail, based on the defined interval sizes in Table 6, grouped distributions of the frequency of respondents' evaluations for the regulatory, cognitive and normative dimension, as well as the entire CIPE construction, were formed (Graph 1 and Table 7).

Graph 1: The structure of the evaluation of the respondents' opinions on CIPE in BIH and its dimensions



Source: Research results (N=81).

The majority of the interviewed SMEs (85.2%) consider that national laws, regulations and government policies in BIH do not support international entrepreneurial activities, as 34 or 42% of SMEs completely disagree, and 35 or 43.2% of SMEs do not agree with the statements referring to the regulatory dimension of the institutional environment. Only 10 SMEs (12.3%) maintain a neutral position, while 2 or 2.4% of SMEs estimate that the abovementioned segments encourage their business.

Unlike the regulatory, the cognitive dimension of the institutional environment in BIH is more favorably evaluated. Out of the total number of the interviewed SMEs, 55 or 67.9% state that the society in BIH does not have a positive attitude toward international entrepreneurial behavior and their export activities, i.e. 25 or 30.9% of SMEs disagree and 30 or 37% of SMEs completely disagree with the statements referring to the cognitive dimension. Other SMEs in the sample maintained a neutral position (14 or 17.3% of enterprises), and 12 or 14.8% of SMEs agree or completely agree that there is a positive social perception about the entrepreneurial business in a foreign market in BIH.

Table 7: Grouped distribution of frequency of enterprises in the sample for CIPE construction and its dimensions

Regulatory dimension	Freq.	Perc.	Cum. Perc.	**Cognitive dimension**	Freq.	Perc.	Cum. Perc.
Strongly Agree	1	1.2	1.2	Strongly Agree	1	1.2	1.2
Agree	1	1.2	2.5	Agree	11	13.6	14.8
Neither Agree nor Disagree	10	12.3	14.8	Neither Agree nor Disagree	14	17.3	32.1
Disagree	35	43.2	58.0	Disagree	25	30.9	63.0
Strongly Disagree	34	42.0	100.0	Strongly Disagree	30	37.0	100.0
Total	81	100.0		Total	81	100.0	
Normative dimension	Freq.	Perc.	Cum. Perc.	**CIPE**	Freq.	Perc.	Cum. Perc.
Strongly Agree	2	2.5	2.5	Strongly Agree	1	1.2	1.2
Agree	7	8.6	11.1	Agree	5	6.2	7.4
Neither Agree nor Disagree	18	22.2	33.3	Neither Agree nor Disagree	13	16.0	23.5
Disagree	27	33.3	66.7	Disagree	29	35.8	59.3
Strongly Disagree	27	33.3	100.0	Strongly Disagree	33	40.7	100.0
Total	81	100.0		Total	81	100.0	

Source: Research results (N=81).

The normative dimension of the institutional environment in BIH is evaluated similarly to the cognitive dimension. 54 or 66.6% of SMEs claim that the society in BIH does not perceive the export of entrepreneurs as a desirable and common business practice, of which an equal number or 27 (33.3%) do not agree, or do not fully agree with the positively expressed statements. A neutral position on the acceptability of entrepreneurial practices in an international context was expressed by 18 or 22.2% of the SMEs in the sample. As in the case of the other dimensions of the institutional environment, a small number of SMEs consider that the elements of the normative dimension encourage their export activities, of which 7 or 8.6% agree and 2 or 2.5% fully agree with the abovementioned statements.

Based on the previous analysis of individual dimensions, and taking into consideration the evaluation of the composite indicator of institutional environment, it is evident that export SMEs indicate a lack of institutional support for the development of their business activities. Fewer than one quarter of SMEs (23.5%) maintain a neutral position, agree or fully agree with the positive statements on the encouraging influence of the institutional environment in BIH on their international entrepreneurial activity, while 62 or 76.5% indicate the lack of incentive per all the elements of the institutional environment.

Conclusion and implications

Institutional environment features can drive or limit entrepreneurial activities whereby they directly affect the level of development of entrepreneurship in a certain national economy. In order to point to the importance of considering contextually specific conditions of the international entrepreneurial expansion of SMEs from DCs, empirical research of the perceptions of entrepreneurs/managers on the features of a domicile institutional environment was conducted. The research was realized on the sample of 81 export SMEs from BIH. Compared to previous research in which the estimation of the institutional environment was performed on the basis of one dimension, in this paper, a composite indicator created by Busenitz et al. (Busenitz et al., 2000) was used. This measuring instrument was used due to its high level of reliability and validity in considerable research (Chew et al., 2021, p. 343) and because it represents an adequate instrument for researching the institutional environment of DCs (Manolova et al., 2008, p. 212).

The results of the reliability analysis of CIPE scale for measuring perceptions of the benefits of country institutional profile for entrepreneurship on the sample of 81 SMEs in BIH demonstrated that the scale has adequate internal agreement. The values of Cronbach's alpha coefficient for regulatory, cognitive and normative dimension are: RD (α=0.879); CD (α=0.880); ND (α=0.912); CIPE (α=0.910), which is above the recommended acceptable value of 0.7 (Sekaran, 2016, p. 311). Also, they are in accordance with the results obtained in the previous research in the context of DCs. For the original scale Busenitz et al. (2000), they amount to: RD (α=0.76); CD (α=0.68); ND (α=0.81); CIPE (α=0.78), and in the research conducted by Manolova et al. (2008): RD (α=0.75); CD (α=0.81); ND (α=0.80); CIPE (α=0.79), while at Gupta et al. (2012): RD (α=0.83); CD (α=0.75); ND (α=0.77); CIPE (α=0.83). Also, the rotated solution of principal components analysis for CIPE scale (Table 2) discovered the

existence of a simple structure since all three components have quite large factor loadings (the average factor loading is 0.97) and all items give large loadings only per one component, whereby the interpretation of all three components is in accordance with the previous research (De Clercq et al., 2010; Urban, 2019). Based on the abovementioned, the basic theoretical implications of the paper follow, which are reflected in the fact that CIPE scale represents an adequate instrument for measuring institutional effects on the international entrepreneurial expansion of SMEs from DCs. Given that studies of international entrepreneurial expansion of SMEs from DCs are still sporadic, the conducted analysis of the level of institutional support contributes to a more intensive consideration of this phenomenon and expands the possibilities of theoretical discussion.

By analyzing the data obtained through survey questionnaires, it was determined that the average enterprise in the sample considers that the institutional environment in BIH does not provide sufficient support to international entrepreneurial activities, and especially regarding the regulatory dimension, while the normative dimension of the institutional environment is perceived as the most favorable one. The majority of the interviewed SMEs (85.2%) consider that national laws, regulations and government policies in BIH do not support international entrepreneurial activities, while out of the total interviewed SMEs, 67.9% state that the society in BIH does not maintain a positive attitude to international entrepreneurial behavior and their export activities. Also, according to the opinions of 66.6% of SMEs, the society in BIH does not perceive entrepreneurs' export as a desirable and common business practice. According to the CIPE composite indicator, 76.5% of SMEs indicate a lack of institutional support for the development of their international activities.

The obtained results offer important guidelines for institutional authorities in DCs which relate to the possibility of lowering institutional barriers for internationally-oriented SMEs. Lowering institutional barriers could be realized by avoiding sudden changes or eliminating the inconsistency of government regulations, promoting the protection of private property and intellectual property (regulatory dimension), increasing the availability of information on foreign markets, on procedures for setting up enterprises and on placement mode of products or services on foreign markets (cognitive dimension), but also through promoting entrepreneurship and international expansion as a desirable business practice and acknowledging and rewarding foreign initiatives and innovations (normative dimension).

In addition to the abovementioned, the conducted research also offers pragmatic implications for the entrepreneurs of export-oriented SMEs in DCs. They reflect in the necessity of building an organizational culture that will perceive institutional limitations of the domicile environment as an additional motivation toward more intensive foreign business, especially directed at the markets of the countries with more developed institutional environment. Furthermore, the construction of domicile legitimacy is also significant, which implies proving the appropriateness of SMEs regarding the requirements of the institutional environment (Tracey & Phillips, 2011). Regulatory legitimacy is acquired by harmonizing the establishment process, the way of designing the structure and carrying out the activities of entrepreneurial organizations with the relevant laws and regulations. Normative legitimacy implies the compatibility of SMEs behavior with the behavior standards and commercial conventions of various professions, occupations and organizational fields, while cognitive legitimacy is achieved through realizing the highest degree possible of compatibility of manufacturing/service offer with the cultural environment it does business in (Bruton et al., 2010). Also, in order to realize domicile legitimacy, internationally oriented entrepreneurs need not limit themselves only to following institutional rules, but also to be proactive in shaping them, i.e. to engage as institutional entrepreneurs.

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