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## **Country institutional profiles: Evidence from Colombian software exporters**

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### **Abstract**

**Purpose:** This study illustrates how the perceived institutional environment by Colombian internationally operating small and medium-sized enterprises (SMEs) from the software industry comes to determine their performance.

**Design/methodology/approach:** Our research applies regression modelling to a sample of 43 internationally operating Colombian SMEs from the software development industry, collected via an online survey.

**Findings:** The results indicate that the normative dimension of the institutional environment comes to determine the export performance of the SMEs. Conversely, the cognitive and regulatory dimensions of the institutional forces do not have a significant effect.

**Research limitations/implications:** The cross-sectional nature of the survey tool, the single industry and the single country context place limitations on the generalizability of the results across different industry and country contexts.

**Practical implications:** The results highlight the necessity of entrepreneurship-friendly norms and values in the context of internationalizing SMEs in Latin America. Governments should rather focus on the development and promotion of international entrepreneurs that inspire and serve as role models for other entrepreneurs than concentrating on the creation of regulatory frameworks and the provision of knowledge of how to start and manage risk for the internationalizing SME.

**Originality/value:** Our study is one of the first to apply the Busenitz *et al.* (2000) scale on the institutional country profile to real entrepreneurs. Previous studies have mainly applied the framework to a sample of students or officers assigned to U.S. embassies. Besides Renko *et al.*'s (2009) conference paper, ours is the first one that links the country institutional profile to the performance of internationalizing software firms and, especially in the context of a country from Latin America. Therefore, our study tries to contribute to a better understanding of how a country's institutional environment impacts the performance of internationalizing SMEs.

**Keywords:** Institutions, Colombia, Latin America, Internationalization, Country institutional profile, Entrepreneurship.

**Article classification:** Research paper

## 1. Introduction

Empirical studies on the internationalization of small and medium-sized enterprises (SMEs) from Latin America are scarce. Yet, institutional variables and their impact on internationalization in the context of Latin America offer significant promise for research (Kiss *et al.*, 2012). As similar institutions can have different effects in different contexts (Bruton *et al.*, 2008), it is important to research institutional country profiles in different country and industry contexts. However, the extant research applying institutional theory on entrepreneurship has neglected several important areas.

First of these is that most of the research on the institutional profile has been conducted at the national (see Bruton *et al.*, 2010) rather than the international entrepreneurial level. In the literature on international entrepreneurship its application has developed only recently and is considered a fruitful area for continued research (Jones *et al.*, 2011; Kiss *et al.*, 2012; Szyliowicz and Calvin, 2010).

Second, the impact of institutional forces on entrepreneurship is particularly heightened in emerging economies (see Gupta *et al.*, 2014; Kiss *et al.*, 2012; Peng *et al.*, 2008). In Latin America, Colombian and Chilean entrepreneurs particularly show a high international orientation (Amoros *et al.*, 2015). This suggests that the potential impact of the institutional environment on internationalization is further heightened in certain countries in Latin America.

Third, an increasingly holistic view into institutional factors has been called for (Jones *et al.*, 2011; Kiss *et al.*, 2012; Veciana and Urbano, 2008), and, although the constructs allowing for the measurement and investigation of the institutional environment have been developed in theory (Busenitz *et al.*, 2000; Kostova, 1997; Manolova *et al.*, 2008), they have seldom been empirically tested in the context of internationalizing SMEs.

This study aims to respond to these omissions in literature by examining the impact of institutional forces on the internationalization of SMEs from Latin America. We do so by investigating the role of the institutional environment in the context of Colombia, the third largest economy in Latin America. We see this context as fruitful for two main reasons: First, according to the Global Entrepreneurship Monitor (GEM, 2016a, 2016b), Colombia shows one of the highest motivations for entrepreneurship world-wide, one where entrepreneurship is an established discipline. Second, in Colombia several policies aiming at changing the institutional environment to be more conducive to entrepreneurship have in recent years been put in place by the government (e.g., the “Entrepreneurship law” 1014 from 2006), making the country a suitable empirical context in which to explore the impact of institutional forces on entrepreneurship.

Through analysis of our empirical sample on Colombian SMEs, we apply the country institutional profile measure introduced by Busenitz *et al.* (2000), which establishes a three-pillar construct of the institutional environment, one based on normative, regulatory and cognitive forces (Scott, 1995). We find that it is the normative pillar rather than the regulatory or cognitive pillars that determines their international performance. In doing so, we illustrate how the suggestion by Busenitz *et al.* (2000, p. 1001) to go beyond the “*study focused on industrialized Western countries with relatively small differences on each of the three*

*dimensions*” can be applied through the country institutional profile in the Latin American context. Therefore, we are able to extend the framework to an emerging market in Latin America while further responding to the suggestion by Kiss *et al.* (2012, p. 267) to “*assess whether theoretical perspectives developed in mature market contexts are valid in emerging economies*”.

We continue by introducing the literature suggesting linkages between institutional theory and international entrepreneurship in the context of Latin America and Colombia and develop our hypothesis. Next, we introduce the empirical context of the Colombian software industry followed by the description of the research methodology and variables measurement. The section that follows presents the results and we conclude by discussing our contributions and their impact on theory and practice.

## **2. Literature review and hypotheses development**

### *2.1 Institutional theory and international entrepreneurship*

The institutional environment needs to be accounted for in studies on international entrepreneurship (Szyliowicz and Calvin, 2010). When discussing institutions, we refer to North’s (1990, p. 3) definition of them as the “*rules of the game in a society or, more formally...the humanly devised constraints that shape human interaction*” and the taken-for-granted assumptions and ways to operate that individuals or organizations face (DiMaggio and Powell, 1983). Institutions are the “*macro-level rules of the game*” (North, 1990, p. 27) that introduce both formal and informal constraints of organizations and individuals (North, 1996). Ostrom (2005) describes institutions as the rules and norms that constitute the “*generally accepted moral fabric of a community*” (Ostrom, 2005, p. 831).

Cultural practices impact both the entrepreneurial entry and the growth aspirations of enterprises (Autio *et al.*, 2013), and culture manifests at the national level through the prevailing official and unofficial rules that entrepreneurs and the society in general recognizes and abides by. The institutional theory postulates that these external social forces determine the behavior of enterprises (Scott, 1991, 1995) and are expressed through the institutional profile at the country level (Kostova, 1997; Busenitz *et al.*, 2000). The institutional theory has gained most foothold in the management and business studies (Weerakkody *et al.*, 2009), and it is most often conceptualized through the “three pillars” of institutional environment, distinguishing between regulative, normative and cognitive forces (Scott, 1995).

The normative pillar consists of values and norms exerted through individual and organizational interaction. In the context of international entrepreneurship, this may imply the extent to which entrepreneurship and internationalization are encouraged or discouraged by the society. The cognitive pillar in turn represents the beliefs and models of behavior based on subjective rules and meaning that in practice limit the potential actions that individuals and organizations (e.g. entrepreneurs and internationalizing SMEs) may in practice take (Bruton *et al.*, 2010). Finally, the regulative pillar encompasses the laws and regulations that individuals and organizations are to follow if they experience sanctions and formal penalties (e.g., governmental legislation and industrial standards aimed to promote or discourage internationalization).

Home and host-country institutional environments are crucial for international entrepreneurship in particular; they come to determine both overall decision-making in internationalizing entrepreneurs (Lim *et al.*, 2010), as well as their entry mode choice (Ferreira *et al.*, 2009).

### *2.2 Institutional environment and international entrepreneurship in Latin America*

The impact of institutional environment on internationalization and international entrepreneurship in Latin America has yielded ambiguous results. Saka-Helmhout and Geppert (2011) posit that institutions can act as barriers to internationalization. Cardoza *et al.* (2016) echo these notions. The authors conducted a three-country study in Brazil, Peru and Colombia and find that SMEs originating from these economies tend to perceive difficulties for internationalizing through both domestic regulations as well as due to lack of information about foreign markets. They further go on to posit that having the government as a customer may be a major factor facilitating their successful internationalization.

Contrary to these results, however, Ferreira Ribeiro *et al.* (2014) have posited in the context of technology-based SMEs in Brazil that enterprises can also benefit from pro-internationalization government policies during their internationalization. We suggest that one underlying reason may be that the impact of formal and informal institutions can be distinct: As Alvarez and Urbano (2011) have noted, formal institutions such as business and entrepreneurship skills may not have a beneficial impact on entrepreneurship in Latin America as in other contexts. They posit instead that it can be the informal institutions such as role models that determine the creation of new ventures in the Latin American country context. In addition, Alvarez and Urbano (2012) note that informal institutions can be more important for entrepreneurship in low and middle-income countries whereas formal institutions seem to be more important in high-income countries.

In sum, the dynamics between the institutional environment and international entrepreneurship can still benefit from clarification through added research focus. Since Colombia presents a particularly interesting domain for studying these phenomena, we continue for hypothesizing the relationships between the institutional forces and internationalization outcomes in the context of Colombian software SMEs.

### *2.3 Institutional environment and international entrepreneurship in Colombia*

Latin America is home to the world's largest economies in terms of their gross domestic product such as Brazil, Mexico, Argentina, Venezuela, Colombia, and Chile. Countries like Argentina, Colombia, Costa Rica, and Uruguay created the needed skills in order to serve as global export-hubs for the outsourcing of business processes to companies in the U.S., India, and Europe (Ciravegna *et al.*, 2016). Innovation and entrepreneurship is also thriving within the region led by Chile, Colombia, Costa Rica, Mexico, and Uruguay. Brazil has the world's fifth-highest number of start-ups, Start-up Chile has been awarded as one of the world's best incubator programs by Fast Company Magazine, and the city of Medellin in Colombia was recently recognized as the world's most innovative city by Citi Bank and the Wall Street Journal.

In Colombia specifically, different policies have been put in place in order to support entrepreneurship. Law 1014 (2006) (the "entrepreneurship law") defined an extensive support system for entrepreneurship including educational orientation and financial support

systems. Laws 590 (2000) and 905 (2004) (the “SME laws”) defined support systems for small and medium enterprises. Moreover, since GEM started its annual survey in 2006 in Colombia, the lack of adequate government policies seems to be a consistent weakness for entrepreneurship in the country, yet also according to GEM, government support programs are continuously improving, with social and cultural norms towards entrepreneurship particularly strong (GEM, 2016b).

For several reasons, we should expect a positive relationship between the favorability of the institutional environment and the extent of success of internationalizing SMEs originating from Colombia. For one reason, technology-based SMEs in Latin America stand to benefit significantly from policies favoring internationalization efforts (Ferreira Ribeiro *et al.*, 2014). Acs and Correa (2014) note that entrepreneurs consider their skills and know-how as critical success factors in the region. Moreover, the impact of role models on entrepreneurship is noted (Alvarez and Urbano, 2011) suggesting that a normative institutional environment celebrating international entrepreneurs would be expected to have a positive impact on their enterprises. Similarly, a more supportive regulatory environment should be expected to impact entrepreneurial performance positively: Alvarez *et al.* (2014) found a positive link from regulative support (government spending) and entrepreneurship activity. Based on these notions, we would expect that in the Colombian context, more favorable formal and informal institutions as outlined through the normative, regulative and cognitive pillars would have an impact on entrepreneurship as follows:

- H1: The more conducive the normative environment to entrepreneurship, the better the performance of internationalizing SMEs originating from Colombia.
- H2: The more conducive the cognitive environment to entrepreneurship, the better the performance of internationalizing SMEs originating from Colombia.
- H3: The more conducive the regulatory environment to entrepreneurship, the better the performance of internationalizing SMEs originating from Colombia.

### **3. Empirical context: The Colombian software industry**

For several reasons, in testing our hypotheses we concentrated on the software industry specifically. The promotion and consolidation of the digital economy is considered an important driver for economic growth and the reduction of poverty in Latin America (CEPAL, 2013). Public policies that aim at the promotion of economic and social activities in the information and communication technology (ICT) sector are increasingly introduced in a variety of countries within the region. Chile and Colombia can be considered pioneers in the introduction of a national digital policy agenda already at the beginning of the new millennia (CEPAL, 2013).

The software industry is an important driver of economic growth within the larger ICT sector of many countries in Latin America. Some countries like Brazil and Mexico are rather focusing on their large domestic markets for software sales, whereas Costa Rica and Uruguay are more export-oriented due to the smaller size of their internal markets. Argentina, Chile,

and Colombia, however, are trying to stimulate both internal as well as export sales of software (CEPAL, 2013).

Software development is one of the main drivers of Colombia's information technology industry (Fedesoft, 2015). According to the latest census of the information technology industry in Colombia in 2015, the software sector is comprised of 3718 firms. Most firms in the software industry offer data management services (851 companies or 25% of the total). This is followed by companies dedicated to software development (772 companies or 23% of the total). Software firms dedicated to help-desk software occupy the third place with 477 companies or 14% of the total. The rest is divided among firms dealing with software testing, consultancy and implementation, maintenance and support services, cloud computing, among others.

United States is the primary export destination for Colombian software products followed by Spain, Ecuador, Mexico, Chile, and Peru (Fedesoft, 2015). Although countries like Argentina, Chile, and Costa Rica export more in US dollar value in packaged software than Colombia, Colombia's share of export value increased significantly from US dollar 178.000.000 in 2010 to US dollar 235.000.000 in 2013 (ALETI, 2015).

The software industry in Colombia has seen an important growth from 2003 onwards when the law for the promotion of software was passed. Other laws has been introduced during the same time in order to provide a support framework for especially small and medium enterprises (Laws 590/2000 and Law 905/2004 – the “SME laws”). The so called “entrepreneurship law” was passed in 2006 in order to facilitate entrepreneurship in general (Law 1014/2006). The introduction of these laws also benefited companies dedicated to the development of software considering that most of them fall into the category of an SME measured by their assets and number of employees (Fedesoft, 2015).

Especially regarding the activity of software development, Colombia is one of the few countries in the region that actively supports software development with a regulatory governmental framework (Fedesoft, 2014). In 2011, the government passed an amending law regarding the software regimen in order to benefit firms that undertake investments in software-related research and development activities. In order to stimulate further the export of software, the government introduced tax exemptions in 2012 regarding the export of services in general which includes software products and services.

## **4. Research methodology and variables measurement**

### *4.1 Data collection*

The empirical data to test the hypotheses were collected from Colombian SMEs operating in the software industry. We opted for data collection through a survey, basing the questionnaire on the study by Renko *et al.* (2009), where the instruments related to country institutional profiles were previously validated in a multi-country study.

The questionnaire was translated to Spanish by a native speaker with experience in business studies and high proficiency in English. It was then back-translated to English by the

researcher and the two versions were then compared to each other in order to ensure that the intended meanings had been retained. The survey was pre-tested with managers of six different software companies and comments for its development were also sought from four industry experts and two export promotion organizations. Specifically, the following changes were made based on the process:

- We adjusted the type of professional degrees to the Colombian educational context.
- We related to the local currency Colombian Pesos, instead of US Dollars.
- We specified “product sales” as “sale of packaged software” as recommended by an industry expert in the pre-testing phase.

As there is no public register of Colombian software companies available to use, based on the comments of the experts in the pre-testing phase, we identified two main sources of data collection: The member-list of the national software association (Fedesoft) and the member-list of the software cluster initiative Corporación INTERSOFTWARE. Consequently, we used the following sampling criteria: First, software development and sales should be the principal activity of the firm, and second, firms had to be independently operating entities, thus restricting subsidiaries of larger companies and other non-independent organizations from the data.

Through Fedesoft’s membership-list 815 firms were identified. Three additional firms, not included in Fedesoft’s list, were added by comparing with the information provided by Corporación INTERSOFTWARE. Thus, the total sample to be contacted consisted of 818 firms.

The questionnaire was administered online through a commercial survey website directly sent by Fedesoft and Corporación INTERSOFTWARE to their members. Invitations to participate were sent to the identified companies, with two reminder e-mails following to those who had not responded. As a result, we received 70 completed responses, making for a response rate of 12%. 46 of the respondents indicated that they had international operations and thus form the final effective sample for this study.

The most central items in the study (e.g., country institutional profile for entrepreneurship) were placed in the first pages of the survey in order to prevent potential respondent fatigue being a factor in measure development. We also checked for potential biases by following Armstrong and Overton’s (1977) suggestions for checking against non-response bias in the survey by comparing early and late respondents to the survey. No significant differences between the two groups were found. The resulting sample companies employed on average 61 people, were on average 17 years old, and had international operations for an average of 13 years.

#### *4.2 Measure development*

In testing the hypotheses, we applied established scales for institutional profiles from extant literature, the one established by Busenitz *et al.* (2000) that was based on the earlier work by Scott (1995). The three-factor solution proposed by Scott captures the regulatory, cognitive and normative pillars of the institutional environment and the scale by Busenitz *et al.* has been successfully replicated in the emerging market context by Manolova *et al.* (2008). We conducted factor analysis in order to ensure a reliable and valid structure of the three-



dimensional institutional survey instrument. The resulting three-factor structure adhered to the three-pillar structure suggested by extant literature, explaining 64.8 per cent of the variation through the solution, and the Cronbach's alpha values for the regulatory, cognitive and normative dimensions were 0.84, 0.73 and 0.86, respectively. Thus, we deemed the measure sufficiently reliable and valid to be used in the analysis. For the performance measure, we applied a subjective scale inquiring the respondents upon the extent of success of their company using a Likert-scale measure. The one-factor solution covered 68 per cent of the total variation between the variables, and Cronbach's alpha value for the performance measure was similarly high, 0.88. The individual items for the institutional and performance variables can be found in Appendix 1.

Since both the institutional profile items and the performance items were inquired upon using a 5-point Likert-scale items, we considered the potential issues from common method variance. In doing so, we followed the guidelines established by Podsakoff *et al.* (2003) and conducted Harman's one factor test to ensure the lack of common method bias. No signs of a common factor underlying the data were found. The descriptives and intercorrelations between the variables used in the analysis are illustrated in Table 1.

**Table 1.** The intercorrelations and descriptives of the variables used in hypotheses testing.

	Mean	Std. dev.	1	2	3	4	5	6
1 Performance	3.16	0.92	1					
2 Normative Pillar	3.03	0.83	0.37*	1				
3 Regulative Pillar	2.41	0.80	0.34*	0.58**	1			
4 Cognitive Pillar	2.01	0.53	0.11	0.39**	0.27*	1		
5 Firm Age	9.72	6.76	0.03	0.21	0.35*	0.25	1	
6 Firm Size	61.75	124.76	0.30	0.11	0.27	0.27	0.49**	1

\*\*p<0.01

\*p<0.05

As seen in the table above, the three dimensions of the institutional environment measure were highly inter-correlated, as was expected since they are also conceptually closely related. There was a positive correlation between the performance measure and all of the institutional variables, a result also expected based on the literature review and the hypotheses. However, the correlation between the cognitive pillar variable and performance was statistically non-significant, and the coefficient, while positive, was smaller than with the normative and regulative pillars. This suggested that cognitive factors were not as likely to be associated to performance in the following analysis. In addition, the overall institutional profile indicated that the overall level of normative support was average (3.0), while the regulative and cognitive forces (2.4 and 2.1, respectively) were perceived by the respondents as less supportive by comparison. Altogether, the descriptives and correlations provided a sufficient basis for testing the hypotheses through regression modelling with SPSS software.

## 5. Results

Due to the high inter-correlations between the institutional environment dimensions, we conducted separate regression models to account for any potential issues on multicollinearity. With each dimension, we ran the model with the Enter method in two steps: In the first step, only the control variables were included in the model, to be complemented then in the second step by the main predictor variable. This two-step assessment allowed differentiating between the potential impact of the control variables and that of the main predictor, and thus provided an accurate indication of the extent of the power of the predictor.

First, we tested for H1, and as seen in Table 2, the controls-only model (0) was non-significant, as were both of the coefficients. Thus, we deemed that the age and size of the company were not directly linked to the performance measure. When adding the variable to the normative dimension (model 1), the model overall became statistically significant ( $F=2.99$ ,  $\text{sig.}<0.05$ ). In addition, the normative variable coefficient was both positive and significant ( $0.37$ ,  $\text{sig.}<0.05$ ). The adjusted  $R^2$  value was  $0.15$ , indicating that the normative dimensions explained ca. 15% of the total performance in the companies. Thus, H1 received support from the analysis.

**Table 2.** Results of the linear regressions testing for the hypotheses.

Dependent variable: Performance	Model 0 (controls only)		Model 1 (Normative)					
	$\beta$	t-value	$\beta$	t-value	Model 2 (Cognitive)		Model 3 (Regulatory)	
Independent variables:	$\beta$	t-value	$\beta$	t-value	$\beta$	t-value	$\beta$	t-value
Normative			0.37	<b>2.20*</b>				
Cognitive					0.14	0.32		
Regulatory							0.24	1.38
Company age (years)	0.25	1.38	0.24	1.39	0.27	1.39	0.32	1.73
Firm size (number of employees)	0.32	1.76	0.20	1.12	0.31	1.65	0.36	2.00
adj. $R^2$		0.05		<b>0.15*</b>		0.02		0.07
F		1.83		2.99		1.22		1.90

\*\* $p<0.01$

\* $p<0.05$

Next, we tested for the effect of the cognitive dimension of the institutional environment on performance (H2). As seen in the table above, the cognitive model was non-significant ( $F=1.22$ ,  $\text{sig.}>0.05$ ) and none of the coefficients were significant at the 95% statistical level. Similarly, the regulatory model (model 3) was non-significant ( $F=1.90$ ,  $\text{sig.}>0.05$ ) with all of the coefficients again non-significant. Therefore, while both the cognitive and regulatory coefficients were positive as expected, they were non-significant and thus, H2 and H3 did not receive support from the analysis.

In terms of the analysis, we checked for potential heteroscedasticity issues via examining the distribution of residuals. Through a graphical investigation, they were found to have been normally distributed, indicating no issues. We also examined the statistical tolerance and Variance Inflation Factor (VIF) scores, both of which were at reasonable limits. Thus, no issues with heteroscedasticity were found.

In sum, the analysis indicated that the normative institutional dimension explained increased performance among internationalized SMEs while the regulatory and cognitive dimensions did not. In other words, the analysis showed that among internationally operating Colombian software SMEs, the admiration of entrepreneurs and the social acceptance of entrepreneurship is linked to increased performance. The non-significant results of the regulatory dimension might be an effect of the lack of awareness about government policies for entrepreneurship in Colombia, taking also into account the fact that the mean value for perceived regulative environment variable was comparatively low. With the cognitive dimension, the lack of education for entrepreneurs, for example, is not a critical barrier for achieving success, and knowledge of how to become an international entrepreneur may be gained along the way.

## **6. Conclusions, limitations and implications**

Our aim in this study was to determine how the institutional environment is linked to the performance of internationalizing SMEs in the context of Latin America. In doing so, we sought to respond to omissions in international entrepreneurship literature by shedding light on the impact of institutional environment on SME internationalization, thus, responding to calls for this type of research in general (Bruton *et al.*, 2010; Jones *et al.*, 2011; Kiss *et al.*, 2012). We specifically focused on the Latin American context where the role of the institutional environment has been argued to be heightened (Amoros *et al.*, 2015) and where more specific research on internationalizing SMEs is asked for (Vendrell-Herrero *et al.*, Forthcoming), and, in our empirical analysis, we focused on Colombia in particular, due to its potential for this type of research (Cardoza *et al.*, 2016).

Through our analysis we found that the normative aspect of the institutional environment, rather than the regulatory and cognitive ones, determines the performance of international SMEs. In other words, according to the results, the admiration of entrepreneurs and the social acceptance of entrepreneurship are linked to international success of SMEs originating from Latin America, namely from Colombia. The result was thus contrary to Bruton *et al.*'s (2009)

proposition regarding the absence of normative institutions that support entrepreneurship, and suggests that normative institutions are well established in Colombia.

Regulatory and cognitive aspects of the institutional environment were not found to have impacted the international success of these companies. We consider this to be an effect of the lack of awareness about government policies for entrepreneurship in Colombia. Our results therefore mirror those by Alvarez *et al.* (2014), who found the relationship between government spending and entrepreneurial activity in Latin American countries to be insignificant. Similarly, the fact that the cognitive pillar was non-significant, suggests that an overall lack of education among the entrepreneurs was not a critical barrier for achieving success internationally, and the knowledge necessary to be an international entrepreneur may be gained along the way. Hence, our present study extends the implications of these findings to internationalizing SMEs and beyond the domestic entrepreneurship context.

In sum, the main contribution of this study is threefold: First, our study is one of the first to apply the Busenitz *et al.* (2000) scale on the institutional country profile to real entrepreneurs. Previous studies have mainly applied the framework to a sample of students (e.g., Busenitz *et al.*, 2000; Gupta *et al.*, 2012; Manolova *et al.*, 2008) or officers assigned to U.S. embassies (Spencer and Gomez, 2004). Besides Renko *et al.*'s (2009) conference paper, ours is the first one that links the country institutional profile to performance of internationalizing SMEs, and especially in the context of a country from Latin America. Therefore, our study tries to contribute to a better understanding of how a country's institutional environment impacts the performance of internationalizing SMEs. Second, by examining internationalizing SMEs through the institutional profile concept, this study responds to several calls for adding to the knowledge on international entrepreneurship through institutional theory (Jones *et al.*, 2011; Kiss *et al.*, 2012; Szyliowicz and Calvin, 2010). Third, our study supplements available studies on entrepreneurial internationalization in the Latin American and Colombian context, which has tended to favor organization and entrepreneur-specific phenomena while not accounting for the societal and institutional ones (e.g., Ferreira Ribeiro *et al.*, 2014; Fuerst and Zetting, 2015; Tabares *et al.*, 2015).

Our study naturally contains several limitations. For one, the cross-sectional nature of the survey tool, while allowing a view into predictors of performance through regression modelling, is still by its nature fixed in time. Thus, any long-term development in either the perceived institutional forces or indeed the dynamics of its effects on export performance in the long term were not assessed longitudinally in this study. Bruton *et al.* (2009) note that there may be a feedback loop between business actors such as venture capitalists with developing institutions. Their finding therefore imply that longitudinal effects into the dynamics of institutional forces and enterprises could yield an increasingly holistic understanding of how country institutional profiles are intertwined with entrepreneurship. The impact of the institutional context on phenomena such as networking practices should also be clarified further (Jones *et al.*, 2011), and, our present study was limited to examining the direct effect of the institutional environment on performance outcomes; it is quite possible that organization and individual-specific capabilities, social capital and networks may moderate or even partially mediate the relationship. Future studies should thus extend these results to form an increasingly holistic view of the role and dynamics of formal and institutional forces on SME internationalization.

Moreover, the data sample was restricted to Colombia and the country is unique in the Latin American context in ways that the population holds one of the most positive views about entrepreneurship in the world and the international orientation of entrepreneurs is comparatively high for the continent.

In sum, the cluster of emerging markets that constitute the Latin American region may yet prove to offer substantial potential for extending the results of this study further: Emerging markets overall constitute a distinct phenomenon on research in entrepreneurial internationalization, one that is rapidly growing and that offers methodological plurality (Kiss *et al.*, 2012). This study has contributed to provide a view into country-specific dynamics of SME internationalization with a much interesting implication for policy-makers: Should we rather focus our efforts on creating an environment that admires and celebrates international successful entrepreneurs than creating policies and educational programs that foster entrepreneurship overall? Still, much remains to be understood of the concepts embodying international entrepreneurship in the Latin American context.

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## Appendix 1: The Scale measure items

Institutional profile:

“Based on your opinion, please indicate the degree to which you agree or disagree with each of the following statements concerning your company's home country:”

Regulatory dimension:

- Reg1: Government organizations in this country assist individuals with starting their own businesses.
- Reg2: The government sets aside government contracts for new and small businesses.
- Reg3: Local and national governments have special support available for individuals who want to start a new business.
- Reg4: The government sponsors organizations that help new businesses develop.
- Reg5: After failing in an earlier business, the government assists entrepreneurs in starting again.

Cognitive dimension:

- Cog1: Individuals know how to legally protect a new business.
- Cog2: Those who start new businesses know how to deal with much risk.
- Cog3: Those who start new businesses know how to manage risk.
- Cog4: Most people know where to find information about markets for their products.

Normative dimension:

- Norm1: Turning new ideas into businesses is an admired career path in this country.
- Norm2: In this country, innovative and creative thinking is viewed as a route to success.
- Norm3: Entrepreneurs are admired in this country.
- Norm4: People in this country tend to greatly admire those who start their own business.

Company performance:

- In the last 12 months, in comparison to major competitors...
  - Our company's performance measured by sales growth rate was...
- Our company's performance measured by market share was...
- Our company's performance measured by profitability was...
- Our company's performance measured by customer loyalty was...
- Our company's performance measured by return on investment (ROI) was...