

STIMULATING THE ENTREPRENEURIAL ORIENTATION OF SMEs: THE INFLUENCE OF THE INSTITUTIONAL ENVIRONMENT

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ABSTRACT

This paper aims to highlight the importance of institutional theory in analyzing entrepreneurship. In order to do that, an empirical analysis of how the institutional environment influences the entrepreneurial orientation of small and medium-sized enterprises (SMEs) has been performed. The model presented in this study starts from the analysis of the dimensions of the institutional environment that have been empirically less analyzed: the cognitive and normative dimensions, as well as the entrepreneurial orientation in terms of proactiveness, innovativeness and risk-taking. Our results contribute to the current entrepreneurship research as they expand the development of the relationships between institutions and entrepreneurship.

Keywords: institutional environment, entrepreneurial orientation, cognitive, normative, CIP

1. INTRODUCTION

Entrepreneurship is a vital aspect in organizations' growth, cost-effectiveness, and survival; it is regarded as the engine that drives modern economy and social development through economic growth, employment generation, and promotion of innovativeness (Bosma *et al.*, 2009; Bosma and Levie, 2010; Gómez-Gras *et al.*, 2010).

Research aims to gain a better understanding of the phenomenon of entrepreneurship by means of the analysis of various factors affecting it, such as the organizational values, the features of organizations or the availability of resources (Antoncic and Hisrich, 2001; Covin and Slevin, 1991; Guth and Ginsberg, 1990; Ireland *et al.*, 2009). Entrepreneurial orientation has been taken into account as a factor as well (Lumpkin and Dess, 1996; Miller, 1983). Entrepreneurial orientation is a concept based on a set of processes, practices and activities that enables entrepreneurial performance, which is generally measured in terms of proactiveness, innovativeness, and risk-taking (Lumpkin and Dess, 1996; Miller, 1983).

The development of the entrepreneurial orientation among organizations and its members is influenced by a variety of factors (Covin and Slevin, 1991; Knight, 1997; Zahra, 1993). Among these factors, the environment plays a key role. However, the analysis of environment is normally carried out by means of the most known dimensions (hostility, dynamism), obviating the existence of an institutional environment that affects organizational management and entrepreneurship as well (Baumol *et al.*, 2009; Bruton *et al.*, 2010). The current importance of the institutional environment offers us the opportunity of analyzing how it puts pressure and exerts influence on the organizations' attitude towards a more entrepreneurial stance.

The institutional environment is defined on the basis of an existing set of regulations and requirements to which organizations should be subjected in order to acquire support and legitimacy (Scott and Meyer, 1991). This institutional environment must be taken into account in the models that analyze the firms' entrepreneurial orientation, since it is a strong influential factor that affects organizational management, providing social

behavior with stability and meaning (Scott, 1995). In fact, the research papers that pertain institutional environment to entrepreneurship have attracted great attention recently (Lim *et al.*, 2010; Kshetri, 2009; Manolova *et al.*, 2008), yet it is necessary to apply a greater empirical contrast in order to facilitate the creation of explicative models for the existing relationship between this environment and manifestations of entrepreneurship (Bruton *et al.*, 2010; Spencer and Gómez, 2004).

The literature that relates institutions to entrepreneurship has undergone a rapid development in the last ten years (Busenitz *et al.*, 2000; Bruton *et al.*, 2010; Spencer and Gómez, 2004). Nevertheless, descriptive analyses have been performed (Manolova *et al.*, 2008; Stephen *et al.*, 2005), while others have more deeply examined the impact that the regulatory dimension has on the rest of dimensions (Capelleras *et al.*, 2008; Child and Tsai, 2005). This is the reason why the present paper empirically analyzes how the institutional environment, measured through its cognitive and normative dimensions, affects Spanish SMEs in the development of a greater entrepreneurial orientation.

The fact that a sample of small and medium-sized enterprises was required is closely linked to the significance of SMEs as a collective. The number of enterprises regarded as small to medium-sized within the OECD group of countries remains above 95% of total enterprises (OCDE, 2000). On the other hand, both the scant attention paid to SMEs, compared to that of large enterprises by the literature on management, and the social and economic relevance of SMEs in global economy have determined that the analyses carried out in our study focus on SMEs.

2. THEORETICAL BACKGROUND AND HYPOTHESES

2.1. THE ENTREPRENEURIAL ORIENTATION

Entrepreneurial orientation is defined as the set of processes, practices and activities pertaining to decision-making that enable entrepreneurial performance (Dess and Lumpkin, 2005; Covin and Slevin, 1991; Lumpkin and Dess, 1996; Miller, 1983).

Researchers conceptualize entrepreneurial orientation as a construct that comprises a variety of dimensions (Dess and Lumpkin, 2005; Lumpkin and Dess, 1996; Miller, 1983). Although there are several models, it is largely accepted among researchers that entrepreneurial orientation is based on the capability of innovation, proactiveness, and taking risks (Barringer and Bluedorn, 1999; Kreiser and Davis, 2010; Kreiser *et al.*, 2002; Miller, 1983). More specifically, innovativeness relates to the organization's commitment in managing and supporting new ideas and processes that bring about new products, services or processes (Lumpkin and Dess, 1996). Proactiveness refers to the search for opportunities to introduce new products or services in the marketplace, providing a competitive response in advance of new demand (Lumpkin and Dess, 1996). Finally, risk-taking consists in the extent to which managers are willing to venture a larger amount of resources with an uncertain return (Miller and Friesen, 1978).

Early research on entrepreneurial orientation maintained that an entrepreneurial organization must show high levels of each dimension, which might even be measured through aggregation of all its values into a single value (Covin and Slevin, 1991; Miller, 1983). Conversely, recent research suggests that these three dimensions can relate

differently to other types of variables, and therefore it is necessary to analyze the influence of each separately (Dess and Lumpkin, 2005; Kreiser *et al.*, 2002; Kreiser and Davis, 2010; Lumpkin and Dess, 1996).

2.2. THE INFLUENCE OF INSTITUTIONAL ENVIRONMENT ON THE ENTREPRENEURIAL ORIENTATION

As previously mentioned, researchers have outlined diverse models focusing on the analysis of the factors that affect the development of the entrepreneurial orientation (Covin and Slevin, 1991; Knight, 1997; Zahra, 1993). Among these factors, environment has been widely used for this analysis, yet excluding the institutional environment within which organizations are embedded.

Nevertheless, national and Community institutions are carrying an increasingly heavier weight on this issue, since there is a strong tendency among public entities to design measures to promote entrepreneurship, enhance the entrepreneurial climate, and build a more innovative and creative society that takes advantage of the existing opportunities in the market (European Commission, 2003, 2004). Accordingly, it is both fundamental and necessary that the analysis is performed from an institutional perspective in order to better understand the entrepreneurial phenomenon in itself (Baumol *et al.*, 2009; Bruton *et al.*, 2010; Spencer and Gómez, 2004).

Institutional theory focuses on the aspects of context, in which organizations are embedded, with an emphasis on the set of values, norms, and beliefs that function as rational myths, guiding organizations' behavior (Meyer and Rowan, 1977). This theory provides a helpful insight into the social relationships that an organization establishes with other organizations and institutions of its environment, and points out that conformity with the rules and institutional norms is a key factor for success (DiMaggio and Powell, 1983; Meyer and Rowan, 1977). Furthermore, institutional theory has proved a convenient framework for organizational analysis (DiMaggio and Powell, 1991).

Scott (1995) examined the institutional environment on the basis of three dimensions: cognitive, normative, and regulatory; which provide social behavior with stability and meaning. Kostova (1999) interpreted Scott's institutional dimensions, and outlined the relationship between these dimensions and organizational management through the concept "Country Institutional Profile" (CIP). Thus, the regulatory dimension includes the governmental policies that provide support to new corporate ventures businesses and facilitate entrepreneurial efforts. The cognitive dimension refers to the skills and knowledge possessed by the inhabitants of a certain country pertaining to corporate management business management, thereby this knowledge becoming a part of the shared cognitive schemas. Finally, the normative dimension refers to the extent to which the people in a given country esteem individuals and organizations of that country having a creative and innovative mindset (Busenitz *et al.*, 2000).

On the other hand, the institutional environment is not static, but dynamic, and also increasingly changing, and therefore exerts a continuous pressure over organizations that force them to continuously adapt to the new situations (Hoffmann, 1999; Kraatz and Moore, 2002). This uninterrupted and powerful influence that the institutional environment has over organizations justifies its remarkable effect on entrepreneurship.

Thus, the present paper focuses on the dimensions of the institutional environment that have been empirically less analyzed in the literature, i.e. the cognitive and normative dimensions. With regard to the regulatory dimension, mainly because it can be measured more easily, there is sufficient empirical research to confirm its relevance in the development of entrepreneurship and its various dimensions (Capelleras *et al.*, 2008; Child and Tsai, 2005; Sherer and Lee, 2002; Yiu and Makino, 2002), and therefore it is regarded as unnecessary for the purpose of our study.

For these reasons, from an institutional point of view, a further development of entrepreneurship involves institutions in improving specific structural elements, thereby institutionalizing an environment within which the capabilities of taking risks, as well as innovativeness and initiative in organizational management are structural elements common to all organizations in the field. On the basis of this premise, it is assumed that the existence of an institutional environment that promotes entrepreneurship has a positive effect on the entrepreneurial capability of its organizations and citizens.

The present paper focuses on the analysis of how the institutional environment of a given country influences the entrepreneurial orientation of organizations in two different manners: through either the development of certain shared cognitive schemas pertaining to innovative attitudes and behaviors, or the existence of a society that positively values innovative behaviors, creativity, and the generation of new ventures.

In order to create shared cognitive schemas on management, it is necessary to develop an adequate management education aimed at diminishing social aversion to what is in line with business and the handling of uncertainty and risk. These shared schemas and values have a decisive influence over the organizations of a given place, helping expand the adoption of more competitive stances and the development of more initiatives in the marketplace (Busenitz *et al.*, 2000; Spencer and Gómez, 2004).

Education and training programs are integral parts of the socio-economic infrastructure, which encourages organizations and its members to become more entrepreneurial (Vesper, 1996), and consequently a society rich in human resources, with certain educational backgrounds or skills, develops a greater entrepreneurial orientation (Whitley, 1999). Thus, the societies of countries where there is a high-quality education system are composed of citizens and firms that perceive entrepreneurial opportunities as being more accessible (Begley *et al.*, 2005). In other words, the existence of institutional agreements, such as entrepreneurial education, has a significant effect on entrepreneurial efforts (Bowen and DeClerq, 2008, Hernández-Mogollón and Pérez Rubio, 2010).

For all the reasons mentioned above, an institutional environment where certain cognitive schemas and skills are shared significantly influences the entrepreneurial orientation of the organizations of a given area, with the result that firms are better able to take initiatives as well as competitive, innovative and risky stances.

These assumptions are represented in the following set of hypotheses:

H1a: The existence of certain shared cognitive schemas on business management (cognitive environment) has a positive effect on the organization's proactiveness.

H1b: The existence of shared cognitive schemas on business management (cognitive environment) has a positive effect on the organization's innovativeness.

H1c: The existence of shared cognitive schemas on business management (cognitive environment) has a positive effect on the organization's risk-taking.

On the other hand, the values and culture of a society have an influence on the orientation of people towards entrepreneurship, which may manage to increase the value given to creativity and the practical application of ideas regarding ventures (Tata and Prasad, 2010). An open-minded society that shows initiative and positively values creativity and innovativeness, also creates a normative environment which encourages organizations to change their current models of strategic orientation towards entrepreneurial stances. By referring to the normative dimension in this case, the function of institutions should be to boost the entrepreneurial profile through its actions, acting upon the values and culture of society (Ahlstrom and Bruton, 2002; Nguyen *et al.*, 2009; Kshetri, 2009).

Thus, the existence of a culturally innovative society that positively values initiative, creativity, and the presence of entrepreneurial values, also pressures organizations of a specific field to adopt entrepreneurial stances, developing a greater initiative, a greater capability of both taking risks and adopting more aggressive and risky competitive stances. These assumptions are summarized in the second set of hypotheses to be verified:

H2a: A society that values creativity and initiative (normative environment) has a positive effect on the organization's proactiveness.

H2b: A society that values creativity and initiative (normative environment) has a positive effect on the organization's innovativeness.

H2c: A society that values creativity and initiative (normative environment) has a positive effect on the organization's level of risk-taking.

3. RESEARCH METHODOLOGY

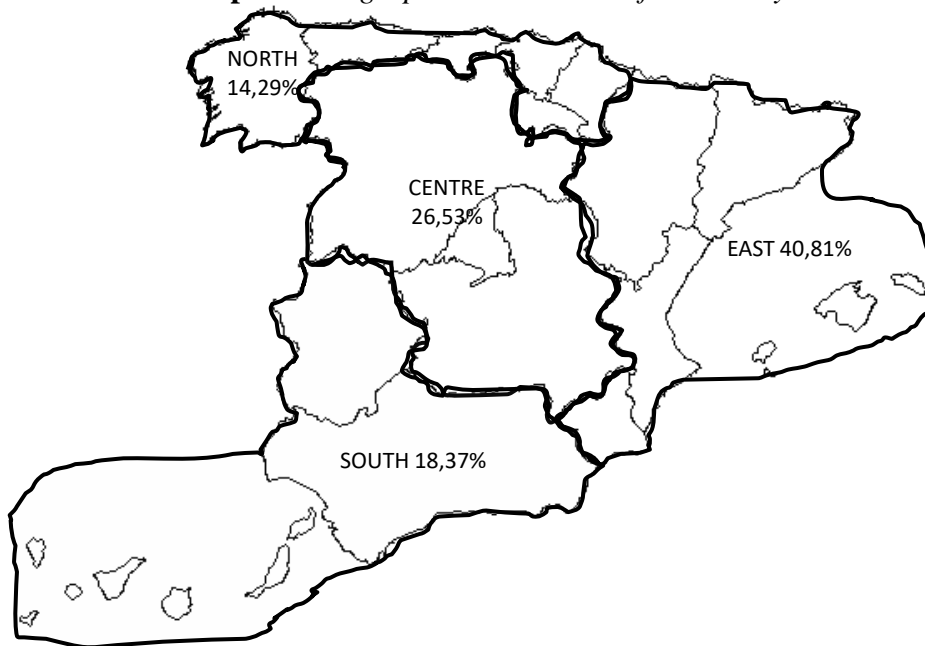
The collection of data for the empirical analysis was carried out by means of a survey conducted among Spanish enterprises. The measures were tested by an expert through a pilot survey prior to administration. The data were obtained through a structured questionnaire administered to the managers of the enterprises contacted during March to May 2009. The choice of corporate managers as key informants was a decision made on the basis that they receive information from the various organizational units, and therefore they are a valuable source to assess the different variables of the enterprise (Baer and Frese, 2003). This is an effective approach in many research contexts (Liao, 2007; Ling *et al.*, 2008).

The literature acknowledges the existence of possible prejudgments that must be avoided (Podsakoff *et al.*, 2003), and therefore some specific recommendations were put into practice during our research work, in order to reduce as much as possible the risk of bias and prejudgments prejudices in the answers. Thus, the respondents were granted anonymity and informed that there were not right or wrong answers to the questions asked during the interviewer-administered telephone questionnaire, and therefore they should answer the questions as truthfully and honestly as possible. These

features of the survey help reduce any potential concern fear among the respondents of giving answers they think are expected of them. Additionally, special care was taken to avoid the use of ambiguous scales, translating the items of the scales used as clearly, accurately and briefly as possible, and including clarifications in the definitions of the variables the respondents might be less familiar with.

With respect to the sample, it must be noted that all enterprises surveyed operated within Spain borders and belonged to various sectors. Prior to administration of the questionnaire, data on 6455 enterprises were collected from Duns & Bradstreet database. Firstly, a survey was conducted on a randomly selected sample of 1455 enterprises contacted by telephone, of which 150 answered questionnaires were regarded as valid. The present paper only takes account of those valid questionnaires that were obtained from small and medium-sized enterprises, 49 in number; these were the object of our study. The distribution over the Spanish geography shows us that 40,81% of the business that answered the questionnaire were located on the East side of Spain (Catalonia, Valencia), the 26,53% were located on the Centre zone of Spain, over the 18% of enterprises that responded were established in the North side of Spain, ante the rest, 14,29% of business, were located in the South region (see graph 1).

Graph 1: *Geographic distribution of the survey*



In order to select this final sub-sample based on the size, we used the EU classification of enterprise size that aims to standardize the separate classifications of all its Member States. Therefore, on the basis of this classification, enterprises having less than 50 employees are regarded as "small", and enterprises having less than 250 employees are regarded as "medium-sized" (OCDE, 2000).

In the present paper, a sample research methodology has been used to measure the different observed variables. In order to do that, the measuring scales used in this study have already been applied and validated by the existing literature. Particularly, in order

to measure the cognitive and normative dimensions of the institutional environment, we have used the scale “Country Institutional Profile” (CIP) developed by Busenitz *et al.* (2000) and later validated by other research papers (Gray and Cuevas, 2005; Manolova *et al.*, 2008; Spencer and Gómez, 2004). Based on that scale, we have used two constructs comprised of four items each to measure both dimensions.

With regard to the several dimensions of entrepreneurial orientation, there are many studies that describe various measuring scales (Antoncic and Hisrich, 2001; Barringer and Bluedorn, 1999; Knight, 1997; Miller, 1983). In the present paper, we have used the scale of Barringer and Bluedorn (1999), which measures proactiveness (3 items), innovativeness (3 items), and risk-taking (3 items).

4. RESULTS AND DISCUSSION

The data analysis was carried out by means of the partial least-squares approximation (PLS). PLS is a model consisting of structural equations that enables to simultaneously analyze diverse constructs, offering certain advantages over other methods (Barclay *et al.*, 1995). Additionally, PLS provides a powerful validity assessment tool that takes account of random and systematic measurement errors (Fornell and Larcker, 1981). It also provides robust results, even in the presence of multicollinearity within blocks of manifest and between latent variables (Naik and Tsai, 2000).

Furthermore, unlike other software applications such as LISREL (a SEM technique based on covariance analysis), PLS is based on variance analysis, and mainly used to predict causal analyses. Thus, “*being a components-based structural equations modelling technique, PLS is similar to regression, but simultaneously models the structural paths (i.e. theoretical relationships among latent variables) and measurement paths (i.e. relationships between a latent variable and its indicators)*” (Chin *et al.*, 1996, p.25).

This technique has been used in strategic literature (Johansson and Yip, 1994), as well as in marketing (Diamantopoulos and Winklhofer, 2001; Jarvis *et al.*, 2003) and, more recently, in entrepreneurial literature (Benítez-Amado *et al.*, 2010; Lim *et al.*, 2010). One advantage of the PLS method is that it is recommended for small samples (Barclay *et al.*, 1995; Chin *et al.*, 1996). The analysis was performed using the software package SmartPLS 2.0.M3 (Ringle *et al.*, 2005).

Three analyses need to be performed in order to assess the validity of the model: content validity, convergent validity, and discriminant validity. The content validity analysis is required to determine whether the scales are valid, and is performed using measures derived from scales drawn from the existing literature. The convergent validity can be assessed by analyzing Cronbach's alpha (> 0.7), composite reliability (> 0.7), and variance extracted (> 0.5) for each scale; this analysis provides validity and reliability to the measures (Table I). Finally, the factor loadings of the indicators' constructs exceed the recommended minimum value of 0.7 (from 0.71 up to 0.98), which indicates that individual items are sufficiently reliable. Only two items of the cognitive environment scale did not exceed the established minimum value, and were consequently neglected in the model. All items have significant path loadings at a significance level 0.001 (all tests are two-tailed). Table I shows the number of items, Cronbach's alpha, composite reliability, extracted variance, and individual reliability of each item used. This

information demonstrates the convergent validity of the empirical context of this analysis.

Table I: *Measurement properties of constructs.*

<i>Latent construct</i>	<i>Number of items</i>	<i>Number of items in final model</i>	<i>Cronbach's alpha</i>	<i>Composite reliability</i>	<i>AVE</i>	<i>Items reliability</i>
Cognitive	4	2	0.76	0.87	0.77	0.76-0.98
Normative	4	4	0.82	0.88	0.64	0.73-0.87
Proactiveness	3	3	0.88	0.92	0.81	0.84-0.93
Innovativeness	3	3	0.78	0.86	0.69	0.71-0.91
Risk-taking	3	3	0.93	0.96	0.89	0.93-0.95

We verified the discriminant validity of our instrument by comparing the square root of the AVE with the correlations between the construct and between the indicators of the construct (Fornell and Lacker, 1981; Barclay *et al.*, 1995). The analysis results demonstrate that the scales used show discriminant validity. In Table II are shown the correlations between the constructs and the comparison between them and the square root of the extracted variance. Finally, the correlation matrix do not show correlated variables (the highest index of correlation between the main constructs is $r = 0.65$), and therefore the usual bias in the result obtained from very high correlations ($r > 0.90$) is successfully avoided (Pavlou and El Sawy, 2006). Furthermore, it is highly improbable that collinearity problems come up when applying the PLS algorithm to all the constructs in a reflective model (Chin *et al.*, 1996). The proposed model was tested with SmartPLS 2.0.M3. In order to estimate the meaning of the path coefficients, the bootstrapping procedure was used with 500 sub-samples (Benítez-Amado *et al.*, 2010; Rai *et al.*, 2006).

Table II: *Correlations between constructs.*

	<i>Mean</i>	<i>SD</i>	<i>COG</i>	<i>NOR</i>	<i>PROACT</i>	<i>INNOVA</i>	<i>RISK</i>
COG	3,50	0,93	0.87				
NOR	4,19	1,19	0.17	0.80			
PROACT	4,44	1,29	0.25	0.49	0.90		
INNOVA	3,57	1,23	0.30	0.34	0.65	0.83	
RISK	3,68	1,55	0.31	0.29	0.53	0.62	0.94

Diagonal elements in the “correlation of constructs” matrix are the square roots of AVE. For adequate discriminant validity, diagonal elements should be greater than corresponding off-diagonal elements (Barclay *et al.*, 1995).

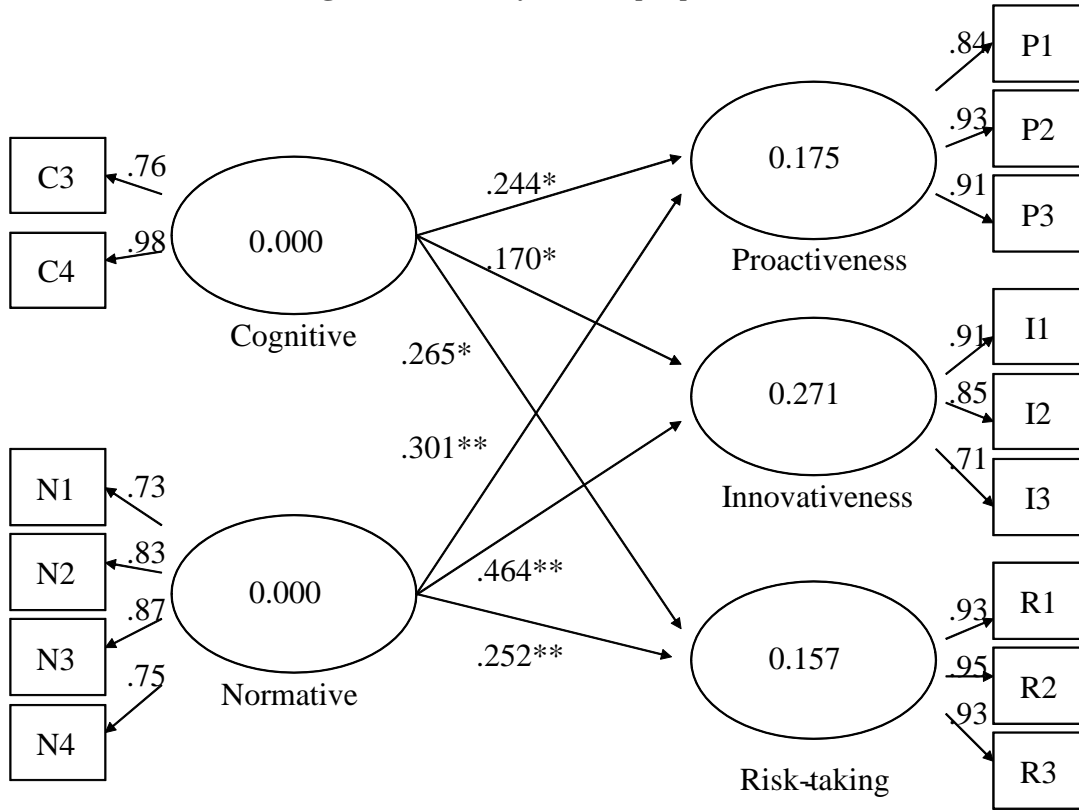
COG, cognitive factor; NORM, normative factor; PROACT, proactiveness; INNOVA, innovativeness; RISK, risk-taking.

All the hypotheses were tested using the basic research model previously described, which related the institutional environment, measured through its cognitive and normative dimensions, with the entrepreneurial orientation of the small and medium-sized enterprise, measured in terms of proactiveness, innovativeness, and risk-taking.

The results yielded by the hypotheses of our basic research model are shown in Figure I. The cognitive environment has a direct, positive, and significant impact on the firms' level of proactiveness ($\beta = 0.24$, $p < 0.05$), confirming the hypothesis H1a. The hypotheses H1b and H1c were also confirmed by the model. Specifically, the cognitive

environment has a positive effect on the level of both innovativeness ($\beta = 0.17$, $p < 0.05$) and proactiveness ($\beta = 0.26$, $p < 0.05$) of organizations in a given field. With regard to the normative environment, the empirical evidence demonstrates it has a positive effect on the levels of proactiveness ($\beta = 0.30$, $p < 0.01$), innovativeness ($\beta = 0.46$, $p < 0.01$), and risk-taking ($\beta = 0.25$, $p < 0.01$), consequently confirming the hypotheses H2a, H2b, and H2c.

Figure I: Results from the proposed model



Notes: * $p < 0.05$; ** $p < 0.01$

In order to assess the quality of the model, the values of R-squared and the path coefficients, as well as the level of significance of the path coefficients need to be analyzed (Barclay *et al.*, 1995; Chin, 1998). The value of R-squared is 0.17, 0.27, and 0.15 respectively for the latent variables proactiveness, innovativeness, and risk-taking. Additionally, all the values were statistically significant, which indicates a satisfactory predictive level for the proposed research model (Chin, 1998).

The results obtained indicate that the institutional environment, measured through the cognitive and normative dimensions, has a positive and significant influence on the entrepreneurial orientation of the small and medium-sized enterprises. These results are important as they empirically demonstrate that an effective medium for promotion of the entrepreneurial spirit among organizations can be achieved by means of both modifying the existing schemas at institutional level and changing the established paradigms. In order to do that, the institutions' social and cultural dimensions should stimulate the entrepreneurial spirit through individuals' attitudes, preferences, and capabilities.

We have empirically demonstrated that an institutional environment which decidedly encourages initiative, creativity, innovativeness, and the capability of taking risks is necessary, since organizations clearly show a greater entrepreneurial orientation if institutions adopt that favorable stance towards entrepreneurship. Furthermore, it is necessary to promote a better and more comprehensive management education at all levels of society. The development of certain shared schemas on management, as well as the manner in which risks are taken and difficulties are dealt with, creates a business culture that has a conclusive influence on the development of entrepreneurial orientation among organizations.

6. CONCLUSIONS

Entrepreneurship has proved one of the more viable options as regards economic and social development in recent times. This is the reason why it is drawing more and more the attention from researchers that analyze its functioning, as well as its consequences and the manner of stimulating its effective development. Institutional theory serves as a starting point in attempting to explain how firms which are embedded within a specific economic framework can adopt a more entrepreneurial stance, since the institutional environment provides organizations with the regulations to be complied with in order to gain legitimacy for their actions.

The main contribution of our study is the empirical demonstration of how the institutional environment positively influences the entrepreneurial orientation of small and medium-sized enterprises. The literature acknowledges that the development of institutions which help create a favorable business climate may be one of the viable pathways towards the development of entrepreneurship in a given region or country, but also that greater empirical contributions in this field are needed to do so.

This paper underlines the importance of two particular dimensions of the institutional environment, i.e. the normative and cognitive dimensions, in developing a greater entrepreneurial orientation among organizations. In addition to other factors that have been already analyzed in the literature, institutionalization of societal knowledge relating to business management helps organizations have a stronger entrepreneurial orientation. Furthermore, a society that values creative and innovative behaviors also has a positive influence on the organizations' entrepreneurial orientation. Thus, our results have important implications at both firms' and institutional level. With regard to regulators, our results show the relevance of the involvement of public institutions and administrations in the promotion of training and awareness programs in order to develop new entrepreneurial activities, since this type of initiative entails a change of mentality within the corporate sector.

From the institutional perspective, this change must be originated through a development of the values, culture, and knowledge on corporate management business. In this respect, one of the steps towards success is that society is comprised of creative and innovative individuals who possess initiative and are capable of taking risks. Accordingly, a more comprehensive business education, at all educational levels, would be essential in order to achieve the social change referred to above. This orientation of the institutional environment, the change in attitude of the organizations regarding the latter, and the stronger aggressiveness and competitiveness stances of the majority of

citizens regarding business will succeed in boosting the entrepreneurial capability of society as a whole, something that will have an effect on such capability at organizational level.

This study presents some limitations: there is only one informant, our research and its results are of a cross-sectional nature, and the small sample used in the analysis consists of only Spanish small and medium-sized enterprises. Nevertheless, the institutional literature warns of the difficulty in using aggregate samples of different countries because of the various, existing institutional environments, as well as the difficulty associated with establishing a common, single institutional environment in order to generalize the results (Busenitz *et al.*, 2000).

Further empirical analyses must exceed the limitations mentioned above, and yield deeper and more complete results than the results obtained in this study. Further research must include additional variables in both the institutional environment, regulatory dimension, and entrepreneurial orientation, competitive aggressiveness and autonomy, that will serve to establish more developed and complete models of the relationships between institutions and entrepreneurship.

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