T.R.
SAKARYA UNIVERSITY
GRADUATE SCHOOL OF BUSINESS

THE IMPACT OF INSTITUTIONS AND SOCIAL NETWORKS ON FIRM INTERNATIONALIZATION PROCESS: THE CASE OF KOSOVO

DOCTORAL THESIS

Liridon KRYEZİU

Department	**: Business Administration**
Subfield	**: Management and Organization**

Supervisor: Prof. Dr. Recai COŞKUN

SEPTEMBER – 2019

T.R.
SAKARYA UNIVERSITY
GRADUATE SCHOOL OF BUSINESS

THE IMPACT OF INSTITUTIONS AND SOCIAL NETWORKS ON FIRM INTERNATIONALIZATION PROCESS: THE CASE OF KOSOVO

DOCTORAL THESIS

Liridon KRYEZIU

Department : **Business Administration**
Subfield : **Management and Organization**

"This thesis has been accepted unanimously/with the majority of vote by the examining committee on 04/09/2019"

MEMBERS OF EXAMINING COMMITTEE	DECISION	SIGNATURE
Prof. Dr. Recai COŞKUN	Successful	
Doç. Dr. Umut Sonay Sitki	Successful	
Doç. Dr. Mahmut Hızıroğlu	Successful	
Doç. Dr. Umut KOÇ	Successful	
Dr. Öğr. Üyesi Esra DİL	Successful	

SAKARYA ÜNİVERSİTESİ	T.C. SAKARYA ÜNİVERSİTESİ İŞLETME ENSTİTÜSÜ TEZ SAVUNULABİLİRLİK VE ORJİNALLİK BEYAN FORMU	Sayfa : 1/1

Öğrencinin

Adı Soyadı	:	**Liridon Kryeziu**
Öğrenci Numarası	:	**1260D04028**
Enstitü Anabilim Dalı	:	**İşletme**
Enstitü Bilim Dalı	:	**Yönetim Organizasyon**
Programı	:	☐ YÜKSEK LİSANS ☑ DOKTORA
Tezin Başlığı	:	**The Impact of Institutions and Social Networks on Firm Internationalization Process: The Case of Kosovo**
Benzerlik Oranı	:	**% 5**

ENSTİTÜSÜ MÜDÜRLÜĞÜNE

☑ Sakarya Üniversitesi İşletme Enstitüsü Lisansüstü Tez Çalışması Benzerlik Raporu Uygulama Esaslarını inceledim. Enstitünüz tarafından Uygulalma Esasları çerçevesinde alınan Benzerlik Raporuna göre yukarıda bilgileri verilen tez çalışmasının benzerlik oranının herhangi bir intihal içermediğini; aksinin tespit edileceği muhtemel durumda doğabilecek her türlü hukuki sorumluluğu kabul ettiğimi beyan ederim.

24/07/2019
İmza

☐ Sakarya Üniversitesi İşletme Enstitüsü Lisansüstü Tez Çalışması Benzerlik Raporu Uygulama Esaslarını inceledim. Enstitünüz tarafından Uygulalma Esasları çerçevesinde alınan Benzerlik Raporuna göre yukarıda bilgileri verilen öğrenciye ait tez çalışması ile ilgili gerekli düzenleme tarafımca yapılmış olup, yeniden değerlendirilmek üzere gsbtez@sakarya.edu.tr adresine yüklenmiştir.

Bilgilerinize arz ederim.

....../....../20.....
İmza

Uygundur

Danışman
Unvanı / Adı-Soyadı: Prof. Dr. Recai Coşkun

Tarih: 24.07.2019

İmza:

☐ KABUL EDİLMİŞTİR ☐ REDDEDİLMİŞTİR **EYK Tarih ve No:**	**Enstitü Birim Sorumlusu Onayı**

00.ENS.FR.72

ACKNOWLEDGEMENT

First and foremost, I will always grateful to my parents and my family for their love, prayers, caring and sacrifices for educating and preparing me for my future. I will always be grateful and pray for my parents for the sacrifices they have done for me.

I would like to express my deep and sincere gratitude to my research supervisor Prof. Dr. Recai COŞKUN, for giving me the opportunity to do research and providing valuable guidance throughout this research. His dynamism, vision, sincerity, and motivation have deeply inspired me. He has taught me to carry out the research and to present the research works as clearly as possible. It was a great privilege and honor to work and study under his guidance. I am extremely grateful for what he has offered me. I would also like to thank him for his friendship, empathy, and a great sense of humor. I am also thankful to my former supervisor, Prof. Assoc. Dr. Ali TAŞ, for helping me in the early years of my Ph.D. I thank dissertation committee, Prof. Assoc. Dr. Mahmut HIZIROĞLU; Prof. Ass. Dr. Esra DIL; Prof. Assoc. Dr. Umut Sanem ÇITÇI; Prof. Assoc. Dr. Umut KOÇ, for providing me helpful guidance to improve the quality of my thesis, their support, and providing to me professional guidance.

I thank my friends Dr. Mehmet BAĞIŞ and lecturer (Ph.D. Cand) Ensar Selman KARAGÜZEL, for their constant support and continuous encouragement throughout my years of study and through the process of researching and writing this thesis. I thank all my Ph.D. colleagues and all my friends for their support to complete this research work.

Finally, my thanks go to all the people who have supported me to complete the research work directly or indirectly.

Liridon KRYEZIU

CONTENTS

ABREVATIONS

CEE	**:** Central and Eastern Europe
EU	**:** European Union
EULEX	**:** European Rule of Law Mission
PISG	**:** Provisional Institutions of Self Government
QCA	**:** Qualitative Content Analysis
SEE	**:** South East Europe
SME	**:** Small and Medium Enterprises
UN	**:** United Nations
UNMIK	**:** United Nations Interim Administration Mission in Kosovo

LIST OF TABLES

LIST OF FIGURES

Title of the Thesis: The Impact of Institutions and Social Networks on Firm Internationalization Process: The Case of Kosovo.	
Author: Liridon KRYEZİU	**Supervisor:** Prof. Dr. Recai COŞKUN
Date: 04\09\2019	**Nu. of pages:** viii(pre text)+170(main body)+13 (app)
Department: Business Administration	**Subfield:** Management and Organization

The aim of this study is twofold: first, to examine how and which institutions impact the firm internationalization, and second, to examine the impact of social networks on firm internationalization process. This study employs a multiple-case study strategy, relying on in-depth interviews as a primary source of evidence with eight managers and two government officials as a primary source, followed by the documents of the firms as secondary source of evidence.

The findings suggest that economic institutions negatively impact the firm product development, and this in turn the firm internationalization. To cope with negative impacts of these institutions, the firms focused on improving the quality of products and avoid imitation. The impact of these institutions is mainly at pre and early internationalization; however, this depends on the firm's ability to build reactive strategies and the type of industry where they compete. The findings also show that regulatory institutions negatively impact the firm's ability to compete due to unnecessary costs that these institutions impose. In contrast to economic institutions, regulatory ones are of greater importance for the firms in all phases of internationalization. The firms face more challenges to increase the ability to compete, which depends on other non-institutional factors, namely the social networks. Home market networks have almost no impact on firm internationalization, while the international networks play a determining role. These networks facilitate the firm's knowledge, experience, information, and the image towards the foreign markets. The longer the relations with international networks, the higher the outcomes from the network structure. The firms that have built their network structure recorded better performance in international markets compared to other firms that relied on their current network relations. Furthermore, the firms rely on social networks to substitute institutional deficiencies, and lower the negative impacts. This study makes a contribution in the literature of transition economics by providing policy and managerial implications.

Keywords: Kosovo: Transition Economies, Institutions, Social Networks, Firm Internationalization.

Tezin Başlığı: The Impact of Institutions and Social Networks on Firm Internationalization Process: The Case of Kosovo	
Tezin Yazarı: Liridon KRYEZİU	**Danışman:** Prof. Dr. Recai COŞKUN
Kabul Tarihi: 04\09\2019	**Sayfa Sayısı:** viii(ön kısım)+170(tez)+13 (ek)
Anabilimdalı: Işletme	**Bilimdalı:** Yönetim ve Organizasyon

Bu çalışmanın iki amacı bulunmaktadır: Birincisi, firmaların uluslararasılaşma sürecini kurumların nasıl etkilediğini incelemektir, ikincisi ise sosyal ağların firmaların uluslararasılaşma sürecindeki etkilerini araştırmaktır. Çalışma, birincil veri kaynağı olarak sekiz yönetici ve iki devlet görevlisiyle yapılan mülakatlara, ikincil veri kaynağı olarak da doküman analizlerine dayanan çoklu vaka çalışması stratejisini kullanmaktadır.

Bulgular, ekonomik kurumların firma ürün geliştirme sürecini ve bu durumun da uluslararasılaşma sürecini olumsuz yönde etkilediğini göstermektedir. Bu kurumların olumsuz etkileriyle başa çıkmak için firmalar, ürünlerin kalitesini iyileştirmeye ve taklit etmekten kaçınmaya odaklanmaktadır. Bu kurumların etkisi temel olarak uluslararasılaşma öncesi ve uluslararasılaşmanın ilk aşamasındadır; ancak bu, firmanın reaktif stratejiler oluşturma yeteneğine ve rekabet ettiği sektörün türüne bağlıdır. Bulgular ayrıca, düzenleyici kurumların gereksiz maliyetler oluşturmaları nedeniyle, bu kurumların firmaların rekabet kabiliyetini olumsuz yönde etkilediğini göstermektedir. Ekonomik kurumların aksine, düzenleyici kurumlar, uluslararasılaşmanın her aşamasında firmalar için daha büyük öneme sahiptir. Firmalar, diğer kurumsal olmayan faktörlere, yani sosyal ağlara bağlı olarak rekabet edebilme yeteneğini artırmak için daha fazla zorlukla yüzleşmektedir. Yurtiçindeki sosyal ağların firma uluslararasılaşmasına neredeyse hiç etkisi olmamakla birlikte, bu konuda uluslararası ağlar belirleyici bir rol oynamaktadır. Bu ağlar firmanın bilgi, deneyim, bilgi ve dış pazarlardaki imajını kolaylaştırmaktadır. Uluslararası ağlarla ilişkiler ne kadar uzun olursa, ağ yapısından elde edilen sonuçlar o kadar yüksek olmaktadır. Ağ yapısını oluşturan firmalar, mevcut ağ ilişkilerine dayanan diğer firmalara göre uluslararası pazarlarda daha yüksek performans göstermektedir. Ayrıca, firmalar kurumsal eksiklikleri ikame etmek ve bu eksikliklerin olumsuz etkilerini azaltmak için sosyal ağlara güvenmektedirler. Bu çalışma, geçiş ekonomileri literatürüne katkıda bulunmakta ve politika ve yönetsel etkiler ortaya koymaktadır.

Anahtar Kelimeler: Kosova, Geçiş Ekonomileri, Kurumlar, Sosyal Ağlar, Firma Uluslararasılaşması.

INTRODUCTION

Research Context

According to the World Bank estimates, Kosovo is a lower-middle-income country that over the last decade recorded a robust economic growth (World Bank, 2019). Before 1999, Kosovo was a province of Serbia, with the overwhelming majority of population Albanians. The 1974 constitution of the Socialist Federal Republic of Yugoslavia (SFRY) considered Kosovo as an autonomous province with a high degree of autonomy within Serbia, and one of the eight Yugoslav federal units with the right of a veto. This status lasted until 1989-1990 when the constitutional changes were made by Serbia, which excluded Kosovo Albanians from formal institutions and stripped off her economic organization. After the violent conflict which took place during 1998-1999 that followed the intervention by NATO and departure of Serb forces, Kosovo was put under the United Nations Interim Administration Mission (UNMIK) which began establishing the institutions from scratches.

Kosovo's transformation from semi-planned to a market economy differs from other transitions countries as it had no institutions to be transformed or reformed. The institution-building period was led by UNMIK. This mission consisted of four pillars: i) police and justice, managed by the United Nations (UN); ii) civil administration under the UN; iii) democratization and institution building under the management by the Organization for Security and Co-operation in Europe (OSCE); and iv) reconstruction and economic development, led by the European Union (EU). The mission of the UNMIK was not determined how long it would last, though this was partially understood by the tasks that it has taken to carry out through its four pillars, or make Kosovo with operational institutions. During this process, the first general elections were held in 2001, after which the Provisional Institutions of Self Government (PISG) with limited decision making power and authority were established. As the PISGs progressed and were consolidated, UNMIK's authority was gradually transferred to them. Thus the existence of two structures created institutional duality where UNMIK had full authority in decision making, and the PISGs having *de facto* and *de jure* legitimacy, but no authority over major decision makings. This period was characterized by political polarization between local political groups and the UNMIK over the issue of the final status of Kosovo having the implication in institutional vacuum and the failure of Kosovo to build a robust institutional framework (Kryeziu and Coskun, 2018:94-96).

Although the privatization process was considered the main engine of Kosovo economic development, if failed to meet the expectations. Privatization was one of the main strategies of international state building actors in Kosovo. However, the outcomes of this process after nine years did not result on expected outcomes as Kosovo continued to have high unemployment, poverty and corruption, the economy is characterized by trade deficit and low exporting base.

After Kosovo declared her independence in 2008, the political polarization dominated the debate over the reforms. This period was also characterized by the disputes between local political parties mainly over political issues, not so much on economic reforming process. The government during this period was established on 'large coalitions,' with a lifecycle less than three years on average. The institutional vacuum due to delays on building coalitions, lead Kosovo institutions to operate into a vacuum, thus negatively influencing the functionality of institutors and the reforms in the economy (Kryeziu and Coskun, 2018:94). The power by local actors after the independence to provide more advanced reforming packages, did not enhance the potential of Kosovo's economy to compete with other regional countries and the government was still inexperienced.

Kosovo economy continued to prosper from a very low base, but, since 1999 unemployment rate and poverty have not been significantly reduced.[1] The country remains one of the poorest in Europe. This is in part due to the lack of consistent reforms, low investment, and inexperienced the government to successfully implement the market economy reforms. During 2009-2017, real GDP growth averaged 3.5%. The service sector remains the largest contributor in the economy accounting for 54% of GDP. The share of industry is smaller compared to the neighboring countries and accounts for around 17%, of which the manufacturing sector makes up 10%, followed by agriculture at 11% of GDP (World Bank, 2018). Since the 1999, negative balance of payment has been a challenge for the government. Kosovo has a large trade deficit. Exports are dominated by metals and mineral products, where 30.7% of exports are

[1] See appendix A1 for the comparison of macroeconomic indicators with other Balkan countries

made up of base metals, 15.1% plastics and rubber, 14.6% mineral products, 9.6% foodstuffs, beverages and tobacco, 5.1% plant products, 4.5% various manufactured goods, and 3.9% machinery, mechanical and electrical equipment (ASK, 2019).

Table 1
Characteristics of Political and Economic Institutions During the Institution-Building and Independence Periods

Themes characterizing political institutions		**Evaluation**
State building period	*Independence period*	
duality of power, lack of institutions political fragmentations, distrust between foreign and local bodies, illegitimacy	polarization, non-functioning institutions, delaying reforms, failing government, violence	-During the state building process main conflict and tension occurred between foreign and local bodies. In independence this was between local interest groups. -From lack of institutions to non-functioning institutions, it is evident that although some institutions are formed it will take time to make them functioning. -From legitimacy problem to violence problem: Discussion over the legitimacy of foreign bodies lessened as the local Assembly and the government established. However, fragmentation and fractions are still prevalent. -It is expected that for functioning political institutions more time needed and without them economic development cannot be succeeded. The question is that without a certain level of economic development can any institution be successful and sustainable?
Themes characterizing economic institutions		**Evaluation**
State-building period	*Independence period*	
property rights, deficient and weak rule of law, corruption, privatization, market economy, poverty and unemployment	property rights, enforcing contracts, rule of law, Unfair competition, unsuitable business environment, informal sector	Although limited improvements made, there is not much differences between two periods. Unresolved property rights remain one of the main issues. Expected results from privatization are not realized. Corruption, unfair competition, weak rules of law, difficulties in enforcing contracts are main impediments to create a powerful private sector and a functioning market economy. As a result, informal sector emerge around some privileged elites and this worsen the legitimacy problems of formal institutions.

Adopted from (Kryeziu and Coskun, 2018: 96)

Statement of the Problem

Compared to developed advanced economies, transition economies are less developed in social, political, and economic terms (Wright et al., 2005:2). A considerable number of countries attempted to shift from centrally planned towards market economy and growth in international entrepreneurship (Thai and Turkina, 2014:4). However, these attempts did not materialized as expected; some countries succeeded to build stable institutions, while others still remained struggling (de Melo et al., 1996:397; Thornton, 1997:133; Roland, 2000: 17-18; Svejnar, 2002:3; Redek and Susjan, 2005:995; Efendic and Pugh 2007:25, Efendic et al., 2011:586). The speed of economic and institutional transformation in transition economies varies, which can be divided into two main groups: fist, the countries that succeeded to grow and build stable institutions, and second, those that made no or little progress (Roland, 2000:17-18). Kosovo is grouped into the second one, where the economic and institutional development has been gradual. In the second group of countries that failed in their attempt, the outcomes are uncertain (Thai and Turkina, 2014:3-4) which resulted in a various degree of market orientation (Shinkle et al., 2013:1246).

Therefore, the firm internationalization in these countries is challenging (Manolova et al., 2010:257) due to unstable formal institutions (Puffer et al., 2009:441) that create negative consequences on the firms (Hashi and Mladek, 2001:23-24; Bowen and Clercq, 2008:747; McMillan and Woodruff, 2002:154). In these countries, the rules of the game are not clear and institutional voids are evident (Puffer et al., 2009:441; Mair and Marti, 2009:419). The institutional voids are present in cases when institutions to enforce the regulations and norms are weak or absent (Mair and Marti, 2009:419) and the lack of proper mechanisms or policies to implement the rules. The firms in these institutional environments are not immune to the institutions, thus the institutions matter (Peng, 2003:275). The consequences of these weak rules of the game reflect on firm growth (Peng and Heath, 1996:492; Ahlstrom and Bruton, 2010:531) influence the allocation of entrepreneurial efforts (Bowen and Clercq, 2008:747) and setting up a business in these conditions is risky (McMillan and Woodruff, 2002:154). Consequently, institutional deficiencies negatively influence the firm’s strategic choices depending on the level of institutional transition that the country is (Peng, 2003:275). The firms have limited production capacity and face financial constraints to enter into a large scale international transactions. This is also related to the lack of international experience and opportunities that derive from higher cost of production and smaller economy of scale for export (Roolaht, 2003:124).

The failure of institutions to set clear rules of the game, increases the importance of networks that determine the firm survival and growth. The impact of social networks on the firms in transition economies have been discussed by numerous scholars (e.g. Peng and Heath, 1996:492; Peng and Luo, 2000:486; Peng, 2001:95; Peng, 2003:275; Peng and Zhou, 2005:321; Danis et al., 2010:287). These studies suggest that social networks play an important role and are a source not only for the firm survival and growth, but also the source of information, resources and ensures the competition by avoiding the barriers imposed by unfair competition due to weak institutions. Thus, the role of social networks is to substitute formal institutional voids (Batjargal et al., 2013: Puffer et al., 2009: 441; Danis et al., 2011:394; Estrin et al., 2013:564).

The studies also have examined the impact of institutions on firm exporting performance. Institutional quality had positive impact on firm's exporting performance depending on the variables such as firm age and size (Cuervo-Cazurra and Dau, 2009:1348; Shinkle and Kriauciunas, 2010:267; Li et al., 2013:361; LiPuma et al., 2013:817; Cherchye and Varriest, 2016:831; Ngo et al., 2016:2911; Krammer et al., 2018:218). But not all firms benefit equally from structural reforms to lower transaction and transformation costs (Cuervo-Cazurra and Dau, 2009:1348). Depending on the firm characteristics, larger firms that are more capable to cope with uncertainties due to their connection and better access to the government (LiPuma et al., 2013:833-834), which are favored for their contribution to employment in the country (Shinkle and Kriauciunas, 2010:282). Small firms are negatively influenced by a weak judiciary system (LiPuma et al., 2013:833).

The impact of social networks is acknowledged by the scholars as a critical factor for the firm internationalization (Mihailova et al., 2015:257; Stoian et al., 2016:105; Sekliuckiene, 2017:219; Nowinski and Rialp, 2013:191; Musteen et al., 2014a:749; Musteen et al., 2014b: 221; Manolova et al., 2010:257; Shirokova and McDougall-Covin, 2012:177). However, there is no common agreement among the studies whether home or international role is essential. Some studies suggest that home networks are more important based on the phases of firm internationalization resulting in more productive internationalization attempt (Manolova et al., 2010:257; Nowinski and Rialp, 2013:191), while other studies argue that the firms use more the international networks for technological innovation (Musteen et al., 2014a:749) and market knowledge about international markets (Musteen et al., 2014b:221). There is also a number of studies which found that the use of social networks depends on other factors such as country's historical background, geography and cultural characteristics (Mihailova et al., 2015:279; Stoian et al., 2016:116). Also, Shirokova and McDougall-Covin (2012:177), Ffor instance, in the case of Russian entrepreneurs, the impact of social networks on firm internationalization does not act as a determining factor as it has been assumed in the literature.

Purpose of the Study

The purpose of this study is twofold: first, to examine how institutions impact the firm internationalization, and second, to examine the impact of social networks on firm internationalization process. The specific objective is to examine the distinct impact of institutions on firm internationalization, and how the firms maximize from social networks to lower the negative impact of institutional deficiencies on one hand, and get internationalized on the other hand.

It is argued that the social networks in transition economies have different functions compared to developed institutional contexts. These functions are to fill the gap and eliminate uncertainties arising from the shortcomings of institutions and enable the firms to get internationalized. The firms that are capable to maximize from social networks are in a position to lower the distinct impact of institutions and internationalize.

This study addresses the following research questions:

Research question 1: *How institutions impact the firm internationalization?*

Research Question 2: *How social networks impact the firm internationalization?*

Research Question 3: *In a country where macro institutions are weak, to what extent and how social networks can fill the gap to facilitate the firm internationalization*?

The study relies on institutional-based view and social networks literature to examine the impact of institutions and social networks on firm internationalization. The institutional-based view of international business strategy (Peng et al., 2008:920, Peng et al., 2009:63; Peng, 2000:41), which has been a dominant perspective in transition and emerging economies, is based on Douglas North's (1990) concept of institutions to examine the firm internationalization and the strategy in transition and emerging economies (Peng et al., 2008:920). The rise of new institutional economics shifted the attention of the scholars to examine the strategy how the institutions matter in internationalization and are not used as background (Peng et al., 2009; Peng, 2000). Institutional based view is the most common perspective to examine the exports in transition economies. Likewise, it is also useful to examine the internationalization in transition economies due to the exceptional and evolving character of their institutional environment (Ngo et al., 2016:2911). This view has been employed by many scholars when examining the institutional impacts and firm internationalization process in transition economies (Shinkle and Kriauciunas, 2009:267; Shirokova and McDougall-Covin, 2012:177; Shirokova and Tsukanova et al., 2013:200; Makhmadshoev and Crone, 2014:303; Ngo et al., 2016:2912).

Furthermore, this study also draws on social networks literature for their unique institutional contexts (Peng, 2000). The firms use the social networks to exploit opportunities and fill the gaps left by regulations and rules (Welter and Smallbone, 2011:117). Institutional environments impact the firm strategic choices (Peng, 2000:41; Peng and Heath, 1996:492) where the outcomes on the firm performance of clear strategies do lead to an expected performance compared to a stable institutional environment (Shinkle et al., 2013:1244). Social network literature argues that the firms' networks have a determining impact on the firm internationalization in various ways (Johanson and Vahlne, 2009:1411) including transition economies (Kiss and Danis, 2010:273; Kiss and Danis, 2008:388; Kiss et al., 2012:266; Stoian et al., 2016:105; Nowiński and Rialp, 2013:191).This study also examines exporting, knowing that the firms in the case of Kosovo are still at an early stage of the internationalization process, where exporting is a dominant entry mode in international markets (Aulakh et al., 2000:343). The scope of the study is also extended to examine the impact of institutions, with a specific reference to economic ones on firm internationalization.

Expected Contributions of the Study

The first contribution of this study is to show how the firms in the case of Kosovo get internationalized and respond to various calls by the scholars to examine the unexplored topic to some extent, i.e. the firm internationalization. There have been few studies that examined the firm internationalization dimension in these terms (Shirokova and Tsukanova, 2013:202) and this topic is more or less under-researched (Makhmadshoev and Crone, 2014:304; Cieslik and Kaciak, 2009:375). The firm internationalization is attractive and relevant (Cieslik and Kaciak, 2009:375) as an opportunity for the scholars to examine how the firms internationalize in a consistent changing institutional environment (Thai and Turkina, 2014:4). This is interesting, among others, to investigate the lack of policies to encourage exporting activities, where, the most disadvantaged sector in these countries is considered the manufacturing industry (Buck et al., 2000:379). Apart from institutional pressure, the firms in these environments have limited internal resources and capabilities (Shirokova and Tsukanova, 2013:194). Given that the firms' actions and outcomes are determined by institutional environment, these contexts provide a natural experiment (Shinkle and Kriauciunas, 2009:268) and as such it offers a rich potential for the scholars to examine the firm behavior, where the firm internationalization is considered as an entrepreneurial step (Shirokova and Tsukanova, 2013:194).

The second contribution is to show the distinct impact that the economic institutions have on firm internationalization. In contrary to other previous studies, this study focused on institutional quality in the firm exporting performance. In this study, we argue that these indicators have distinct impact on firm internationalization, and therefore, would shed more light on the extent these indicators have on firm internationalization. These indicators are: protection of property rights, intellectual property rights and contractual enforcement, fiscal policy and legal framework. However, some indicators are related to economic institutions (e.g., property rights, intellectual property rights and contractual enforcement) and other to regulatory institutions (e.g., fiscal policy and legal framework). Given that the literature still did not make a clear definition on what is included into economic and regulatory institutions; to have a clear understanding this study included all these sub-categories (indicators) into one category, namely economic institutions (see Cuervo-Cazurra and Dau, 2009:479; Shinkle and Kriauciunas, 2010:267; Li et al., 2013:361; LiPuma et al., 2013:817; Cherchye and Varriest, 2016:831; Ngo et al., 2016:2912; Krammer et al., 2018:218). It is found that the institutions directly impact the firm exporting performance in the short run, , and this impacts decreases over the time. By using a qualitative case study strategy, this study attempts to make a clear distinction between 'perceived' and 'actual' barriers that the firms face, (Doern, 2009:294) how and which institutions matter, and to what extent they impact the firm internationalization (Ngo et al., 2016:2911; Peng and Khoury, 2008:1).

There is a gap in the literature that examines the impact of country-specific institutional and social networks settings on the firms' internationalization process. A country's historical, cultural, and institutional characteristics are critical for the firms' internationalization intentions and attempts. The factors determining the internationalization remain an important topic for international entrepreneurship in transition economies (Kiss et al., 2012:266). There are limited studies that examined the weak, strong, national and international ties, and the brokers on firm internationalization (Kiss and Danis, 2010:273). This study makes a contribution in the gap addressed by the scholars. Moreover, it contributes in the literature of transition economics and shows the distinct impact of home and international networks on firm internationalization, with a specific reference to the gap which network structures are more beneficial in terms of exporting performance.

The last contribution of this study is twofold. First, the characteristics of Kosovo as a an emerging economy which experienced a unique transition towards market economy. As discussed in the background of this study, Kosovo is a newly independent country where institutional deficiencies are evident, and the economy is characterized by mainly imported products. Second, is the extent that the firm's social networks fill institutional gaps, in particular, how the firms maximize from social networks to lower the distinct impact of economic institutions and avoid various institutional related barriers. The study explores various models of relationship between institutional development and the firms' social networks (Kiss and Danis, 2010:273: Peng and Zhou, 2005:321; Peng, 2003:275).

Research Strategy

To investigate the impact of institutions and social networks on the firm internationalization, a multiple case study strategy is employed. The primary sources of evidence are in-depth interviews with eight managers and two government officials, followed by document analysis as a secondary source of evidence. The document analysis was essential to complement or support the primary data sources, to identify the institutional impacts on the firm internationalization, and compare these with the primary source of evidence. The cases have been selected to capture the effect of institutions and social networks on internationalization process of the firms.

Structure of the Study

The first chapter reviews the literature and discusses the first question of the study *how do institutions impact the firm internationalization?* In this chapter, the internationalization and the motive in general terms, is discussed first. The second section defines the institutions, and then discusses the institutional environments, the institutions themselves and the firm internationalization. The third section explores the impact of economic institutions on firm internationalization.

The second chapter provides an overview on the second question of the study *how social networks impact the firm internationalization*? The first section of the chapter defines the social networks, then the factors why social networks are important for the firms in transition economies. A separate section deals with the impact of home and international networks on the firm internationalization.

The third chapter explains the method of the study. In its first section, the justification of multiple case study over single case study, the sample and the selection criteria are reported. The second section explains the data, data analysis technique, and the coding process. The last section of the chapter in question discusses the trustworthiness of this study, and provides a brief report of cross-cases examined.

The fourth chapter is divided into two main sections. The first reports the findings, and is divided into three sub-sections. The first sub-section presents the findings from the characteristics of firm internationalization, the second is about the findings on the impact of institutions, and the last-sub-section contains the findings on the impact of social networks on firm internationalization. In the second section, based on the findings, policy and managerial implications are reported. The last part of the section addresses the limitations and future suggestions of this study.

CHAPTER 1: THE IMPACT OF INSTITUTIONS ON FIRM INTERNATIONALIZATION: IN TRANSITION ECONOMIES

The process of firm internationalization is challenging. The source of the challenges is related to the firm-specific or internal factors, and those that dependent on the environment or externalities. External environment is a broad term which considerably affects the firm's performance. Among others, external factors are related to uncertainties or opportunities offered by institutional environment in home as well as foreign market. This chapter is focused on external factors, namely on institutional environment or the rules of the game set by the government to implement microeconomic or firm reforms for a transition to an open market economy and internationalization, and attempts to answer the first research question of this study: How do institutions impact the firm's internationalization? The scope of discussion is limited to the impact of economic institutions (e.g., property rights, intellectual property rights, and contractual enforcement, fiscal policy and legal framework) and their distinct impact on firm internationalization. By answering the first research question, this chapter briefly gives an overview why social networks are essential for the firms in transition economies.

The structure of this chapter is as follows: the first section discusses the necessity, importance of firm internationalization in transition economies; section two discusses the institutional environment in transition economies and the challenges that the firms face to get internationalized; the impact of economic institutions on firm internationalization, in particular the impact of protecting property rights, intellectual property rights, and contractual enforcement, fiscal policy and legal framework is elaborated in section three.

1.1. The Necessity and Importance of Firm Internationalization in Transition Economies

Export growth directly influences and contributes to country's economic development (Balassa, 1978: 181; Emery, 1967:470; Coviello and Munro, 1995:49). Productivity and growth of the firm increases economic growth (OECD, 2014:17). SME's contribute to various ways, especially through employment and increasing research and development.

The difference is more obvious between service and manufacturing firms, where, the former contributes more to GDP in recent times by approximately 65%. However, the difference also emerges between the firm size, i.e. where larger firms in manufacturing sector are more productive compared to smaller firms (OECD, 2017:15). The presence of home firms in international market has various positive outcomes by building opportunities, innovation, enabling spill-over effects of both technology and managerial know-how, increase skills, and productivity (OECD, 2018: 7-10).

Emery (1967:471) argued that export growth impact on economic development is related to, and is dependent on, four interrelated factors. First, the higher the level of country's export intensity, the lower the imported products, meaning that the home capital does not necessarily flow to host countries, but in contrary remains at home. Home market firms maximize the profit from the advantage of factors such as: international division of labor, importing some goods from host countries at certain volume in relation to inputs of productive factors. This has its importance and directly impacts the efficiency of the industry. Second, export growth encourages the concentration of investment into industries that are efficient, have competitive advantage, specialization of products, which increases the firm productivity. Third, the economy of scale can be realized when the firms simultaneously focus on home and international markets. The firms focused only on home market, have large scale operations difficult to reach. Forth, to avoid strong competition in international markets, the firms have to employ effective measures to operate with low costs and simultaneously increase the quality of products.

Among other factors, internationalization of firms in transition economies is important to increase capacity utilization, materializing economies of scale, face competition as a pressure for technological change and improvement, and increase employment rate in home market (Balassa, 1978:181). These factors are related to the benefits that internationalization through exporting brings to the national economy in general. The forthcoming section discusses the motive of firm internationalization by taking into consideration the institutional environment, and the level of economic development at national level.

There are many factors that make the firms to engage in international business activities. Several studies have examined the factors that are found to be influencing the firm internationalization, but there is little agreement what motivates the firms to get internationalized. The perception is that the firms make the way through to the international markets by the level of commitment, resources, capabilities at disposal, then the learning process that impacts the firm's motives at an early stage of internationalization (Tan et al., 2007:294). At preliminary stage, the decision to enter the international markets is influenced by the factors such as the firm size, competition in the home market, and industry characteristics. Among these factors, the dynamism in an industry plays a pushing role and the commitment of managers to become exporters (Anderson et al., 2004:30). Curevo-Cazurra and Narula (2015:26) analyzed the motive of internationalization from the decision-making perspective-managers. They divided the motives into two dimensions: economic and psychology driven causes. Accordingly, the combination of these two dimensions leads to four reasons behind the firm internationalization: 1) sell more - which includes the exploration of existing resources and attain better conditions in host country; 2) buy better - exploit the existing resources and escape home market poor conditions; 3) upgrade - explore new resources and attaining better conditions in the host country; 4) escape –exploring new resources and simultaneously escaping the poor environment in the home market. However, when considering the characteristics of institutional environment in a transition economy, the motive of firm internationalization is more complex and is not determined solely by international but by mixed factors.

The rapid change in the political and institutional environment, may influence the firm's decision to internationalize. Mihailova et al (2015:277-278) suggested that the higher the perception about home country institutional environment, the higher the degree of firm internationalization. These factors have a distinct impact on the firm; the size of the market affects the firm degree and scope of internationalization; when the demand is low, the firm relies more on the international market and *vice versa*. In these circumstances, the demand and industry are two critical factors that determine the firms' motive to internationalize. The higher the perception of firms on regulatory institutions is associated by the higher degree of the firm whether to go for internationalization or not.

Firm's growth in unfavorable institutional environment is negatively influenced, and hence to seek growth and more opportunities, it attempts to enter international markets in search of better opportunities to increase its profitability (Musteen et al., 2014:764:767). The institutions play a 'push factor' for the firms to enter into international markets (Stoian et al., 2016:105). The source of these 'push factors' is the level of institutional quality (Krammer et al., 2018:227-230; LiPuma et al., 2015:836). Krammer et al. (2018: 218-230) examined the impact of political instability, unfair competition derived from informal economy, the level of corruption and managerial experience on firm exporting performance in Brasil, Russia, and China. Their findings indicate that the higher the perception of firms regarding political instability and informal competition, the higher the motives to engage in exporting activities. However, other studies indicate that internationalization is determined by certain firm factors (Sekliuckiene, 2017:219) due to the scarcity of demand in the home market (Stoian et al., 2016:105). Therefore, a single factor cannot explain the motive of firm internationalization, but broader factors that shape the firm's motive to pursue international business activities (Ibrahim, 2004:129).

Many motives can drive the firm internationalization process, which can be either firm related, or driven by institutional environment where the firm operates. The uncertainty is related to institutional voids in the home market that negatively impacts the firm growth and development. The successful implementation of reforms is positively reflected on the firm's performance, including profitability. A failure by institutions to implement the needed reforms is negatively reflected on the firms.

1.2. Institutional Environment and Challenges for Firms' Internationalization in Transition Economies

Institutions play a key role in organizing different segments of society. By one definition, institutions are "the rules of the game in a society or, more formally, are humanly devised constraints that shape human interaction" (North, 1990:3). These institutions can be divided into formal and informal. By formal institutions it is meant the actions and behavior derived by the government (Hitt, 2016:208; Furubotn and Richner, 2005:37). They are in charge of setting the rules of the game, define and include a codified legal framework for political structures, and enact the laws such as the constitution (Sobel and Coyne, 2011:112). The institutions are also responsible to implement the rules of the game that enable economic, social and political interactions, to provide regulations that create or even change the incentives by impacting the costs and benefits of a particular type of activity (Sobel and Coyne, 2011:112).

In this respect, the institutions define and limit the choices of individuals and organizations, namely creating the institutional environment in which the entities should operate (Peng, 2000: 42). Institutional environment is defined as "the set of fundamental political, social, and legal ground rules that establishes the basis for production, exchange, and distribution. The rules governing elections, property rights, and the rights of contracts are examples of the type of ground rules that make up the economic environment" (Davis et al, 1971:6). In transition economies, especially in the early stages, the institutions failed to encourage a better business environment which would make the firms more responsive to the newly created circumstances in improving their business performance.

At the onset of transition to a market economy in Central and Eastern Europe, the institutional environment began to deteriorate sharply due to the sudden collapse of communism. This is due to rapid institutional transformation from central planning to market economy supporting institutions. The source of uncertainty arose from the difficulty in implementing the reforms and enforcing the rule of law during the institutional transition. The rapid transformation and the institutional transition are defined as "fundamental and comprehensive changes introduced to the formal and informal rules of the game that affect organizations and players" (Peng, 2003:275). In these new institutional settings, firms faced a highly unpredicted and changing institutional environment (Murrell, 2008:699). The extent how these institutions in these new institutional settings evolve are much faster and less predictable compared to developed economies (Ahlstron and Bruton, 2010:531).

The frequent changes of institutional environments in transition economies create uncertainties, where the firms attempt to go along with and adopt to the changes occurred (Ahlstron and Bruton, 2010:531). These institutional environments affect the allocation of entrepreneur's attempt, impacts their effort to direct their activities toward high-growth activities (Bowen and De Clercq, 2008: 747). The firms in these circumstances face challenges in boosting productivity and the economy of scale (Boettke and Coyne, 2009:23-26). Hence, without a stable legal framework that encourages a change in the course from unproductive to more productive ones, by building a stable institutional environment that lowers the costs and increases the benefits, it is challenging to compete and internationalize (Boettke and Coyne, 2009: 23-26).

When institutions failed to lower the uncertainty between them and organizations, then this negatively reflected on the firm’s behavior North (1990:3). The rapid shift toward market economy and consistent changes on institutional environment influences firm’s behavior. Alhstrom and Bruton (2010:548) maintained that entrepreneurs change their behavior and attempt to co-evolve with institutional environment to succeed. These institutional environments due to extreme volatility and unpredictability impact firm’s strategic choice and the growth of the firm (Peng and Heath, 1996:504). Thus, operating in this institutional environment and attempting to internationalize is challenging. This is why Gelbuda et al. (2008:2) maintained that institutional environment shapes the firm economic activities and behavior.

The causes leading to the instability of business environments for the firms in transition differs from developed economies due to the unique interaction between entrepreneurship and institutions (Puffer et al., 2010: 441). While in developed economies the interaction between individuals or firms is based on clear rules of the game, in transition economies this is different and determined by other factors. Peng (2000: 256-257) argued that the logic on how the firms compete in transition economies and the importance of institutional framework in home market, determines their strategy and the course of action in the market. Few home or international firms have the needed experience to compete in these markets. Accordingly, the source of organizational heterogeneity of firms lies on their ‘genetic coding,’ which is embedded in a home institutional environment where the firm competes. That is why the firms in these environments differ in their strategy and the performance they experience. A firm’s strategic choices are influenced, among others, by formal and informal barriers in a particular institutional environment (Monteiro and Pianna, 2012:65).

In transition economies, these institutional environments and their interaction (formal vs informal), directly is reflected in the firm's exporting behavior due to the characteristics of the context where the firm competes (Gao et al., 2010:377: Makhmadashoev et al., 2015:2035). Gao et al., (2010:377-396) examined the impact of industry, firm and institutional environment's factors on firm exporting behavior. Institutional factors were found to play more determining impact in comparison to industry and firm factors, and the level of institutional development in home market had a significant on firm's exporting behavior, which is beyond the impact on firm's internal competencies and factors related to industry. According to another study (Makhmadshoev and Crone, 2014:325), the firms in transition economies are already less competitive in international markets for number of reasons; among others, due to high costs that the institutional environment produces.

Considering the institutional environment in transition economies contexts, the following section discusses the impact of institutions on firm internationalization. The following part is divided into three sections. The first section deals the impact of institutions in general, the differences and outcomes of institutional reforms in transition economies. The second section looks into the impact of economic institutions on firm internationalization, in particular the impact of property rights, intellectual property rights and contractual enforcement on firm internationalization.

1.3. Institutions and Firm Internationalization

As discussed above, it is obvious that the firms in transition economies compared to developed economies face more challenges. One of the main sources of these challenges derive from the institutions which may pose a barrier on firm internationalization process in different transition stages (Peng, 2003:278-283). The origin of these barriers arise from the failure of institutional reforms, namely an institutional change in transition economies, where few countries succeeded in building pro-market institutions than others.[2] The structural reforms and the openness of the economy for the firms that

[2] In this section the term institutional reforms refer to institutional change. The debate among the scholars on the outcomes of reforming strategies and the advantages and shortcomings were divided into two main groups: on one hand, 'big bang' or 'shock therapy' (e.g., Lipton et al., 1990:75; Woo, 1994:276), and 'gradual strategy' on the other hand (see e.g., Dewatripont and Roland, 1995:1207; Dewatripont and Roland, 1992:291; McMillan and Naughton, 1992:130; McMillan and Naughton, 2002:153). Moreover, this debate emerged also on the reforms of institutions among transition economies by raising a question

already have got or aim to internationalize, increase the pressure to the government to undertake the necessary reforms. These reforms can be related to the criteria and guidelines to enhance the ability of the firms to compete in the home market against foreign competitors. Since the market is liberalized, it is essential for home firms to face competition from international competitors that made local firms to look for and engage in exporting activities (World Bank, 2002:135).

Transition economies can be divided into two main groups: the first group consists of countries that successfully implemented institutional reforms towards pro-market economy; the second group includes the countries that still lack successful institutional reforms. Transition economies introduced and implemented different plans to liberalize the economy, stabilization and privatization process, which did not have similar outcomes. Some of these transition economies still face a weaker rule of law than in developed counterparts, and less transparency in the judiciary institutions, namely in enforcement mechanisms. These elements are of crucial importance to lower the transaction costs, which in emerging transition are high due to weak institutional settings (Fiege, 1997:23-25). This study examines the firm internationalization in the second group of transition economies, namely the case of Kosovo.

The first group of transition economies as mentioned above are the countries with institutions that encourage private sector development and competitiveness in home and international markets. The studies suggest in Central and Eastern Europe (CEE) and South East Europe (SEE) countries which successfully implemented institutional reforms toward a market economy, got better business environment and joined the EU, and experienced better firm performance compared to countries that are still non- EU members (Aralica et al., 2018:77). An earlier study on institutional reforms maintained that the outcome does not automatically reflect on firms. Chari and Banaileva, (2015:357) argued that pro-market reforms impact the firm profitability. The

---

why some transition economies are different and have more stable institutions compared to others. These transition economies faced different institutional barriers, which barriers were context based (see Thornton, 1997:133; Roland, 2000; Redek and Sušjan, 2005:995; Svjenar, 2002:3). Transition process in Kosovo is also unique considering the factors that lead to the failure of the reforming process during an international lead state-building and independence period. This reforming process has some similar characteristics with other transition economies but also has some unique characteristics which are based on the country-specific features (see Kryeziu and Coskun, 2018:84).

profitability of the firm is negatively affected at the early phase of institutional reforms due to high uncertainty, monitoring vacuum, etc. Also, Cherchye and Verriest, (2016:381) found that the firm profitability is related to the legal and political factors or institutional quality, but also the firm and industry characteristics.

Van Bisebroeck (2005:373-374) viewed trade liberalization as an essential factor for the firms to increase productivity. Exporting firms may achieve high productivity which in turn becomes the source to exploit the economy of scale. The firms that are focused mainly on the home market are likely to have their economy of scale lower due to weak contractual enforcement and limited access to finance. The access to finance allows the firms to invest in new technologies, expand their production line, whereas contractual enforcement can increase the costs which then are reflected on the products that become less competitive. Trade liberalization for an economy is followed by the policies that promote FDI's and encourage exporting activities. When these reforms are not introduced simultaneously by the national government, then the firms' ability to export is smaller.

The successful institutional change and reforms in the home market are likely to be associated with positive outcomes for the firm internationalization. Monteiro and Pianna (2012:52-65) examined the relationship between institutional environment, namely institutional change and capacity building in the manufacturing drug companies. It found that successful institutional change can positively influence capacity building and compete in the international markets by modifying the set of resources that the firm has. Transition economies, despite the rapid shift to the market economy, were not so successful for a while in creating opportunities and incentives for the firms to build their capacities for competition in international markets.

The second group of transition economies include the countries that failed in their attempt for stronger market institutions. The absence of effective-market when embarking on big-bang transformation, did not only lead to consequences on economy in general but also 'to chaos' (Peng, 2000:32). Banalieva et al. (2015:1361) remarked that rapid shift from centrally planned to the market economy increased the uncertainty in business environment. They also maintained that larger scope of pro-market institutional reforms increased the benefits for the firms, but these reforms should be carried out gradually, so the firms would have the chance to alter their capabilities and learn how to compete in new institutional environment.

The differences on entrepreneurship and SME growth is evidenced between two groups of transition economies in CEE that are already members of the EU, and the SEE countries that still are at the lower stage of institutional transition. These two European regions have similar characteristics concerning firm age that have an impact on firm growth, and other factors such as the quality of human capital, and the firms that are oriented to exports, where the CEE region considers the exports as an essential step. The main differences are related to institutional development, where the SEE region lags behind. Regarding business environment, the firms in CEE and SEE faced different barriers. The barriers to growth in SEE are characterized by high taxes, organized crime, whereas in CEE the access to finance and corruption (Hashi and Krasniqi, 2011:474).

McMillan and Woodruff (2002:154) remarked that in other institutional contexts, the governments make the firms harder to operate and negatively affecting the profit. Corruptive behavior and rent-seeking behavior by such governments or their officials are among the main reasons behind the negative impact of the firms' profit. This behavior by weak institutions is a barrier to implementing the reforms more successfully. Uncertainty in implementing the reform packages is reflected to less favorable business environment, thus leading to various institutional deficiencies. Higher degree of uncertainty leads to higher unpredictability in a business environment, which the institutions ought to make the business environment more predictable by making the changes in policies the firms can take into account the decision making process to shape their objectives (Estrin et al., 2013:577-578). Weaker legal framework, regulations regarding property rights, commercial laws, lack of transparency of judiciary system, unfair competition, and high political uncertainty, leads to underperformance in home market (Luo and Tung, 2007:492). Therefore, the absence of effective market-supporting institutions when embarking on big-bang transformation, did not only lead to the consequences mentioned above, but also 'to chaos' (Peng, 2000:32).

The institutional barriers make the business environment less favorable and constrain the firms to become more competitive, for a number of reasons. First, the business environment is characterized by the lack of skilled labor force and the firms use less advanced technology (Keefer and Knack, 1997:591). Second, weak capital market and underdeveloped physical infrastructure, difficulties in access to international capital and managerial skills, are other sources that hamper firm growth (Khana and Palepu, 1999:126). Third, education, human capital, and the lack of information, corruption (Xheneti and Barlet, 2012:607), then taxes, unfair competition and the lack of access to finance are the barriers that impact firm growth (Krasniqi, 2007:71). Fourth, higher level of corruption, weaker property rights protection and higher government activity on firm's aspiration to grow, hamper entrepreneur's ambitions to increase productive activities (Estrin et al., 2013:564).

Fifth, limited access to finance hinders the ability of the firms to purchase goods and use advanced technology. However, these barriers are less critical for the firms that have higher volume of profit and are capable of re-investing it compared to smaller firms (McMillan and Woodruff, 2002:154). Sixth, the combination of the level of financial capital development that directly impacts the allocation of the firm's resources causes higher growth activities. Then, the country's human capital encourages the entrepreneurs to focus their attention on the type of entrepreneurial activity they choose. And last but not least, the level of corruption in the home market directly increases the risk on entrepreneur's orientation focused towards achieving higher growth (Bowen and De Clercq, 2008:747). Therefore, in the second group of countries compared to the first, the internationalization attempt due to institutional related factors is more challenging.

The relationship between internationalization and institutions is dependent on different institutional settings that shape the firm's behavior and the barriers that these institutions impose on the firm's efforts to build the needed capacities for internationalization. In absence of formal institutions, informal ones fill the voids by substitution if necessary (Kahru, 2015:290). Besides the factors mentioned above where the firms in transition economies face various institutional barriers, examining institutions in these contexts is important for two reasons: first, the institutions matter for the firm internationalization (see Shinkle and Kriauciunas, 2010:268; Peng and Khoury, 2008:258; Ngo et al., 2016:2917) due to their impact on firms in their internationalization attempt. Second, when examining the firm internationalization, in particular their exporting activities, the first step is to investigate a country's institutions (Ma et al., 2010:158).

Ngo et al., (2016: 2911-2920) consider the enforceability and predictability of economic institutions of crucial great importance when taking into account the firm exporting performance. They argued that no clear study specifies the impact of different institutional attributes in the home country on exporting performance in transition and emerging economies. Specificity, predictability, and enforceability of institutional attributes, positively influence the firm's exporting performance. These attributes and exporting performance depend on factors such as the firm size, experience, foreign market concentration, and exporting method. The differences in exporting performance were found in each attribute when examining the exporters' location, whereas the principal foreign market and the characteristic of the product had a positive impact on exporting performance.

Ma et al., (2010:158) maintained that the quality of the legal system has a direct impact on the firms to increase exports that use customized goods and intermediate inputs. Exporting firms have higher performance characteristics. In contrary to this study, according to Li et al. (2013:361), high quality of the legal system is related to the firms' high exporting performance in cases when trade partners face external and internal uncertainties. Firms that do not have access to local informal institutions to lower transaction costs and opportunism, benefit more from improved and developed legal institutions. Membership in business associations and large institutions are apt to expand internationally. Perception by SME's on institutional barriers regarding regulations and home economic development, inadequate information about international market, impact the firm international expansion. Having government as costumer to play the role of a facilitator, the firm can expand internationally (Cardoza et al, 2016:2030). The impact of social networks on firm internationalization is discussed in the next chapter.

Krasniqi and Desai (2017: 1075-1094) examined the impact of institutions on firm exporting performance in 26 transition economies where, formal institutions do not impact the firms' exporting performance, suggesting that structural reforms that lead to stable formal institutions do not play a role in this respect. Informal institutions on the contrary, have a positive impact on firm exporting performance. This impact was captured by assessing the functioning of judiciary and court system, the uncertainties regarding regulatory policies, level of corruption, and anticompetitive practices of competitors. The more negative perceptions by the firms on informal institutions, the more firms aim to export and greater opportunities are available for them in foreign markets. This study contradicts the findings of Cuervo-Cazurra and Dau (2009:479) that structural reforms play an essential role to lower transaction costs in the home market. Structural reforms such as liberalization of the economy and improvements of governance structure, are the source of new opportunities and lower firms' transaction costs, resulting in more improved position in international markets, resulting on export propensity and intensity. The impact of structural reforms differs on characteristics of the industry, where the positive impact is as follows: subsidiaries of foreign firms benefit from these reforms, followed by home private firms, then state-owned firms, due to their differences regarding competitiveness and agency costs.

Earlier studies have attempted to examine why some firms benefit more from institutional quality and others not. Shinkle and Kriauciunas (2010:267) examined the firm growth in four different institutional contexts in transition economies by the firm size and age. The finding that export growth in a less and more stable institutional environment was explained by firm age and size. In countries with a low level of institutional development and limited free market institutional environment, the firms' size have a U-shaped relationship with export growth. Medium-sized firms are less favored by institutions compared to larger firms. This is due to the latter that offer more employment opportunities, and are treated more closely by the institutions, a favor which the small firms do not have at their disposal or enjoy. In countries with a low level of institutional development, older firms due to exporting experience have higher export growth compared to young firms. However, another study found that small firms maximize more from institutional quality. LiPuma et al. (2013:833-835) got the finding that the court system and transparent financial markets impact more positively exporting performance of small firms than of larger ones. The high quality of access to finance is essential for small firms' exporting performance compared to old ones. Some institutional variables are more influential on firm exporting performance compared to others.

Although the above mentioned studies suggest that institutional quality positively impacts the firm exporting performance, they were deficient in examining how weak institutions impact the firm internationalization. It is clear that higher institutional quality is associated with higher exporting performance. However, it is not clear which institutional indicators have more profound and which ones less impact on firm internationalization. In addition, as noted above, the firm strategic choice and behavior including the export, is influenced by institutional environment. To date, there has been little agreement on how institutions impact the firm internationalization. Most of the studies referred to, measured institutions based on the 'perception' not on 'actual barriers', hence, case studies can help to extend the knowledge regarding these barriers (Doern, 2009:284). Likewise, these institutions examine cross-country studies without taking for granted the importance where the firm operates. This is important when considering that transition economies, despite following a similar path from central planning to a market economy, experienced different outcomes. According to Ahlstrom and Bruton (2010:549), understanding institutional settings and how the firms behave in transition economies longitudinal studies, is important, because, 'a single snapshot at once' would not help the researchers to understand the institutional change.

This study aims to make a solid contribution in these ongoing debates how institutions impact the firm internationalization by using a multiple case study strategy. The scope of this chapter is limited to the discussion on the impact of economic institutions on firm internationalization, in particular the impact of property rights, intellectual property rights, contractual enforcement, fiscal policy and legal framework There are various reasons why these institutions matter and impact the firm internationalization. First, the scholars acknowledge the importance of property rights protection and contractual enforcement in country level (North, 1990; Aron, 2000:99; Keefer and Knack, 1997:590; Williamson, 2009:371). The process how the information is transmitted, how property rights are protected including the contractual enforcement and managing competition in the home market, are characteristics of pro-market institutions (World Bank, 2002: 3-4). Economic institutions are defined as "collective choices, and they are chosen and sustained by the state" (Acemoglu et al., 2005:451). They comprise two elements of property rights and contractual enforcement (Beck and Levan, 2006:161). Property rights are defined as "the rights individuals appropriate over their own labor and the goods as services they possess" (North, 1990:33). Contractual enforcement is "meant by which people seek, identify, and negotiate opportunities for exchange" (Pejovich, 1990:30). According to the World Bank (2002:45) intellectual property rights are challenging in poor countries and lacks adequate protection due to various factors such as administrative, human, and financial capacity constraints. Regulatory institutions comprise the legal framework on easing conditions for doing business in the home market, including the regulations on entry and exit, a taxing system that is important for the firms to carry on with further investments for growth. The regulatory environment also covers the procedures regarding the firm internationalization (OECD, 2008:72). Regulating the market, in particular creating a friendly regulatory environment, leads to higher productivity level, encourages new firm entries, becomes the source of increasing competitive pressure and innovative technologies (OECD 2014:15). The forthcoming section discusses the impact of economic institutions on firm internationalization, with a specific reference to economic institution's property rights, and intellectual property rights, fiscal policy and legal framework on firm internationalization. The ability of institutions to create clear rules of the game that encourage the firms to diffuse knowledge, innovate, and lower the transaction and transformation costs by

1.3.1. Property rights

Given that a fundamental issue related to the firm internationalization is productivity, the firms that experience higher productivity are more competitive in international markets. In this context, a firm that is capable of increasing exports is encouraged to also increase the productivity. Thus, with other relevant factors at disposal (e.g., education, regulations, and finance) the firm increases its capabilities to compete in the international markets (Potter, 2017:132). The protection of property rights and contractual enforcement are critical for the firms to become more competitive in international markets as it increases and encourages productivity and market efficiency (North, 2006:1-2).

The essence of effective institutions is 'incentive-compatible' suggesting that the institutions with their internal enforcement mechanisms are characterized by the standard system of rewards that ensure incentives, and are designed to lead to desired behavior (World Bank, 2002:6). The protection of property rights matter to define who owns the property and how the property is being transferred. The transfer of property can be carried out through formal or informal agreements between two parties that regulate the settings of the contact, the conditions of payments, and other terms and conditions between two parties (Burki and Perry, 1998:67).

The security of property rights is essential that also embraces numerous mechanisms as follows; a) presents the impetus to preserve the value of an asset, b) is a necessary stimulus to increase the number of particular assets through investment; c) is an important source to use it as collateral for a loan, which increases the ability to invest by the property holder, d) to increase the magnitude of the market and the value of exchange that attracts and allows other investors to compete and own the asset (Alston, 2008:105).

North (1990:5) argued that property rights and contractual enforcement determine transaction and transformation costs. For example, transaction costs are determined by how property rights are protected, whereas production costs are determined by the effectiveness of contractual enforcement (Aron, 2000:104). Production costs derive from the transformation of inputs into outputs, whereas transaction costs are related to the question, protection and the transfer of property rights (Feige, 1997:23). Transaction costs contain the costs of obtaining and verifying information about the quantity and quality of goods, services, and the information about partners of a transaction such as their reputation and records, and the quality of property rights that will be transferred, including the legal and contractual framework. Moreover, these costs include the costs to design, monitor, and enforce contracts in cases when the business partner does not respect the contract. The risk is apparent when transactions occur; therefore, the need for insurance is critical in case of failure, which also becomes part of transaction costs (Burki and Perry, 1998:141).

An effective judiciary system to protect the firm’s property and corruption allows the politicians and public administrators to make arbitrary decisions which directly impacts and increases the transaction costs. The firms that experience successful growth and performance are prone to the ‘grabbing’ hand of different groups, which aim to use their ties. The negative consequence is the impact on firm growth in these countries (Estrin et al., 2013:577-578). Hence, when property rights are protected from any possible arbitrary confiscation, then the firms are encouraged to increase their capacities in expanding their activities (Bowen and De Clercq, 2008:752).

Weak protection of property rights hamper the firms' growth and discourages them to engage in productive entrepreneurial activities. In cases when the technological development in a given industry is not developed, then the firm growth is hampered when non-economic factors determine the firm's survival (Keefer and Knack, 1997:591). When the policy environment is not trustworthiness, the firms make less efficient improvements on changing the technology and lobbying for the government policies. In countries where protection of property rights is trustworthiness, the firms are encouraged to adopt the techniques with the aim to maximize long-run profits. When they lack to make efficiency improvements and continue to use less advanced technology in cases when the policies are not trustworthiness, an optimal adjustment leaves them into a more vulnerable position of expropriation. The outcome of this is a static loss, including dynamic effects. If they continue to use current production choices, then productivity increases if learning by doing is being integrated and becomes an essential part of the production line. However, the absence of a credible policy environment has direct consequences on firm growth (Keefer and Knack, 1997:591).

Moreover, firm growth aspirations and internationalization attempts are discouraged and negatively influenced in other ways. Weak protection of property rights presents a barrier in several ways. Firstly, the firms are discouraged from reinvesting their profits; they would go for the loans and to expand their activities instead. Wiggins and Davis (2006:3) argued that when property rights are protected, then firms are encouraged to invest. The protection of property rights encourages firms to invest indirectly through developing trade credit (Yano et al., 2013: 168). This is also supported by an early study of Johnson et al. (2002:1335) who argued that the firms would not invest if they cannot preserve the outcomes of their investments, or if they perceive that they cannot maximize the fruits of their investments. In transition economies where the protection of property rights becomes more stable, the firms are encouraged to reinvest their profits. If the property rights protection is weak, the rate of profit on reinvestment in these countries is low. Their findings also show that the lower rate of profit on reinvestment is related to the lack of effective courts to resolve the disputes. Hence, the decision by the firms to reinvest their profits is directly related to the perception that the property rights are protected. The level of property rights protection also indirectly impacts the firms' demand for the loans. The firms that are not encouraged to invest are less likely to, or do not, apply for the loans from the banks.

Estrin et al., (2013:568) argued that the firms' capital investments and projects that aim to development, are directly heavily relied on the contractual arrangements that supply the inputs and the distribution of products. When the property rights are not sufficiently protected and possible financial source lack, then future investments can be in jeopardy. Getting access to financial resources and current commitment including future ones in cases when the asymmetry of information is high between lenders and borrowers, increases the opportunistic behavior. Also, the asymmetry of information between suppliers and retailers, when the firm is at an early phase of investment, can increase the opportunities to cheat. This is also related to the lack of experience by the firms to protect their investments and analyze more deeply the situation and the lack of transparent judiciary system on one hand, and the lack of knowledge to deal with these situations on the other hand.

Transition economies that fail to build functional legal and judiciary system, effective contractual enforcement and the security of property rights, pose a negative impact on firm innovation. Chadee and Roxas (2013:19) in a study about formal institutions in Russia, explain that this directly hampers innovation capacity and performance, thus the firms have less competitive advantage. Well defined bureaucratic procedures on the above mentioned institutional mechanisms, reduce the firm's transaction costs related to regulatory environment and encouraging the firms to focus on their core activities and innovation.

Verwaal and Donkers, (2002:608-612) found that small firms experience higher exporting intensity compared to larger ones. This is due to the flexible governance structure of small firms that created a competitive advantage. But transaction and transformation costs are not the source of firm size and the efficiency of governance structure; they are related to formal institutions and the effectiveness to protect property rights and enforce the contracts. Larger firms have an advantage due to their capability, age, performance, and are not prone to of a 'grabbing' hand by different groups, compared to small firms that face unfair competition, weak institutions, and competition in the home market. When these institutions produce more costs, then this becomes a burden or the firm's ability to cope with uncertainties and get internationalized by developing different strategies to gain a competitive advantage in international markets.

When the rule of law and judiciary system is not efficient, then the firms are prone of various negative influences derived from criminal groups. An effective judiciary system is important to protect the assets from illegal seizure and determine the firm's survival in the home market. The fragility of private property rights is related to the institutional voids at a country level, where weak laws to protect the property and the lack of trustworthy bodies to ensure it, including the judiciary system, are inefficient. Entrepreneurs in this weak institutional environment are prone of 'corporate raids' that use their power to gain information about businesses and illegally seizing their property, or even falsifying the document of property, hence increasing the danger that the property of the firm and its assets would be confiscated (Puffer et al., 2010:459). Another study (Lin et al., 2010:60) suggests that when property rights are protected and the grabbing hand is absent, then this positively impacts the firm's decision to investment process and product innovation. The impact of protection in this case is related to the extent that the intellectual property rights are protected.

1.3.2. Intellectual Property Rights

Intellectual property rights (IPR) are an important factor when examining the firm internationalization. The inability of institutions to protect IPR has several consequences for the firms, mainly on their product development. IPR also determine the firm's opportunities and ability to innovate, where the level of protection and enforcement of IPR are critical. These opportunities depend on various factors such as: effective administration, human capital, and the budget to implement IPR, including other institutional mechanisms that enforce and protect IPR. The protection of IPR depends on other additional factors such as: regulatory capacity, competition laws, and enforcement mechanisms (World Bank, 2002: 147).

Government policies matter to strengthening the firm's protection of property rights which encourages innovation (Acs et al., 1997: 17). The societies must encourage and protect innovator's property rights from any 'grabbing hand' (Acs et al., 1997:8) and encourage the firms to compete in international markets with unique products and services. A study by Papageorgiadis and Sharma (2016:72) shows that innovation in a country level increases in the cases when the enforcement of intellectual property rights is evident. Protection of IPRs is related to two phases: i) the government implements weak IPRs to encourage imitation in country level; ii) and the government strengthens IPRs protection and encourages innovation (Chu et al., 2014: 239).

In transition economies, the firm's product design, patented technology, trademarks, and in some cases the brands, are used by the competitors without authorization (Liu and Atuahene-Gima, 2018:7). Weak protection of property rights makes the firms less productive due to their inability to protect productive capital (Sonin, 2003:727-728). Lin et al. (2010:59-60) show that when the managers perceive that the IPRs are well protected they are encouraged to engage into process and product innovation. The lack of IPR protection has direct consequences , such as: the firms are exposed to imitation by the competitors (Zhao, 2006: 1186) that also harm small firms in being innovative and diffusing knowledge (Acs et al., 1997:11).

The unfair competition that includes weak protection of IPRs is the barrier to innovation and profit. These firms prepare the strategies to achieve competitive advantage, which include cost leadership, differentiation, and market-based assets related to how to approach the competition and costumes. The firms that succeeded in overcoming weak competition, achieved higher returns on innovation (Liu and Atuahene-Gima, 2018:10-11). Li and Atauahene-Gima (2001: 1129-1131) viewed the lack of institutional support and uncertain institutional environment as an increase in the effectiveness by the companies to focus on product innovation strategies. In weak institutional environment, the firms become more successful with product innovation strategies. Another research (Smallbone and Welter, 2003:12-13) indicated that the firms in Ukraine, Belarus, Russia and Moldova had their diversification behavior mainly related to the reactive strategy which ensures the firms survival in these countries, with manufacturing sector having the highest product development rates as a form of innovation. These firms consistently modified products and services as the source of survival and growth in a highly uncertain institutional environment.

From the discussion above, it can be argued that economic institutions negatively influence the firm internationalization in the face of weak enforcement mechanisms to protect property rights and IPRs, which negatively affect the transaction and transformation costs. The negative impact is related to the firm product development due to the imitation in the home market. As a result, growth and development leading to stronger barriers to internationalize is associated with the inefficiency of these institutions.

1.3.3. Contractual enforcement

Contractual enforcement facilitates efficient exchange and investments for the firms in their daily economic activities (Gow and Swinner, 2001:687). In many cases, institutions are weak to enforce the contracts, which in transition economies is a common problem. The reason is the ongoing process of reforms implemented by the government (Gow and Swinnen, 2001: 687) or the failure to do so. Some transition economies still face weak protection of property rights due to the lack of enforcement mechanisms, in this case, the inefficiency of the courts to enforce the contracts (McMillan and Woodruff, 2002: 154). During the early years of transition, the firms and the courts were not experienced to deal with contractual disputes. The managers lacked the experience to deal with contractual disputes and attempted to find new ways. The common ways to deal with these cases was to build trust and experience with their partners over the years. On the other hand, the courts were unfamiliar and inexperienced with contractual disputes how to deal with these cases in a market economy (Koford and Miller, 2006: 1-2). The courts in transition economies have their role in two main ways: i) dealing with more simple transactions by the firms that help to ensure that their clients pay the bills; and ii) in complex transactions that ease relational contracts to eliminate uncertainty (Johnson et al., 2002b: 260).

These contexts provide evidence on the importance of efficient courts on one hand, and relationships in enforcing the contracts on the other hand. A cross-country study in transition economies by Johnson et al. (2002b:221-222) shows that effective courts to enforce the contracts is the only method that the firms employ to avoid contractual disputes. The higher the level of trust that the firms have in the courts, encourages the firms to search for new business partners. When the courts are inefficient, then the firms carry on with relational contracts to enable transactions as a more efficient way to get access to information at the pre and early phase of these relations. Relational contracting between the firms based on trust are more efficient in supporting trade credit in the case when the costs are high to search for new suppliers (Johnson et al., 2002b:260).

The consequences of weak contractual enforcement reflect directly on the firms. In countries where the contracts are more efficiently enforced, the firms behave differently compared to the countries where the courts still are not efficient. The firms' trust in the courts is associated with are more active access to trade credit. The impact of courts and the ability to enforce contracts is strong in particular types of relationships with new costumers and where 'lock-in is low' . If the courts are effective, transaction costs are low, then it encourages the firms to seek, as mentioned above, for new trading partners (Johnson et al., 2002b:222). Koford and Miller (2006:21) show that in transition economies long term relations are characterized, but not based on long term contracts. Although the firms attempted to get long term contracts which were desirable, due to weak enforcement, short term contracts were the leading practice. Three factors that lead the firms to long term contracts were: weak laws, uncertainty in the business environment, and uncertainty about partners.

The uncertainty of dealing with long term contracts is common problem that the firms face in transition economies, ariing from high transaction and transformation costs and poor contractual enforcement. Consequently, few or some firms attempt to use personal relations to lower the costs and enforce the contracts. For small firms, these informal relations help to secure trading partners and ensure survival in an unstable business environment (McMillan and Woodruff, 2002:160). The firms that fail to maximize form informal relations to lower the transaction costs, face various consequences. Low level of productivity makes the firms less competitive (McMillan and Woodruff, 2002:154). In transition economies, the firm's profits are at risk and discouraging for investment (Johnson et al., 2002:1339).

Countries that offer better contractual enforcement are more capable of exporting, have more advanced products and import simple products (Berkowitz et al., 2006:364). Nunn (2007:570) shows that the countries with better contractual enforcement export more in industries where the relationship-investment specific are of crucial importance. In transition economies it is different. It depends on the quality of institutions which impacts the firms' export in settling the contracts by lowering the transaction costs (Wang et al., 2014:32). Contractual enforcement reduces the transaction costs that the firms face, which increases the willingness to pay the importers. The trusted and reliable legal system lowers the exporter's home production and other transaction costs in crossing the border (Li et al., 2012:383). The uncertainty of incomplete contracts directly increases the frequency of disputes, opportunism and transaction costs of trading (Li et al., 2013:368). Weak contractual enforcement impacts the dynamism of exporting firms in two ways: first, the firm costs change over time which depends on the firm experience to deal with these circumstances; and second, the type of industry and market they serve (Araujo et al., 2016: 19-20). Other impacts that weak contractual enforcement has on firm's exporting and plays a barrier to trade, are: asymmetry of information between exporters and importers, the geographical distance where the importers lack the ability to fully inspect products before payments, and the lack of information derived from the liability of foreignness in having access to local networks (Li et al., 2013: 383).

According to Wang et al. (2014:32), the firms in the regions that have efficient contractual enforcement mechanisms, have a comparative advantage in exports from the efficient court's settlements and from the possible contractual disputes. The lack of comparative advantage is evident in small firms compared to larger firms. LiPuma et al. (2013:834) show that enforceability of contracts in the home market increases the trust among the small firms to enter into contractual relations. However, these firms due to limited resources to devote their managerial team to cope with weak contractual enforcement are subject to corruption and other negative factors. Larger firms have more resources and are capable of dealing with weak contractual enforcement.

The impact of contractual enforcement is related to the characteristics of the products. In the view of Berkowitz (2006:369-370) institutional impacts depend on the product that the firms export that are related to the quality of home and host country institutions. The effect of home institutions always is significant for exporting complex products in comparison to importer institutions.[3] Efficient legal institutions in the home market can increase competitive advantage for complex goods and lowers the comparative advantage of simple products. Li et al (2013:382) argue that contractual enforcement is essential for complex products, especially in the case of high technology products. An effective legal system plays a role in cases when the firms face 'high volatility' or when they export high technology products. This important as it lowers the asymmetry of information between exporter and importer, decreases the likelihood of opportunism and incidents regarding possible conflicts between two parties.

The enforceability of contracts directly impacts the firm exporting intensity and performance. Araujo et al., (2016:2) maintain that in countries with better contractual institutions, the firms sell higher volumes for a long period of time. This also depends on their previous exporting experience. High volumes of exporting decreases simultaneously with the quality of the country's institutions. Soeng and Cuyvers (2018:389) found all institutional variables to be significantly related to the country's exports, except for the rule of law that had the most significant adverse impact. An improvement in the rule of law was a boosting factor for exporting performance by strengthening the protection of property rights and contractual enforcement.

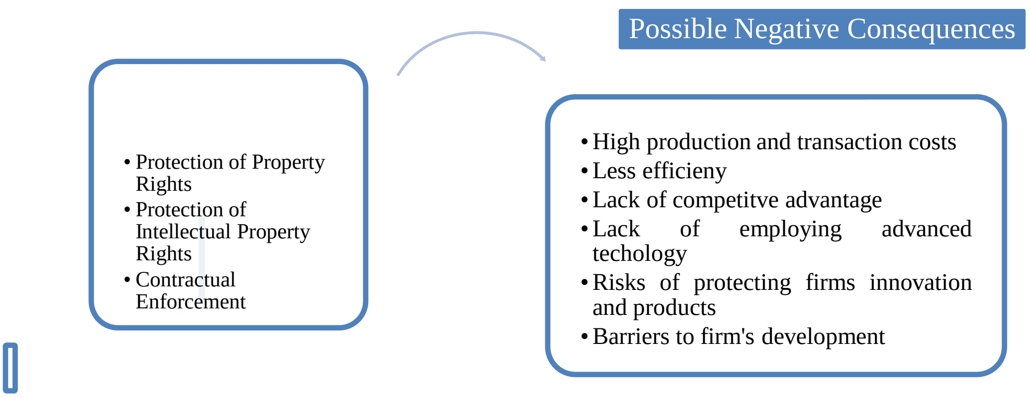

Figure 1: Summarizing the Impacts of Failed Macro Institutional Components on Firm Internationalization

[3] Although, it is argued that also host country institutional impacts are important for firm's to continue their presence in a particular market, this study examined only the impact of home market institutions on firm internationalization.

To sum up this section, contractual enforcement for the firms can be vital for their performance. The ability of the courts to enforce contractual disputes increases the firm's competitive advantage through lowering the transaction and transformation costs. However, in transition economies the firms still face weak contractual enforcement. The firms that engage in exporting activities are negatively influenced by these institutions due to uncertainty, opportunistic behavior, asymmetry of information, and inexperience they face during their attempt to export. In addition, in cases when contractual enforcement is weak, the firms rely on social networks to enforce and resolve contractual disputes between two parties. The impact of social networks as substituting role is discussed in the next chapter.

Institutional environment in transition economies as discussed above is characterized by uncertainty. The effectiveness of regulatory components can lead to lower uncertainty derived from various factors. The reforms on regulative components are the key for competitiveness. They impact the markets and firm activities, and a successful reform in these institutions attracts many home and international investors in home market (Zhang and Thomas, 2009:330). Mihailova and Panibatrov, (2012:175) argue that institutions in emerging transition economies negatively influence the competition rules, the standards of technology, the resources regarding innovation, and the priority of the firm to grow. Moreover, the sources of high costs for the firms that impact competitive advantage in home and international markets, can in part be the regulatory components. If regulatory components are more clearly defined, the firms are more likely to record higher productivity level. In addition, a regulatory component in institutional environment encourages the new firm entries that become a source of innovation and competitive pressure (OECD, 2014:14).

1.3.4. Fiscal policy

Home country regulations can turn to have negative consequences by becoming a barrier to export and discriminate home firms against imported products accidentally (Fliess and Busquets 2006:5). The discrimination of home manufacturing firms in transition economies occurred when trade liberalization took place without securing a regulatory environment to encourage the firms compete at home and abroad, thus increasing competitive pressure through imported products. Filatotchev et al. (2001:

853-867) examined the effect of economic reforms such as trade liberalization and national policies in Russia, Ukraine, and Belarus. Their study examined manufacturing firms, which was the most disadvantaged sector. They found that the policies of trade liberalization aimed to promote successful privatization process and product market competition, but did not result in having a desired impact and depended on the context where they were implemented. Among other factors was the over-valuation of currencies aimed to promote and orient the firms toward exporting activities. These policies resulted in adverse impact, where over-valuation of home currency stimulated low-price imports and increased competitive pressure in the home market. As a result, export-oriented manufacturing firms were few - the negative consequences of the policies which instead of promoting exports, discouraged the firms to engage in exporting activities.

Macro institutions regulatory components in transition economies have been a consistent threat and influenced firms negatively (Hashi and Mladek, 2001:90). The importance of tax rates and contributions in a country level attracted the attention of various governments in transition economies to lower the rates when it was necessary. Lower tax rates are more favorable for the firms in transition economies to experience successful reforms. The impact of fiscal policy, however, is not paid the expected attention by scholars when examining firm internationalization (Shirokova and Tsukanova, 2013:193). The well-functioning of these institutions is negatively influenced by the opportunistic behavior of governments which changes the laws and regulations (Czinkota et al., 2015:264). Opportunistic behavior by the governments in transition economies leads to an unfavorable taxing system, which in turn influences the firm internationalization negatively. The taxing system is relevant to examine firm internationalization due to the importance of regulations that shape the firm activity where it competes (Shirokova and Tsukanova, 2013:195). Together with corruption, tax policies shape entrepreneurship due to unspecified rules or contradictory policies, including the misuse of power by the government officials (Belitski et al., 2016:203-204). Taxing system compared to developed economies in this respect is oppressive and is the primary source of problems for firms (Ahlstrom and Bruton, 2010:542).

Regardless the stages of institutional transition, the firms face entry challenges due to regulatory and fiscal barriers (Hashi and Mladek, 2001: 87-88). However, these barriers are different across countries, such as entry barriers and favoring national firms, especially during their internationalization process. The motivation of national firms in the situations when they are discriminated and not supported, is to try internationalization or look elsewhere. For example, in China, the reasons why firms internationalize are because nationally they are not favored. The regulative discrimination is evident in transition economies, government favors large companies to get access to resources, and firms are not allowed to get access to resources such as financial sources (e.g. in China's case). The regulative pillar has a push-pull effect, for example, the firms continue to operate in an unfriendly regulative environment in emergent economy (push effect), or may decide to operate in a more developed regulative environment (pull effect) (Yamakawa et al., 2008:71-72).

The ability of the government to build an effective institutional framework through the laws and regulations is of crucial importance to encourage entrepreneurship development and productivity (Makhmadashoev et al., 2015:1035). The quality of these regulations determines the firms' costs. Entry regulations may increase the costs of a firm to entry in the industry and lower its ability to compete, by negatively impacting the productivity of the firm (Rodrik, 2008). The consequences of complex regulations may discourage firms from engaging in high growth activities (Bowen and De Clercq, 2008:752). Particular higher taxes and the barriers at home have their implications on firm competitive advantage against imported products that directly reflect on firm's products costs and prices (Makhmadshoev et al., 2015:1030). When the regulations are complex, the firms attempt to operate into informal economy to continue their survival (Smallbone and Welter, 2001:259). Hashi and Mladek (2001:81) attribute the tax rates as the major problem for the firms along with consistent changes in the regulation which encourage the firms to tax evasion or operate in the shadow economy. This harms the future growth of the firms but in the short term, operating in the informal economy may be a rational decision. In the long run, however, this hampers growth. Other forms to ensure the firm survival include the closure of current business and reopen another one, by which the entrepreneurs stayed alerted and prepared to carry on (Ahlstrom and Bruton, 2010:544).

Taxes in transition economies and their procedures are not designed according to the firm size. These require from either small or large firms to fill in and report to the taxing agency by carrying out the same procedure in details as large firms undergo through. These requirements by a taxing agency are challenging for technology startups, and the consistent changing in accounting procedures influence these firms negatively due to the costs of accounting services (Ahlstrom and Bruton, 2010:541). Furthermore, the costs that derive from a weak legal framework of regulations impact the SME growth. Unfair competition derived from informal economy and corruption, barriers of access to finances due to long procedures and conditions by the bank regarding loans, influenced SME growth negatively. In order to survive, the firms adopt new organizational forms. Firms that fail to adopt new organizational structures to lower the costs are less capable of initiating their internationalization (Gelbuda et al., 2008:3).

Reforms on fiscal policy and access to finance directly impact private sector development and firm's costs (Holmes et al., 2013:539-540) . These are even more important for the firms that are already are engaged in international markets experiencing higher costs in production and transactions across borders, which are essential for the firms' exporting performance (Li et al., 2013:376-386). A study by Hashi and Mladek (2001:90) suggested that taxes and contributions are ranked the most important and the most significant barriers that the firms face in transition economies. A vague tax system and a high rate of taxes lead to a lower degree of internationalization. The more favorable taxing system, the more the degree of firm internationalization process is likely to be. Even the perception by the firms concerning the tax system directly impacts their internationalization degree.

More negative perception about the tax rates as an obstacle, has a negative relationship on the degree of internationalization, including high tax payments and burdensome taxation. The firms that have negative perceptions of whether the tax administration to be considered as barrier, have a higher degree of internationalization (Shirokova and Tsukanova, 2013:195). Barriers such as business licensing and permit practices also do impact the degree of international expansion negatively.

Makhmadshoev et al. (2015:1025-1038) compared the impact of the taxing system into less and more developed institutional contexts in transition economies. The findings indicated that in a more developed institutional environment or in a more favorable tax system, the firms are positively influenced by particular tax incentives that decrease various inefficient transactions and encourage the firms to engage in exporting activities. Besides fiscal policy that can negatively impact firm internationalization, weaker legal framework in general presents a barrier for the firms.

1.3.5. Legal Framework

Compared to the countries with more favorable legal framework dealing with clear documentation or product specification requirement which is less challenging, more complex and consistent changing regulatory environment can be a more complex barrier (Brooks and Frances, 2012:102-103). This unfavorable legal framework is related to long exporting procedures, a long list of the documents required to fill in by the firms, compared to exporting barriers faced by regular and sporadic exporters (Kaleka and Katsikeas, 1995:506-507). Regular exporters complained against the barriers regarding transportation, the risk of selling abroad, and the lack of competitive prices, whereas occasional export barriers were the ability to make contact with foreign customers, long bureaucratic exporting procedures, including the costs of capital and transportation.

Similarly, a study by Katsikeas and Morgan, (1994:29-32) showed that the differences have been between the firms that had exporting experience comparing to those that lacked it. Experienced firms perceived competitive prices and financing of exports as a more significant barrier. The firms that observed institutional related barriers, namely complex exporting procedures, have been less exporting. A weak legal framework on exporting procedures and long bureaucratic procedures mostly impact the firms with less experience negatively. Neupert et al., (2006:535) identify the problems that the firms face in transition economies with the lack of training for customers, understanding logistics in the host country, international standards, and long documentation exporting procedures which are related to their inexperience. According to Leonidou (2004:29) this was more complicated among the small firms facing the barriers of exporting procedures which hamper the firms' motive to internationalize, compared to experienced firms that are capable to deal with long exporting procedures.

A recent study by Manolopoulos et al. (2018: 1002- 1003) found the negative perceptions by the firms regarding home country institutional quality, to impact the firm's exports differently. High level of perceived corruption in the home market encourages the firms to increase their orientation towards export growth. SME and exporting relationship are the likelihood of the impacts by institutional settings. Djankov et al., (2010:173) examined the impact of bureaucratic procedures in customs duties in a country's trade by dividing the exporting procedures into four stages, and asked respondents to list all procedures and fees required by customs duties. The stages were as follows: pre-shipment, including inspections and technical clearance; transport in home market and handling; terminal handling, storage when it was necessary; and the control including customs and technical control. The respondents were asked to measure the average time on each procedure required by the customs. It was found that longer procedures and delays at customs reduce the trade by more than 1%. These delays at the border crossings have consequences for particular products such as perishable agricultural goods. Improving customs at the border and shortening the bureaucratic procedures has a direct impact on lowering the costs and increasing the volume of trade. These reforms of regulatory institutional indicators increase and contribute to exporting performance, by facilitating export growth (Iwanow and Kirkpatrick, 2007:735).

Figure 2: Summarizing the Discussion on the Impact of Fiscal Policy and Legal Framework

Regulatory components of macro institutions due to their unpredictability as a result of the failure of reforms to simultaneously with economic liberalization encourage the firms to enter into exporting activities, gives an advantage to some firms but harm the rest in international markets. The firms in transition economies face vague taxing system leading to high costs; as a result, lack on competitive advantage in home and international markets. These policies combined with weak legal framework discourage the firms to internationalize.

1.4. Conclusion

Several conclusions can be drawn based on the literature review from this chapter. First, the motive of firm internationalization is mainly in the context of operation and industry-specific. Context-specific motivations can be institutional or socio-economic. Institutionally related causes can be the barriers that institutions impose on home firms, the uncertainty faced in the home market, so the firms aim at internationalization to escape the negative impacts of these institutions. Socio-economic motives are related to low purchasing power or even the lack of economic development in the home market; thus, the firms operating in these environments aim to get internationalized in order to increase their profit. Not all institutions determine equally the firm internationalization process, and the impact of institutions is based on their characteristics. The openness of economy, namely trade liberalization, although encourages the firms to gain experience in home market before they get internationalized, in cases when it is not followed by proper policies to promote fair competition, the legal framework then negatively influences not only the competition in home market but also their international attempt, though it does not play a determining role.

Similarly, the negative impact also plays the role in two components of economic institutions followed by the mechanisms to enforce these institutions such as the rule of law. Fiscal policy matters as a determining factor on firms' exporting performance through exemption from taxes for used technology and raw materials. Last but not least, the gap in the literature is how and which institutions matter for firm internationalization process by tracking back in the past and present in examining how and which institutions matter more. The studies referred to in this section on transition economies, used a large scale and cross-country data to examine mainly the exporting performance, not the process. There are limited studies that examined the firm internationalization in a transition economy using the single-case research to explore how and which institutions played a more determining role in the firm internationalization process, the gap is expected to be filled and contribute in the literature of transition economics.

CHAPTER 2: THE IMPACT OF SOCIAL NETWORKS ON FIRM INTERNATIONALIZATION IN TRANSITION ECONOMIES

As the previous chapter concluded, institutional deficiencies of either economic or regulatory nature, negatively impact the firm internationalization.[4] The focus of this chapter is how the firms maximize from social networks to get internationalized when institutional weaknesses are evident in home market. Based on literature review, this chapter attempts to answer the second research question of this study: how do social networks impact the firm internationalization? The objective here is to identify how the firms maximize their opportunities from social networks under weak institutional environment, by looking into distinct impact of home and international networks.

This chapter consists of two main sections. The first section defines the social networks followed by their importance in transition economies. The second section discusses the impact of home networks on firm internationalization, including subsections on the impact of international networks of knowledge and experience. The last part summarizes the chapter in a form of conclusion.

2.1. The Concept of Social Networks

Social networks are defined as “patterned relationships between individuals, groups, and organizations” (Dubini and Aldrich, 1991:305). In this study, the focus is on these relationships between two parties, and the ability of the firm to use them to enter and become a member of a network structure that enables to obtain the needed resources and achieve expected outcomes. These social networks provide the assets for business founders that struggle to create new opportunities for their business in a competitive industry. Enabling the scope of their actions, saving time, and gaining access to resources which otherwise are difficult to access, are the roles that social networks play (Aldrich et al., 1997:2). These relations can be either strong or weak depending on the nature of relationship that the entrepreneur has. Strong ties can be defined as “the amount of time, the emotional intensity, the intimacy (mutual confiding), and the reciprocal services which characterize the tie" (Granovetter, 1973:1361). Strong ties

[4] Although, weak institutions may be an opportunity for firms, either to propose policies that are more favorable for firms. How firms attempt to change institutions (e.g., proposing policies in their favor) is outside the scope of this study.

include friends, the membership into groups or acting with the people who are otherwise known (Granovetter, 2005:34). Compared to strong ties, weak ones are less emotionally attached, less known, and offer less-redundant information (Granovetter, 2005:34). In this respect, strong and weak ties are referred to network relations, whereas the network structure is about the number of ties.

Network relations are characterized by strong connection between two parties (Inkpen and Tsang, 2005:154). These relations are based on personal interaction (Lindstrand et al., 2011:204) which helps the firm to reach expected outcomes. The outcome is to share the knowledge (Inkpen and Tsang, 2005:154), which becomes the source to share experience and knowledge through interaction (Lindstrand et al., 2011:204-206). The characteristics of these relations is that they are based on mutual trust (Uzzi, 1996:667; Inkpen and Tsang, 2005:154). As the trust increases between two parties, the firm does not attempt to hide but instead share the knowledge between its network members (Inkpen and Tsang, 2005:154). The trust allows the members of the network to get access to privileged resources and information about prices that may increase the firm's competitive advantage (Uzzi, 1997:43). The main point of this dimension is that through specific relationships that the members have, which are based on respect and friendship, affect their behavior. By continuing personal relations, the members accomplish their social motives such as socializing, appreciation and status. Relational dimension includes trust, norms, obligations, and identification (Nahapiet and Ghoshal, 1998:251). Shared culture and goals are two features of this dimension. Trust is essential for network members; the lack of trust has an adverse effect on knowledge sharing in the network (Inkpen and Tsang, 2005:154). The precondition of this dimension is experience-based learning as relationships transmit personal relations (Lindstrand et al., 2011:197).

In contrast to strong tie relations, weak ties are more casual, where the members invest less in them. However, weak ties may have several advantages compared to strong ties. The nature of the information received is non-redundant. These ties are the source of connecting the firm to other opportunities and wider network structure relations (Granovetter, 2005:34-45). The importance of strong ties relies on the access they provide to the firm and on in-depth knowledge, whereas a weak tie offers diverse knowledge (Lechner and Dowling, 2003:19-20). The firm attempts to use strong and weak ties simultaneously, then using the brokers to connect the firm with other social cycles and partners to maximize the benefits from social networks. Although the firm may have at its disposal strong and weak ties, their use depends on certain conditions, namely on institutional transition (Peng and Zhou, 2005:321). When the firm moves from one level of development to another, it faces three particular barriers such as acquisition constraints, availability, access, and uncertainty (Hite and Hesterly, 2001:382-383).

Strong ties, which are not only related to the firm directly, but are the source of access to other ties that the firm cannot access, are beyond the firm's personal relations (Dubini and Aldrich, 1991:219:307). Once the firm enters into a network structure, it loos how well it will be positioned into it and derive benefits. Lechner and Dowling (2003:3) suggest that to have a clear understanding of the development of a network structure and position, it is essential first to analyze the role of a network type. The ability of the firm to use its network relations as a bridging tie helps to get access to information and resources. According to Burt (1992:12) social capital "is at once the resources contacts hold and the structure of contact in a network. The first term describes whom you reach. The second describes how your reach.", From structural holes perspective, social capital is defined as "concerning the information and control advantages of being the broker in relations between people otherwise disconnected in social structure" (Burt, 1997:340). The firm builds the opportunity by using the brokers to have a better flow of information and connect with the firms that are not connected directly (Burt, 1997; Burt, 2000).

The advantage of the firm and how social networks impact is manifested, depends on the position in a social structure in the industry. Weak connections between actors are the holes in the social structure; these weak ties connect the groups and fill the structural holes to create an advantage (Wulff and Ginman, 2004:449). The impact of social capital is related to the phases of internationalization. At an early phase, the firm uses the advantage of strong ties. At a later period, the bridging ties exercise a positive impact on firm entering the foreign market (Agndal et al., 2008:663). Bridging ties connect these "non-redundant contacts. A structural hole is a relationship of non-redundancy between two contacts" (Burt, 1992:18). These ties will connect the firm with other ties in other countries. Thus, non-redundancy ensures the diversity of information (Burt, 1992: 23). As a result, the quality of information about international markets received by the firm is high, which is facilitated by the social capital and building of new opportunities. Thus, "structural hole theory gives concrete meaning to the concept of social capital" which explains the role it plays as a brokerage in the network (Burt, 1997:340). The role of these networks is related to the network types (Inkpen and Tsang, 2005:147) and the characteristics of social networks dimensions in which the firms are interrelated (Nahapiet and Ghoshal, 1998:243). The structural dimension of the social network is the architecture of the network (Simsek et al., 2003:431) and the relations of ties into a particular network (Nahapiet and Ghohal, 1998:252). However, this depends on whether the network structure is well structured or unstructured. The former refers to the roles and relations that are based on previously defined rules, and members of the network structure are organized to achieve particular goals (Inkpen and Tsang, 2005: 147). These dimensions contribute to the firm in having a better view about how groups and individuals, the resources and knowledge they possess, and play as sharing mechanisms (Wulff and Ginman, 2004:448). Through these dimensions of social networks, the knowledge is easily shared (Inkpen and Tsang, 2005:146), are essential for the firm to exchange resources and combination for creating innovative products (Tsai and Ghoshal, 1998), and getting access to foreign market knowledge (Lindstrand et al., 2011:194).

2.1.1. The Importance of Social Networks for the Firms in Transition Economies

Compared to developed economies where the institutional environment is stable and the rules of the game are clearly defined, transition economies still face weak institutional framework even after the shift from central planning to a market economy. These institutions as mentioned in previous chapter, may have negative impact on the firms; hence, social networks come into play more than a single function. In this environment characterized by institutional voids, the firms face more barriers and uncertainty compared to their counterparts in developed economies (Puffer et al., 2009:441). Networks in this context facilitate the firm to be more flexible in getting access to better resource allocation, where the barriers from formal institutions are still evident (Peng and Heath, 1996:515). Such an institutional environment determines the firm's strategic choice, which according to Peng and Heath (1996:501), to examine the strategic decisions in transition economies, it is essential to understand the institutional environment where the firm is embedded.

The uncertainty produced by weak rules of the game, push the firms to use social networks to substitute formal institutions. Among other functions that these social networks play, they provide the firm with the needed information, interpret the regulations, enforce the contracts and lower the firm's transaction costs (Peng, 2003:279). Networks are important to help the firm mobilize the resources, cope with the barriers imposed by bureaucratic structures, and in some cases, with government officials (Smallbone and Welter, 2001:249). Moreover, considering high institutional voids in home market, the firms use social networks to protect their property from seizure, or substitute formal institutions (Puffer et al., 2009:447). The managers build personal relations to substitute various weak formal institutions (Xin and Pearce, 1996:1642). Personal trust built is important to complement and substitute either legal or regulatory institutions, which interpersonal trust reduces the uncertainty and leads to a greater commitment into economic exchange (Manolova et al., 2007:108).

The extent how the firms fill these institutional voids is related to the institutional transition in country level (Peng and Zhou, 2005:324). The firms pay a close attention to social networks (Peng, 2001:292). Those who fail to use networks, lack the ability to maximize from social networks by using their informal contacts to lower institutional barriers such as: corruption, tax rates, and business legislation are negatively influenced by institutions (Aidis, 2005:313-315) and face challenges to grow. As discussed in previous chapter, the failed attempt of governments to implement successful reforms produces uncertainty. For example, to lower the negative impact of institutions, the firms attempt to use informal enforcement mechanisms (Gow and Swinnen, 2001:687). Therefore, the relationship based contractual enforcement has become the main mechanism to enforce the contracts and lower the negative impact of institutions. The consequences of relationship-based contractual enforcement are that these firms, due to weak institutions, do not attempt to seek new partners and find new suppliers. However, in cases when judiciary institutions are stable and the trust increases, the firms are encouraged to look for new partnerships (Johnson et al., 2002:221). Batjargal et al., (2013:1040) examined how the firms maximize from rich social networks' structural holes to substitute multiple weak institutions such as political, economic and regulatory. Their findings indicated that the firms with rich social network structural holes succeed in growth and reach higher performance by substituting multiple formal institutions.

Some studies on the role of social networks on institutional substitution have been focused on the MNE's strategies in weak institutional environments. Theoretical discussions have been proposed on how the MNEs in these countries can enter by using different strategies to achieve competitive advantage and avoid formal institutions (Khanna et al., 2005:4; Hoskisson et al., 2000:249; Wright et al., 2005:1). For example, Wright et al. (2005:4-16) classified how firms choose a strategy to enter into similar or more developed institutional context. They proposed four strategic options that the MNEs employ which areas to follow: i) the firms from developed economies that enter into emerging economies, the firms that solely operate in emerging economies, ii) those from emerging economies entering into other similar environments, and iii) the firms from emerging economies entering into developed economies. They divided the emerging and developed economy based on institutional context, arguing that the emerging economies have weak institutional environment and this reflects on firms' strategic choice. Meyer (2001:61) examined the strategies that MNEs use in a weak and developed institutional environment, and found that institutional development in the host country determines the MNE's entry strategies. In weak institutional environment, the MNEs get access to resources by using Joint Venture (JV) strategy, while in developed environment acquisitions are used for access to intangible resources that are organizationally embedded.

The use of social networks depends on the level of institutional development. A model by Peng (2003:285-290) maintains that the firms change their networks based on institutional development in a country level according to early and late stages of institutional transition. At the first stage of institutional development, the firm uses a network-based strategy when the rules of the game are either weak or produce uncertainty. The move from weak rules of the game to more stable ones where pro-market institutions produce stability and lower risk in the business environment, makes the firms to use a market-based strategy. This model was developed by Peng and Zhou (2005:325) who suggested that during the intermediate phase, the firms use Business to Government (B2G) networks, where political and legal institutions are weak, they impact the evolution of firm strategies. The factors that motivate the firms to use B2G network are: a) resources are controlled by the government officials; b) the government interferes and is directly involved into the firm's decisions; c) the uncertainty produced by legal institutions. Nevertheless, when institutions become more stable, and the factors as mentioned above along with uncertainties decrease, then the firm uses Business to Business (B2B) networks.

Danis et al., (2010:299-300) empirically tested Peng's (2003) model and examined the SME's growth, the impact of managerial network intensity and market-based strategies by dividing it into two phases of institutional transition in the case of Hungary. It was found that at the early stage of institutional transition, network-based strategy was the most suitable and efficient strategy to respond to the weak institutional environment. During this time, the firm's managers spent more time to build the networks than in later stages of institutional development. Although market-based strategies at later stages had no impact, the networks were essential at two phases. In any case, the use of social networks in transition economies is critical for the firms to pursue their goals.

Social networks in transition economies are based on two sources: the firm's managerial skills, and government ties. Xin and Pearce (1996:1654) argue that the government officials are important for the firm to secure protection from any threats regarding extortion. A later study by Peng and Luo (2000:497-498) viewed the ties between the government officials and the managers to help the firm get access to resources and information. Both managerial and government ties are important also to facilitate the firms' access to resources and accelerates the routines of building the capabilities to compete (Lu et al., 2010:432). Likewise, Acquaah (2007:1235) found that managerial and government ties influence the firms' performance positively. Managerial ties were the source for access to resources, capacity building, information, knowledge to exploit the opportunities and manage the negative impact of the institutional environment, while government ties similarly are a vital source to secure access to resources and benefits for the firms.

In summary, it should be reminded that the firms in transition economies use social networks for survival and growth. The social networks are the firm's main strategy due to uncertainty and institutional deficiencies in the home market. These networks are characterized by the ties with government officials and relations with the firms. The ties with government officials offer more comfort for the firms in terms of resources and information they control, and the power they hold. The following section discusses the impact of the social network on firm internationalization, in two main parts: the first part deals with the impact of home networks on firm internationalization, and the second part focuses on the impact of international networks, in particular, on what the firms are looking from these networks and how do they maximize from network relations and structure

2.2. The Impact of Social Networks on Firm Internationalization in Transition Economies

Scholars acknowledge the importance of social networks on firm internationalization process (Johanson and Vahlne, 2009; Johanson and Vahlne, 1990:19; Coviello and Munro, 1997:361; Chetty and Holm, 2000:1). The social network, apart from its importance for firm internationalization process, presents the most trusted source and advantage that the firms have in a transition economy context (Stoian et al., 2016:105). The impact of social networks and the types of firm network characteristics, is not clearly defined in transition economics literature (Kiss and Danis, 2010:226). Kiss and Danis (2010:283) also argued that to understand internationalization in transition economies, it is essential to divide the impact of home and international networks. The importance of these networks either home or international on firm internationalization is context specific (Ellis, 2011:99) and other factors outside formal institutional settings that determine it.

The internationalization process includes market commitment, knowledge, current business activities, and the decision of going for internationalization (Johanson and Vahlne, 1977:23; Johanson and Vahlne, 1990:11; Johanson and Vahlne, 2006:165). This process includes risk, investment of resources (Eriksson et al., 1997:338) time, capital, and knowledge (Jaklic, 1998:359) the information about foreign marker and operations (Johanson and Vahlne, 2006:175). It also includes the firm's gradual acquisition, integrating and diffusing the knowledge needed from foreign market and incrementally developing the commitment for the foreign market (Johanson and Vahlne, 1977:24). Learning about the foreign market and being committed to it are important factors for the firm internationalization process. The pattern and the mode to build marketing-based operations in the countries that are geographically closer where the firms gain experience, enables the firm to enter into other countries that are geographically in distance compared to home country (Johanson and Wiedersheim-Paul, 1975:308). The main motive to enter into neighboring country's market is to lower the uncertainty, share similar business practices that these countries have, and due to the lack of knowledge about the markets that are more distant to home country (Johanson and Wiedersheim-Paul, 1975:306).

The process of internationalization begins by embarking on occasional exporting activities, then exporting through representatives, selling through subsidiaries, and production (Johanson and Wiedersheim-Paul, 1975:307). Thus, a firm at an early stage is considered as experiment exporter, then it moves to more active role towards a committed exporter (Cavusgil, 1984:195). According to Cavusgil and Nevin (1981:114) the firm's exporting behavior can be explained by four internal factors: first, the impact of exports on firm's growth and the belief of firm's managers; second, the level of commitment of firm to exporting activities such as planning to enter into new markets, the strategy to increase exports and consistent exploration; third, the firm's features such as size, technology and its core competencies including the exceptional characteristics of the product; and fourth, the commitment of managers on goals for the firm growth and entering into new markets (Cavusgil and Nevin, 1981:119). Sporadic exporting increases the interaction with other firms in the foreign market to gain knowledge, then after the firm moves into more active role, its knowledge will raise, which is mainly based on the routines and the procedures after the progress into a committed exporter, the search for information will increase and this will impact the firm's capabilities (Eriksson et al., 1997:353-354). Moving from dependent to independent and interdependent entity is a challenging process, and is related to the level of the knowledge gained and how successful this knowledge results in the firm's learning strategies, R&D and marketing functions (Jaklic, 1998:365).

The firm internationalization does not occur over night. The process starts with the plan to internationalize gradually, increase learning capabilities, and information about foreign customers. However, the attempt to internationalize faces considerable changes that the firms have to go through, such as the use of 'slack resources' and rearrangements (Eriksson et al., 1997:353-354). When examining exports and an international attempt mode that includes various phases (Johanson and Wiedersheim-Paul, 1975:26), exporting is a developmental process (see Bilkey, 1978) which includes pre-early, initial and the advanced stage (see Leonidou and Katsikeas, 1996). This process is enabled by the ability how the firms use social networks in their internationalization attempts.

As already noted, the firms that compete in international markets need more resources, experience and knowledge. In following section is discussed how home networks impact firm internationalization, and why these networks in transition economy have limited impact and factors behind it, to be followed by a discussion on the impact of international networks, the process how the firms in transition economies build trust with their network relations that helps to increase the knowledge and the experience as a bridging tie to enter into wider network structure.

2.2.1. The Impact of Home Networks on Firm Internationalization

In transition economies, the firms rely heavily on home networks which primarily are more important. These networks also play an important role in firm internationalization. The impact of home networks here is divided into two parts: the first part refers to the studies on the impact of home networks on firm internationalization; and the second part of this section, the extent these networks is essential for the factors that play a limited role on firm internationalization.

The impact of social networks on firm internationalization is based on the institutional transition phases. In particular, as Kiss and Danis (2010:283) noted, the firm internationalization and the use of certain network is based on stages of institutional development. According to this model, the firms at an early phase of institutional transition use strong home ties due to high uncertainty, which positively impacts the firm internationalization. In cases when home institutions and the rules of the game are more transparent, then the firms begin to use weak international ties. The transition from home to international networks according to this model occurs through the brokers that play a bridging role.

Li (2013:160) proposed a three-stage model of institutional transition and how the firms adopt the strategies depending on their institutional context to get internationalized. At an early stage of institutional transition, weak capital market structure, inadequate protection, poorly defined property rights and uncertainty, poor rules and regulations and the pressure on entrepreneurs, makes the firms to rely on social networks. These networks help the firm to get legitimacy and are based on close relations. However, during the early stage of institutional transition, the importance of personal ties begins to decrease where institutional settings move from weak to moderate. In the late stage of institutional transition, transactions are based on impersonalized rules. During this stage, the firms attempt to adopt market-oriented strategies, are more innovative and strive to respond to the customers' needs. Besides, this model focuses on how the firm's internationalization process is influenced at different stages of institutional transition depending on the source of opportunities, the characteristics of entrepreneurs, and the strategic choices implemented in various stages.

Zhu et al. (2006:1-19) model on the impact of home networks on firm internationalization suggests that the firms engaged into various institutional relations are able to become more competitive and get internationalized. These include business groups through which the firm gets access to more reliable information, and lowers the danger of investment by being actively involved in business group's relationships. Group firms by working together manage to lower the costs of maintaining the relationships with government officials and increase the legitimacy of the firm to have access to government resources. First, being part of a large network relations structure with diversified business groups, increases the firm capabilities. Second, the competitive pressure derived from foreign firms that compete in the home market has a positive impact on the firm to differentiate and develop competitive capabilities. Third, the ties with the government are essential for the firm in case of uncertainty produced by the institutions and the amount of resources that the government has. All these relations may change as the institutional transition moves from one particular stage to another depending on SME's and entrepreneurial start-ups.

Ge and Wang (2013:1169) maintain that business and personal networks positively impact the firm internationalization. The impact of business networks (e.g., relations with competitors and customers, industrial authorities, government, and non-government agencies) is positive in the firm's foreign market entry, namely the internationalization pace and resource commitment. Personal networks (e.g., managers' personal ties with various groups of individuals such as family members, friends, colleagues and family members living abroad) also positively impacts the firm internationalization pace and resource commitment, but have no impact whatsoever on the firm to foreign market entry. Manolova et al. (2010:257) argue that a firm's personal networks have a positive impact on internationalization, adding that the earlier those firms engage in business networks, the higher the degree of firm internationalization.

For Sekliuckiene (2017:234) the firms rely heavily on home rather than international networks to get internationalized, while for Manolova et al. (2014:1) the variety of home financial networks is positively associated with firm internationalization. The entrepreneur's personal network characterizes this network. Li et al. (2013) found that internationalized firms use informal institutional mechanisms-social networks to substitute legal institutions for protecting the firms' form of opportunistic behavior, their local production activities, transactions across the borders, and remove specific barriers from legal institutions in the home market.

Differently from the authors referred to earlier, Shirokova and McDougall-Covin (2012:177) remarked that social networks do not impact the firm internationalization as it is assumed in the literature. Their findings referred to a high degree of industry internationalization that plays an essential role. Nowinski and Rialp (2013:221) also found home networks to impact the firm internationalization, but the firms used more international networks after getting internationalized. In the same spirit, Stoian et al. (2016:115-116) agreed that home and international networks impact the firm internationalization positively.

The impact of home networks on firm internationalization is limited. This occurs when high uncertainty in the home market and the consistent negative impact of institutional home networks may lack the capability to help the firm fill institutional gaps. Estrin et al. (2013) argue that the firms cannot lower the negative impact of all institutional deficiencies such as lowering the negative impact of corruption and weak protection of property rights. Filatotchev et al. (2001) examined the impact of governance structure on post-privatized firms' export intensity in three transition economies: Russia, Ukraine, and Belarus. Foreign partners and investors were found to be fundamental factors on the firms' export orientation and export intensity, because, these international actors used their ties to get these firms internationalized.

The firms in transition economies, especially in the early stages of transition, lack international experience (Musteen et al., 2014:764a; Nowinski and Rialp, 2013:211). This is related to insufficient capacities to diffuse information and knowledge, integrate routines, and build the needed skills to meet the expectations of foreign customers (Lu et al., 2010:419). Relying on trusted international network relations is important for the firms, because the sooner the firm establishes international ties, the earlier it internationalizes (Musteen et al., 2014:232b). Lu et al., (2010:432-433) examined the relationship between firm capabilities, resource and firm international performance using the impact of government's officials and managerial ties. Despite the effects of the home relations on firm performance, the firms failed to increase the capabilities to adopt, manage new skills, integrate, distribute resources, and meet the international customers' needs.

The firms in their internationalization attempt lack the trust by their host country possible network relations, which represents a constraint due to the image of the country they come from, such as the Russian firms in the West (Shirokova and McDougall-Covin, 2012:195). Before entering the internationalization and at incumbent phase, they face uncertainty of institutional environment, and in building alliances with more legitimate players and powerful actors (Peng, 2003:285). Carlise and Flynn (2005) showed that small firms in China attempt to use Guanxi to gain legitimacy, and using other networks that secures the firm's survival and helps to overcome the liability of new trends in home market (Peng, 2003:285). The ability of the home market to substitute formal institutions and gain the needed experience, knowledge and the image in international markets is quite limited. Reputational networks in international markets enable the firm to build an image which for the newly internationalized firm in a host country, is challenging (Lechner and Dowling, 2003:11).

Once the firms from transition economies enter into international markets, they face the liability of outsidership and the lack of trust that the international partners have. Schweizer (2013) provides three stages which the firm can overcome when facing foreign the challenges, i.e. how the firm can connect to other networks that are otherwise not connected, and the advantages that these networks offer. The first phase is that the firm needs to be aware of the challenges they are to face, therefore, the sooner they deal with the mentality of outsidership, the more successful the internationalization process is. The second phase is related to identify a particular network, a process which might go through current ties or efforts to build new ones. The importance of this phase is that these networks offer the firm an international expansion and in doing so, the firm attempts to identify the network that facilitates its development internationally. The third phase is to change its resources and capabilities for connection to already identified networks which are mainly international, and focus on re-accumulating current resources to building of new ones.

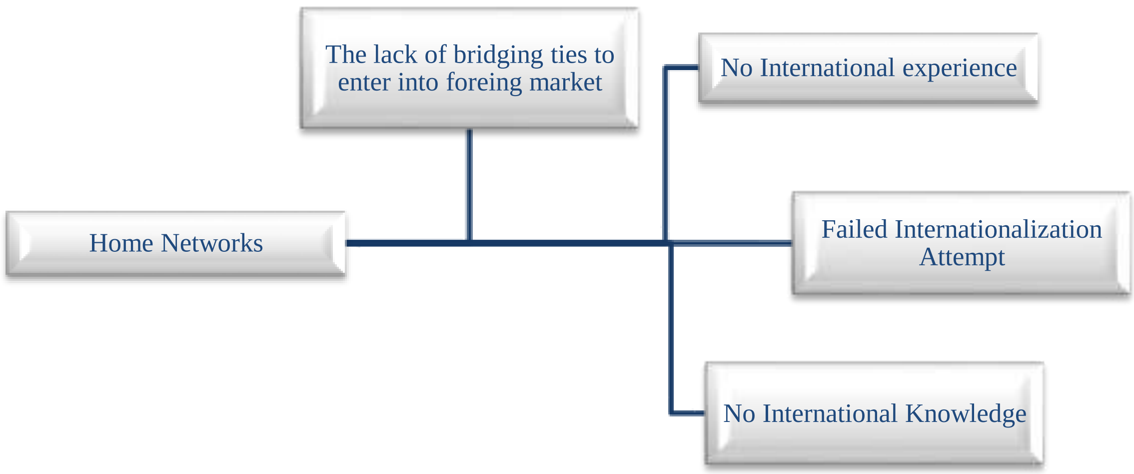

Figure 3: The impact of home networks on firm internationalization

In summary, the impact of home and international social networks is considerable in filling the institutional weaknesses. It is important to note that the substitution of formal institutions is not determined by how well the firms maximize home networks, but how well their relations are set with international ties and the structure of these networks. The 'institutional substitution' referred here is to lower the negative impact of institutions or their impact in cases when the institutions in charge of encouraging the internationalization process are either weak or absent. Although home ties involving friends, government and distributors are important and may secure the firm’s survival and growth in the home market, the importance decreases when the firm attempts to get internationalized. The following section discusses the impact of international networks on firm internationalization, the process of building networks, how the firms maximize from international network relations, and the network relations structure impact.

2.2.2. The Impact of International Networks on Firm Internationalization

As noted in the previous section, despite the importance that the social networks have on firm internationalization, they have limited knowledge and experience to overcome various challenges faced in international markets. Therefore, to internationalize successfully, the firms in transition economies rely on international networks.

The type of networks that the firm uses and the logic of building international networks, is context specific (Musteen et al., 2014a:750). The firms in specific institutional context face difficulties to build international networks and long-term based relations. Ellis (2011:120-121) argues that the firms in former communist countries that aim internationalization, are at a disadvantage position in advance when the question arises about the use of social networks and maximizing the gains. The network building in this respect is related to the heritage left from former economic planning logic, where these countries lack the international market ‘exposure,’ and hence their networks are mainly home. Even at home, these firms were more used to produce or offer what someone else, i.e. the planning agency or the government is told them rather than take the initiative and explore opportunities on their own. In new circumstances of a market economy, the firms in transition economies found various ways to build international networks at the early phase of their internationalization. According to Stoian et al. (2016:115-116), the firm used the connection of SOE’s customer-base which leads them to build international networks, where opportunities in international markets are derived from business interactions.

Chetty and Eriksson (2002) viewed the customers play as a bridging role for suppliers to enter the foreign market. The factors that determine the supplier’s competitive advantage is the way the partner is selected and the experimental knowledge gained. When suppliers increase the knowledge about the foreign market network that is embedded, this relationship with customers evolves from mature to stable, and then profitable. Musteen et al., (2014b:234) consider that the founders of firms used their past networks when they led SOEs, and through these contracts they received their first international order. Similarly, by the contacts through other economic channels, they build the connections that lead to business relations with the distributors, or using the diaspora that emigrated to the Western countries, and friends in host countries that played a bridging role to connect the firm with various entities and partners. Furthermore, the unique characteristics of the product and the unexpected demand, was the source that enabled to enter the international market. In the process of entry, the firms used old contacts on host countries, which in some cases were accidentally identified, including the connections with the diaspora (Nowinski and Rialp, 2016:12).

After the firms have successfully entered international markets, trust with international networks is established. Trust, commitments, prevailing social norms of behavior, building long-term relations, are characteristics of network relations, but among these factors, the relationship in a network is based on trust (Chetty and Agndal, 2007). Although the process of building trust is based on different factors such as close interaction between the firms, the commitment to long-term relations allows the firm to pursue internationalization. The image is a key to the firm in building other networks, and through them to develop the capabilities, get access to resources and information.

As mentioned above, the lack of trust and image of the firm which is related to the image of the country, is met with the challenges to build international networks. This has direct consequences on uncertain future, limited knowledge and the doubt about potential ties in trustworthiness of the firm (Hite and Herstely, 2001). Moving from one level to another where particular networks secure the image for the firm, where the ability of the firm to evaluate the network, is critical (Lechner and Dowling, 2003:1). During this phase, the host country geographical and cultural proximity is essential in bridging the tie to connect the firm with international networks. In order to build the trust in these countries, the firms enter this phase in the countries where geographical and cultural proximity is close to home country (Stoian et al., 2016:115-116; Shirokova and McDougall-Covin, 2012:184).

Musteen et al. (2014a:764-765) examined the impact of structural and relational embeddedness firms' foreign knowledge in transition economy. They argued that the lack of trust in the government's information encourages the firms to use international ties to gather knowledge and successful international attempt. The greater the diversity of the firm's network combined with strong ties in different countries, increases the firms' knowledge about the foreign market. Several ties are the source of broader information. Higher interaction with international ties results in developing the trust between two parties, and increases the likelihood of sharing foreign market information. Musteen et al. (2014a: 764-765) show that long-term relations and consistent interaction with international ties are the sources of trust that leads to knowledge and information about the foreign market. Zain and Ng (2006) found that network relations also help to avoid the harm from the firm's software products and piracy. Network relations positively impact the firm's performance in international markets, where close personal ties remove the risk related to early internationalization of the firm (Musteen et al., 2010:201-204).

According to Musteen et al. (2014a:764-766), the firms use international networks at early internationalization for two main reasons: technological innovation, and home market weak institutional environment. The firms that used international networks were more innovative, and weak institutional environment at home market encouraged to use international networks to get more resources. Nowinski and Rialp (2016:13-14) maintain that social networks are the source of the firms' commitment towards international markets, develop and explore international opportunities, not only through strong relations, but also through weak ties.

Therefore, after the firms successfully build the trust with international network relations, the likelihood of failure or success depends on two factors. First, the knowledge and experience those international networks hold; and second, the network structure that the network relations are part of. Given that in this phase the trust is already built, then it is assumed that international network shares knowledge and information with the firm to increase its capabilities and ensure competitive advantage in the host country. The decision by the firm to enter into a broader network structure depends on network relations image. Advanced technology increases the managerial capabilities and competitive advantage through building relations with foreign firms that have a prestigious image. This phase is related to the capability of the firm to exploit opportunities and identify those networks that links the firm with the network structure (Zhu et al., 2006). Once the firms build the trust, they attempt to maximize from their knowledge and experience, and compete in international markets.

Internationalization is based on consistent learning about foreign markets that includes external factors such as culture, host country institutions and internal factors such as resources and capabilities. This occurs through a process of learning that happens through the interaction between learning and being committed simultaneously to international markets. The critical factor encouraging the firms to be committed to international markets is the experimental knowledge through a continuous process of collecting the experimental knowledge about the foreign market (Sharma and Blomstermo, 2003). The analysis on understanding the complex process through internationalization can be enriched by examining the firms' actions and the role of network relationships (Coviello and Munro, 1995:58). There are limited studies about transition economies that examined the impact of attributes of the firm's social networks on firm internationalization process. The studies lacked to explain how particular network structures and relationships impact the firm internationalization process. The role of structural dimensions in social networks in this respect is limited, also adding the role of specific networks, and the benefits that these roles have on firms internationalization impact are also limited (Musteen et al., 2010:201-204).

Network relationship is a determining factor to exploit the opportunities in the international market (Chetty and Agndal, 2007). Network relations, in this case, strong ties, have various positive outcomes for the firm. The firms use strong and weak ties which play an equal role on the firm's innovation (Lowick et al., 2012) by increasing the firm's capability to innovate and sharing knowledge (Capaldo, 2007). These network relations help to integrate the capacity for innovation and are an essential source to implement an innovative approach (Tiwana, 2008) and its ability to solve the problems in cases the firm faces a resistance to change, where strong ties contribute to lowering the uncertainty and enable the firm to be more innovative (Krackhardt, 1992:218). These ties also offer more in-depth knowledge (Lechner and Dowling, 2003:19) and the advantage of being the first receiver of information about new market development creates the advantage against the competitors. The ties in question are also the source for a better position and new knowledge, becoming more independent, and creating the opportunity to adapt (Sharma and Blomstermo, 2003).

The experimental knowledge and commitment occur through the social network (Johanson and Vahlne, 1990:17; Chetty and Holm, 2000:8; Chetty and Eriksson, 2002). Applied in exporting firms in the transition economies, the embedding is important for two reasons: first, it lowers the negative impact of home market institutions; and second, it increases the likelihood of success in international markets by increasing the commitment of the firms' through being engaged in a network structure and relations that brings more knowledge and experience about foreign markets (Johanson and Vahlne, 1990:19). Experimental knowledge depends on how well the firm understands foreign customers and business networks (Chetty and Eriksson, 2002).

These embedded business relations and the dependence on different types of networks, impacts positively the firm's performance (Halinen and Tornroos, 1998), and also the product development and diversification of activities into the market (Coviello and Munro, 1997:364). Market-specific knowledge is critical for the firm to understand the 'taste' of customers, business environment, marketing methods, etc. Market-specific knowledge is defined as "knowledge about characteristics of the specific national market, its business climate, cultural patterns, the structure of the market system, and, most important characteristics of the individual customer firms and their personnel" (Johansson and Vahlne, 1977:28). During this process, social networks are a vital source of information about customers, foreign markets, competitors (Hohenthal et al., 2014; Sandberg, 2014).

The higher the knowledge about customers and market-specific knowledge in a host country, the lower the uncertainty (Sandberg, 2014), which also is reflected on the firm's performance positively (Renko and Tikkannen, 2002). The findings of a study conducted by Ellis et al. (2011:598) indicate that the firms in transition economies increase export intensity by diffusing new marketing skills, interacting with foreign customers about new ideas on products, embracing new technologies, and produce the products that meet the customer preferences and expectations. The more the firms interact with customers in these countries, the more significant is the commitment, learning opportunities, and the greater know-how and marketing knowledge. This process occurs through long-term relations with the international social network.

To understand more clearly the firm internationalization, it is important to examine the firm's position into a network and the outcomes of it (Johanson and Vahlne, 2009). The position in a network reveals how the firms build opportunities, obtain knowledge, learn from the experience, and use to their advantage access to the resources (Chetty and Holm, 2000:10-12). The information available in this network structure regarding international markets is related to the members of this network structure and with whom these actors are connected to (Lindstrandt et al., 2011:197). This means that "social capital is at once the resources contact hold and the structure in a network. The first term describes whom you reach. The second describes how your reach" (Burt, 1992:12). Johanson and Vahlne (2009) suggest that the firm internationalization is determined how well the firms have established relations, and how are considered into a network structure as an 'insider.' The structure of these relations for the firms in transition economies helps their internationalization by removing the barriers and exploring opportunities (Musteen et al., 2010:201-204). Thus, in this network structure, social networks determine the way how social groups exchange knowledge and contribute to knowing the actions undertaken (Nahapiet and Ghoshal, 1998:252).

The competition in international markets is determined by, among others, how the firms maximize social networks, use the networks to increase the firm experience, share knowledge, image, and entry into new countries. The firms that aims to enter the international markets, use the social networks to facilitate a more comprehensive understanding of foreign markets (Coviello and Munro, 1995:58). The firms engaged into business relations are connected to the broader network structure such as customers, suppliers with other suppliers, competitors, distributors, agents and public agencies (Johanson and Vahlne, 2006:168).

These ties, either formal or informal, influence the firm foreign market selection and entry mode (Coviello and Munro, 1995; Coviello and Munro, 1997:364). The formation on the networks and bridging ties differ from emerging to mature economies, hence, depending on institutional context. The firms from more stable or mature economies develop their relationship by transforming particular weak relations into strong ties. Brokers at this phase play a birding role to connect the firm with local international customers. The process of how these ties are built through birding ties is based on the profit that the firms will make by being connected to partners with potential and creating the inter-firm network. On the other hand, less stable or emerging economies follow a similar strategy as those in mature economies; however, the difference is that the formation of the network is less complex where the firms built direct ties with few customers in host countries (Hilmersson and Jasson, 2012). This is important because, the network structure plays a bridging role to connect the firms that possess different skills, have various sources of information, and positively impacts the firm performance (Koka and Prescott, 2002).

Ellis and Pecotich (2001) found that network relations play a various positive role in exporting. The firm's network relations are the source to learn about foreign markets, impact the perception regarding international market opportunities by influencing the decision to initiate exports. Moreover, to minimize the risk when the firms face uncertainty regarding the entry into new countries, they rely on their network relations, including their connections with others to lower the risk. The awareness about foreign market opportunities is explored through the firm's network relations (Ellis, 2000:454). Current network relations also help to enter into new countries by playing as bridging tie. Network relations shape the firm internationalization by controlling which market to enter (Chetty and Holm, 2000:24). This can be done by also using the current social capital to generate a new one, in cases when the firm enters into new markets. Personal or business relations help to recognize new opportunities. By doing so, the firm might need to change its internationalization approach more (Chetty and Agndal, 2007)

Musteen et al., (2010:201-204) examined the impact of structural, cognitive and relational aspect of an international network on SME's speed and performance in the early phase of internationalization in transition economies. Close personal ties did not have an impact on the speed of internationalization, implying that strong ties compared to weak ties are more beneficial. Although strong ties are critical at an early stage, the information received from these ties compared to weak ones is less helpful. Likewise, strong ties are valuable at an initial phase, whereas weak ties are essential at a later stage of firm internationalization. Furthermore, the large and personal relations did not result on positive performance, suggesting that trustworthiness at an early phase, may become a disadvantage and turn into a barrier for new information and contacts.

Lindstrand et al. (2011:207-209) examined three dimensions of social capital, structural, cognitive and relational capital on biotech SMEs internationalization. Structural relations had a positive effect on to acquire foreign market knowledge and financial support. The positive role depended on individuals who were part of structural capital. It was not sufficient for the firm development and international growth as it lacked financial resources. Cognitive and relational social capital ensure the firm's financial stability and to secure an international expansion. Similar background, experience, trust and interaction with venture capitalists have a direct impact on obtaining foreign market knowledge and financial resources.

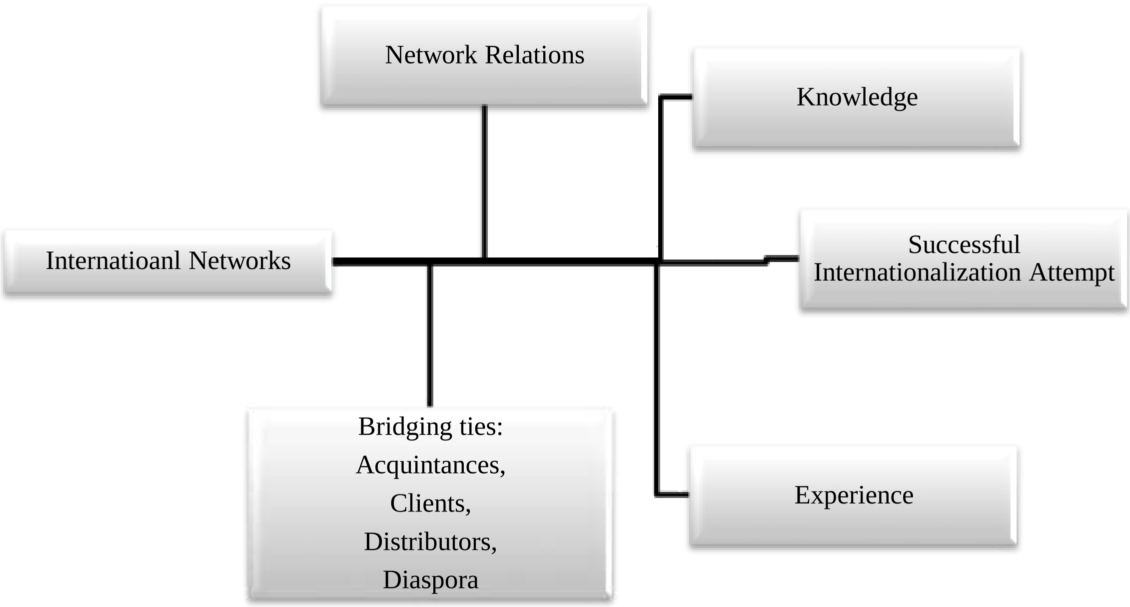

Figure 4: The impact of international networks on firm internationalization

2.3. Conclusion

This chapter discussed the impact of social networks on firm internationalization in transition economies. Based on literature review, home networks play a determining role which is context specific. Home networks are essential at the pre-internationalization process to build a network, make the firm more or less competitive, the source of information and reaching the necessary resources. Once this is achieved, these networks become the source of lowering the uncertainty the firms face due to institutional environment characterized in transition economies. However, for many reasons these networks do not impact the firm internationalization. Compared to home networks, international networks play a determining role on internationalization process. The firms that are part of network relations based on long-term prospects, are more successful in their attempt to internationalization. These long-term relations are determined by the trust built between the firm and its international network which helps the firm to enter foreign markets, increase knowledge and experience, and enable it to become more competitive in the international market.

CHAPTER 3: THE METHOD AND RESEARCH STRATEGY

This study employs a qualitative multiple case study research to examine the impact of institutions and social networks on firm internationalization in Kosovo. In this chapter, first, a justification of multiple case study strategy is provided. Second, information about the case selection criteria and the sampling process supplied. Third, the data set and the interviewing process described. Fourth, the categorization and coding process and the data analysis techniques are explained. Finally, trustworthiness of this study is discussed.

3.1. Justification of Multiple Case Study Strategy

The qualitative case study strategy is preferred for two main reasons. Firstly, a qualitative case study strategy allows us to clearly identify the past and present institutional impacts on firm internationalization by providing a longitudinal perspective. Many studies (Gao et al., 2010:377; Ma et al., 2010:158; Li et al., 2013:361; LiPuma et al., 2013: 833; Shinkle and Kriauciunas, 2010:267) Ngo et al., 2016: 2911-2920) employed quantitative techniques to examine the impact of institutional settings on firm exporting performance. However, these studies did not make a distinction between the actual and perceived barriers to exporting, and how the firms overcame those barriers (Doern, 2009:284).

Secondly, as LiPuma et al. (2013: 833) and Shinkle and Kriauciunas (2010:281-283) showed, institutional impacts over firms' internationalization performance differ by firm size, where large firms in less favorable institutional environment have some advantages compared to smaller ones. However, these studies did not clearly explore how the large firms at their early stages of internationalization process succeeded to grow and coped with institutional uncertainties, did not provide stage-based explanations on how weak institutions affected firm at different stages of internationalization, and how the firms reacted to such institutional ineffectiveness to get internationalized. Due to the unpredictability of institutions in transition economies, 'a single snapshot at once' as Ahlstrom and Bruton (2010:549) argued, would not extend the current knowledge on the relationship between institutional impacts and change to the firms in transition economies. Thirdly, a qualitative case strategy allows us to understand the context that surrounds the business environment (Eisenhardt, 1989:534; Chetty, 1996:76). In order to have a deeper understanding about the firm internationalization, a qualitative research strategy allows us to identify the institutional and social networks impacts on firm internationalization (Coviello and Munro, 1997:368). In fact, the effectiveness of constructs such as “social networks” cannot be statistically measured as they play different roles in different cases and situations. Hence, a qualitative research perspective might produce a better understanding. Last, for a practical reason we preferred a qualitative inquiry as in Kosovo there are only few companies engaged in international business activities which make it impossible to make statistical generalizations.

A multiple case study rather than a single case strategy is preferred in this study. Case studies are usually employed when the cases are unique (Yin, 1993:47) and when the study aims to capture the events and the factors that change over the time (Yin, 1993:15; Yin, 2003:5). In this study, we also try to explore the changing institutional and social networks used by the firms engaged to international business activities in Kosovo. A multiple-case study approach would produce more fruitful results as the analytical conclusions derived from multiple case studies are more than a single case study research (Yin, 1993:32), especially when the cases are heterogeneous. Our literature review also suggests that the impact of the institutions over firm’s internationalization attempts vary according to the variables such as firms’ size, age, and the industry. Consequently, a multiple case study research and our sample included firms that are different in size, age and industry has been employed.

3.1.1. Sampling and the Selection Criteria

There are numerous options regarding the sampling techniques and the case selection criteria which depend on the research strategy, context and topic of the study, and the nature of the cases. For example, Eisenhardt (1989:537) recommends that random selection is neither necessary nor preferable in a qualitative research. Therefore, we selected cases according to above-mentioned criteria.

The cases were chosen not based on representative of population or sampling logic, but on the idea to ensure literal and theoretical replication as recommended by scholars (Chetty, 1996:77-78; Chetty and Holm, 2000:81; Yin, 1993:32; Eisenhardt, 1989:537).

Doing literal replication enables us to discover common and different experiences that the firms had during their internationalization process, and theoretical replication to compare the findings with previously conducted studies in similar areas of research.

For several reasons we included the firms of different sizes and industries in our sample. Firstly, given that industries in Kosovo still are at the emerging phase and face stiff challenges stemming from either macro institutional ineffectiveness or insufficient business experience, we aim to understand how these firms succeeded to get internationalized. In case of Kosovo, it is not known whether the industry variable is important when examining the impact of institutions on firms' product development and low costs performance. To clarify this point, the firms in four different industries are included in the sample. These industries face common challenges due to inadequate institutional supports, unfair competition resulting from imported products and informal sectors, lack of experience to compete in home market and to reach international markets. Examining the firm internationalization in different industries would extend our knowledge on whether the firm internationalization is firm or industry specific.

Secondly, the firms included in this sample differ in size, belong to various stages of exporting activities, experience different performance in home and/or international markets, and operate in different years. We intend to identify the impact of institutions and social networks on firms of different size. This was carried on by examining how larger firms in the past got internationalized and whether new ones followed suit.

Thirdly, to identify the impact of social networks on firm internationalization, we expected that selecting the firms from different industries that got internationalized many years ago, would shed more light on the impact of social networks. Selected industries have been based on various reports from the government agencies related to industries. After examining these industries, a preliminary list of firms was built. The data for two firms from different industries which are also among the largest companies in Kosovo and successful exporters, were based on media news coverage and reports.

However, considering the challenges on collecting primary data in transition economies, due to low trust of firms on institutions, and the concern that the data might be (Musteeen et al., 2014). The selected firms were contacted through personal networks to obtain the information about the nature of the research conducted. After these two firms (Case#2 and 3), others were identified in a similar way through social networks.

The research was carried out in two stages. During the first stage ten firms were contacted, of which only five accepted to take part of the study, whereas others for various reasons did not accept in advance or canceled the meeting. After conducting the first stage of this study and examining the data, the primary data were compared with secondary data, namely the documents, and also the cross-case analysis was conducted. Following the preliminary findings, it was decided to conduct the second stage and select three additional cases that included the firms that operate in the same industries with the other five cases. The findings from newly added cases (case # 6-7-8) strengthened the findings of the first stage and increased the trustworthiness of the study which is discussed below.

3.1.2. The Unit of Analysis

In the internationalization theories, the unit for analysis is generally the firm (Wright et al., 2007: 1021). However, when examining the impact of social networks, the literature has embraced different unit of analysis, which is not the firm (Ribau et al., 2015:535) but the relationship between various actors (Johansson and Vahlne, 1993: 43; Johanson and Vahlne, 2003: 83). The difference between business networks and social networks is that the former limit their scope with inter-firm relations, whereas the latter include a variety of relationships (e.g., friends, relatives, classmates) that might determine the fate of firm internationalization (Shirokova and McDougall-Covin, 2012:181). The unit for analysis of this study is limited with the impact of macro institutions as well as of home and international networks on firm internationalization (see Figure 5, below). Each types of institutions (e.g., economic and regulatory) and social networks (e.g., home and international), have their distinct impact on firm internationalization. Therefore, focusing on the first analysis on the impact of institutions and then social networks would shed more light on firm internationalization in the case of Kosovo.

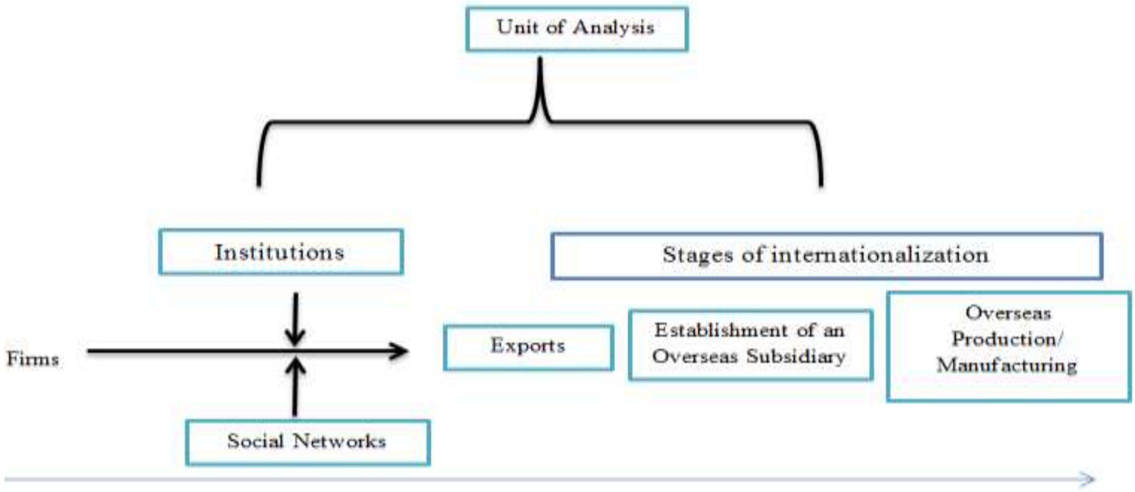

Figure 5: The Unit of Analysis of the Study

3.2. The Data

To carry out the case study it was necessary to provide data reflecting the ideas of the different bodies of the phenomena to be investigated. For this cause, both primary and secondary sources of the data were used to enrich the data sets. The primary source of data was semi-structured interviews with the top managers of the firms and two governmental officials representing the institutions we attempted to analyze. The secondary sources of the data were governmental and various non-governmental organizations' reports (see Table 2 and Table 3) and the firms' documents such as brochures and websites. By combining various data sets we aimed to ensure the trustworthiness of our inquiry.

Table 2
Sources of the Secondary Data

American Chamber (Code: ACH) Kosovo Business Agenda (2011) State of Business in Kosovo: Challenges and Opportunities for Doing Business in Kosovo (2014)
GAP Institute (Code: G) Effects of the Law on Value Added Tax (2016) Kosovo Credit Guarantee Fund: Models of Management and Effectiveness: 2015 Economic and budgetary effects of fiscal reforms 2015 Proposal of Key Policy Priorities for Kosovo Government's Strategic Plan (2014-2018); 2014 The Law on Strategic Investments in Kosovo; Examples from Albania, Croatia, Serbia and Macedonia. 2016 A brief assessment of the diary industry in Kosovo. 2016 The potentials of brick manufacturers in Kosovo. 2016
KIESA (Code: KI) Sector Profile Of ICT. Business Process Outsourcing and Customer Support Centres Sector (2014) Sector Profile of Food Processing and Packaging Industry (2014) Sector Profile of Wood Processing Industry (2014) Profile of the Chemical Industry (2014) Sector Profile of the Textile Industry (2014) Sector Profile of Metal Processing Industry (2014)
Riinvest (Code: R) Performanca, Barrierat dhe Besueshmëria e Bizneseve në Kosovë (2013) (*Performance, barriers and trust of businesses in Kosovo*) Business Climate in Kosovo; A cross-Regional Perspective (2014) Klima e Biznesit në Kosovë, nga Perspektiva e NVM-ve (2017) (*Business environment in Kosovo, from SME perspective*) Çështjet që e Frenojnë Zhvillimin në Kosovë: Përgjigje ndaj Sfidave të Rritjes Ekonomike (Issues that constrain Kosovo; Answer to the Challenges of Economic Growth)
UNDP (Code: U) Ex-Post Policy Assessment Impact Of Tax Regime On Four Manufacturing Sectors (Metal, Textile, Wood And Food Processing) (2014)
European Commission: Kosovo progress reports: 2009; 2010;2011;2012;2013;2014;2015 (Coding, EU)
Ekonomiaonline (Code: E)
Insajderi (Code: I)
Telegrafi (Code: T)

In order to provide a better understanding of the impact of institutions on firm internationalization, two interviews with government officials were conducted. These interviews reflect the views of the individuals who are in a position of authority and therefore help us to compare and contrast the views of the firms and government officials. The purpose was to understand how the officials were evaluating the institutional and business environment in Kosovo in general and the impact of institutions on exporting firms in particular.

The interviews with the firm managers were based on the criteria set by previous studies (Coviello and Munro, 1997:368; Sekliuckiene, 2017:226; Stoian et al., 2017; Rialp et al., 2005) according to which, the individuals should have information about the firm's operations in the past and present, and actively engaged in decision making processes.

Semi-structured interviews with managers allowed us to examine the effect of institutions with a longitudinal perspective covering firm's background, the early phase when it began to compete in the home market, and it's initial and current position in international markets. The aim during these interviews was to understand the impact of institutions, and social networks, where the firms were asked to identify the institutional effects not on their perception, but on real-life situations. After the firms described the impacts of institutions, we asked then which institutions had the most influential impact on their firm and whether these influences changed over time.

Table 3
Interviewing Procedures

Meeting Date	Duration	Interviewees	Qualification	Industries of the firm
O5/03/2018	One hour	Exporting manager	Economist	Metal processing industry (Case#1)
08/03/2018	45 minutes	Exporting manager	Engineer	Food Processing Industry (Case#2)
09/03/2018	One hour	Exporting manager	Economist	Textile Industry (Case#3)
12/03/2018	50 minutes	General Manager	Economist	Chemical Industry (Case#4)
13/03/2018	One hour	Manager	Economist	Textile Industry (Case#5)
25/06/2018	One hour	Manager	Economist	Textile Industry (Case#6)
26/06/2018	One hour	Owner	Economist	Metal processing industry (Case#1)
26/06/2018	One hour	Finance Manager	Economist	Food Processing Industry (Case#2)
Interviews with governments officials				
14/03/2018	40 minutes	The head of export promotion agency	Economist	
14/03/2018	40 minutes	Vice minister of trade and industry	Economist	

It is important to note that the interviewees from transition economies have less experience regarding the process of being interviewed about their firms. This makes it difficult for interviewers to build trust and collect the data. The best way of building trust is to have or build a direct social connection. We contacted with the firms by using our social networks. This was made in order to avoid any misunderstanding and to build trust in advance or before the interview started. The firms were well informed about the purpose of interview, and they were assured that the data would be used for academic purposes only, and the name of the firms and individuals will remain anonymous.

3.2.1. The Interviewing Process

After identifying general institutional implications, the firms were then asked to specify the impact of institutions clearly by avoiding generalizations and being more specific. When the first part of the interview ended, we then asked to clarify how they survived from institutional impacts, and how they could place social networks in their survival process. To identify the effects of social networks on firm internationalization first, we asked the managers to explain how social networks helped the firms to cope with uncertainties stemmed from institutional ineffectiveness. Then, it followed the questions regarding the role of the social networks within the firms' efforts for survival and entering international markets.

In the interviews with the government officials, two sets of questions were asked. The first set aimed to understand how the officials evaluate the institutional and business environment in general while the second set of the questions was related to the firm internationalization and the impact of institutions on exporting firms in Kosovo.[5]

3.3. Data Analysis Technique

By taking the research strategy into account, a Qualitative Content Analysis (QCA) is chosen as the most suitable data analysis technique for this study. This data analysis technique is common in qualitative research settings and has been used in different disciplines (Graneheim and Lundman, 2004:105; Skeith and Gonsalves, 2017:52). QCA is defined as a "method that systematically describes the meaning of qualitative material by classifying the material as instances of the categories of a coding frame" (Schreier, 2012:1). Patton (2002: 453) argued that case study strategies could be content analysis, where the process aims at producing the concepts that fit the data (Flick, 2014:311; Strauss, 1987). The core idea of content analysis is to identify essential statements that are directly related to the study and statements that explain the events (Gillham, 2000:71).

The main steps in a QCA, are: a) describing the material; b) defining the categories; and then, c) doing coding (Schreier, 2012:1). The categorization should be made directly following the aim of the study (Bowen, 2009:33). The documents collected for the study

[5] For sample interview question see appendix

and from the interviews conducted must be read and examined several times to decide with texts, or part of the text should be included in the analysis. Then the links between categories, texts and ideas should be established carefully. All these steps should follow a well-defined and planned process (Marying, 2000). They will enable us to understand the data used (Schreier, 2014:8-9) and how the data are reduced systematically, divided into coding frames, then into sub-categories, categories and the main category (Elo and Kyngas, 2008:112).

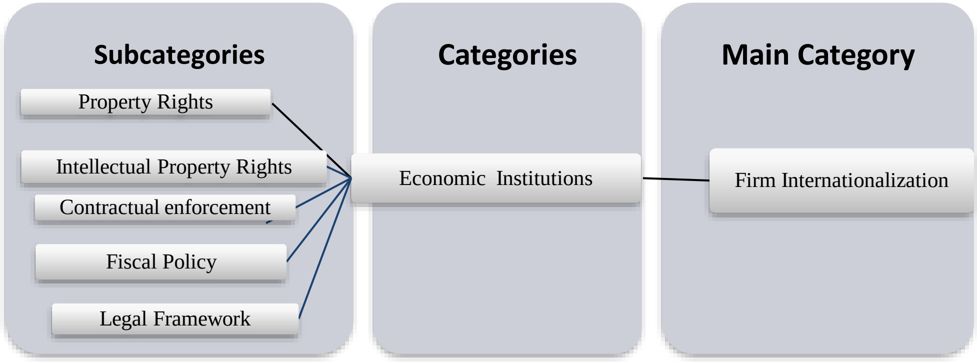

Figure 6: Categorization Made for the "Impact of Institutions on Firm Internationalization"

Depending on literature review and research questions, the categorizations made for the “effects of the institutions on firm internationalization” and “the effects of social networks on firm internationalization” are displayed in Figure 6 and Figure 7.

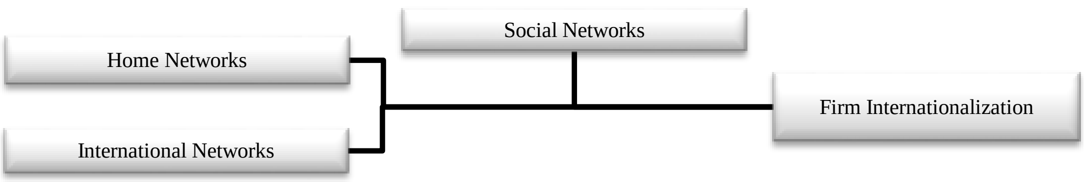

Figure 7: Categorization Made for the "Impact of Social Networks on Firm Internationalization"

After setting up the categorization process, then it was necessary to read the material repeatedly and intensively by focusing around a single (sub)category. The next step was to identify the codes (or labels) which represent the sub-category in question more precisely. By doing such a categorization and coding, it is possible to avoid the more considerable amount of material and 'cognitive' overload, to ensure that the collected material is suitable and that the diversity is secured by using different sources of documents (Schreier, 2014:8-9) and interviews.

3.3.1 Process of Categorization and Coding

Codes are the concepts that represent the phenomena examined. They emerge from the critical evaluations of the research materials. During the process of coding, the researcher should consistently address the research questions of the inquiry in order to build clear and strong connections between the codes and the categories. The first step of the coding process is ‘open coding.’ This process is carried out by reading the pages and paragraphs line by line. Open coding at first aims to understand the text that is analyzed, developing codes to name the text and describing the phenomena that are studied. The outcome of the coding process is the list of codes that emerge from the text. This process aims to produce the concepts that fit the data (Flick, 2014: 311; Strauss, 1987). The concepts occur from the process of open coding are the building blocks of the sub-categories and the categories. This step is essential to identifying and analyzing all the categories closely at a time. Each sub-category should be associated to the category and the main category. During this period, it is important to code ‘intensively’ and ‘concertedly’ around a single category. Then it is necessary to be more precise on different conditions, outcomes and consequences that are being studied, which present the phenomena referred to as a category.

In this research, the coding process evolved around how and which institutions influenced firm internationalization and how the social networks have helped the firms to overcome the disadvantages stemming from institutional inadequacies. The coding process on the impact of economic institutions sub-categories was made separately in order to clearly identify the distinct impact of each institutions. For this cause, firstly various reports from governmental and non-governmental organizations were examined and coded. Then, the statements that closely resemble the category and sub-category were quoted. Secondly, the transcripts of interviews from each case were coded and the codes were, compared and contrasted to each other and then to the secondary data.

Literature review was the guidance to develop initial concepts, then themes on the impact of social networks on firm internationalization. Themes of the impact of institutions and social networks reflect each categories, and sub-categories. The themes represent the idea and the concept regarding the main aim of this study to identify the specific impact each institution studied.

The theme on the impact of the impact of institutions on firm product development reflects generic category namely economic institutions and its sub-categories; property rights and intellectual property rights. Codes-concept that derived from primary and secondary data were analyzed, compared and contrasted, and which codes closely resemble the distinct impact of economic institutions. Furthermore, the concepts from secondary data were analyzed, based on direct quotes from documents and various reports, then these concepts were analyzed with concepts of primary data.

This procedure was carried out for the theme on the impact of institutions on firm's ability to compete, which theme reflects generic category namely its sub-categories: fiscal policy and intellectual property rights. The concepts derived from primary and secondary data, closely resembled theme on the impact of regulatory institutions. These concepts were compared and contrasted where, the costs derived from these institutions closely resembled the theme.

The theme on the characteristics of the firm internationalization was based on two sub-categories: motive and the process of internationalization, which sub-categories closely define the theme. In addition, the themes on the impact of social networks were divided on distinct impact of home and international networks that emerged from sub-categories which resemble the distinct impact that these networks have on firm internationalization.

To identify the impact of sub-categories such as property rights, intellectual property rights, and contractual enforcement on firm internationalization, the codes emerging from the coding process were predominantly negative. Depending on the statements such as 'weak protection of property', 'negative impacts', 'copying and unfair competition', 'poor implementation', 'obstacle to the development of product', 'courts are not functional', 'weak enforcement of the property' we identified such codes. The statements repeatedly related the product development with weak protection of property rights and intellectual property rights sub-categories. As for contractual enforcement sub-category, 'dysfunctional courts', and 'delays in the courts' were the codes derived from secondary data.

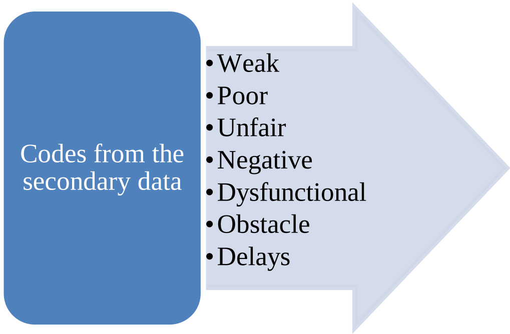

Figure 8: Codes from the Secondary Data Resembling the Impact of Property Rights, Intellectual Property Rights and Contractual Enforcement on Firm Internationalization

After coding the documents or the secondary data, the transcripts from interviews were coded and analyzed. This process went through two phases: first, identifying the impact of economic institutions sub-categories, and second, identifying the firm behavior-reactions when the impact of these institutions is negative. The codes that emerged from the impact of economic institutions were put as, 'the lack of trust on institutions', 'high costs', 'the liability of smallness', 'the lack of experience of firm'. Whereas, the codes that closely resembled the firm's behavior and reaction towards negative impact of economic institutions were 'national brand', 'product image', 'protection by social networks', 'close relations with networks', 'consistent learning and developing product', and trust in 'international courts'.

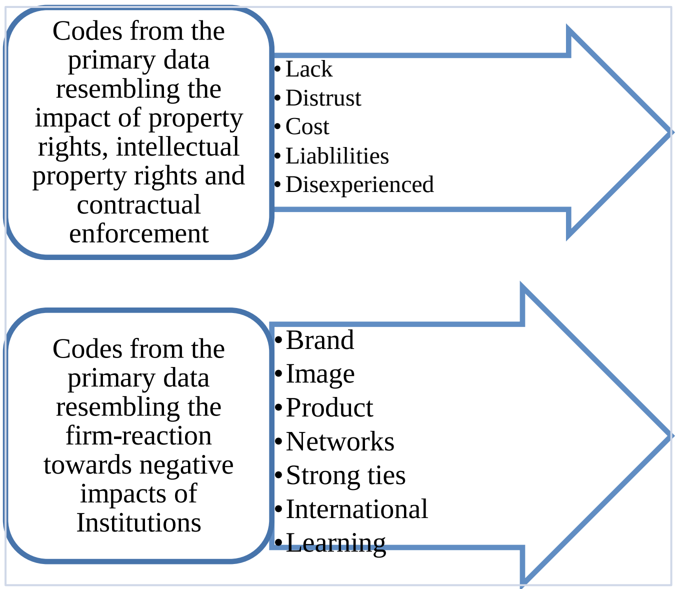

Figure 9: Codes from the Primary Data Resembling the Impact of Economic Institutions on Firm Internationalization and Firm Behavior

Based on the impact of economic institutions category such as property rights protection and intellectual property rights, the sub-categories a theme that describe closely their impact emerged. The impact of contractual enforcement sub-category is discussed separately from other sub-categories of economic institutions, and is added to home networks category.

Theme: The Impact of Institutions on Firm's Product Development

Category: Economic Institutions

Sub-categories: Property rights and intellectual property rights.

A similar procedure was applied for the fiscal policy and legal framework sub-categories. The first step was to code the secondary and then the primary data sets. The second step was to compare the codes of interviews, then compared them with the secondary data codes. For fiscal policy, the codes such as 'high costs' 'unfavorable taxes', 'inability to compete' were related to old fiscal policy. During the document analysis, the outcome of second fiscal policy and the codes that resembled these outcomes were as follows: 'lower costs of production,' 'successful reforms on second fiscal policy'. Legal framework codes such as "long exporting procedures', 'unfair competition', 'high competitive pressure', 'shortage of exporting procedures' were derived from the document analysis.

The codes that emerged from interviews transcripts also showed more clearly the outcomes, either positive or negative, of the fiscal policy reforms as well as legal framework on firm internationalization. The codes for fiscal policy sub-category derived from the interviews are "positive outcomes of the reforms on firm competition', 'lower costs', 'favorable taxes', 'the quality of product' 'exporting performance', 'industry and firm characteristics'. Similarly to fiscal policy sub-category, the codes for legal framework sub-category support the secondary data codes such as' shortage of exporting procedures', 'exporting performance',' commitment to export' that closely resembled the legal framework sub-category.

Based on the codes from sub-categories, a common impact of these institutions is related to the firm competitive ability in home and international markets, and these outcomes, a theme that closely described the impact of these sub-categories category is derived.

Theme: The impact of institutions on firm's ability to compete

Category: Regulatory Institutions

Sub-categories: Fiscal Policy and Legal Framework

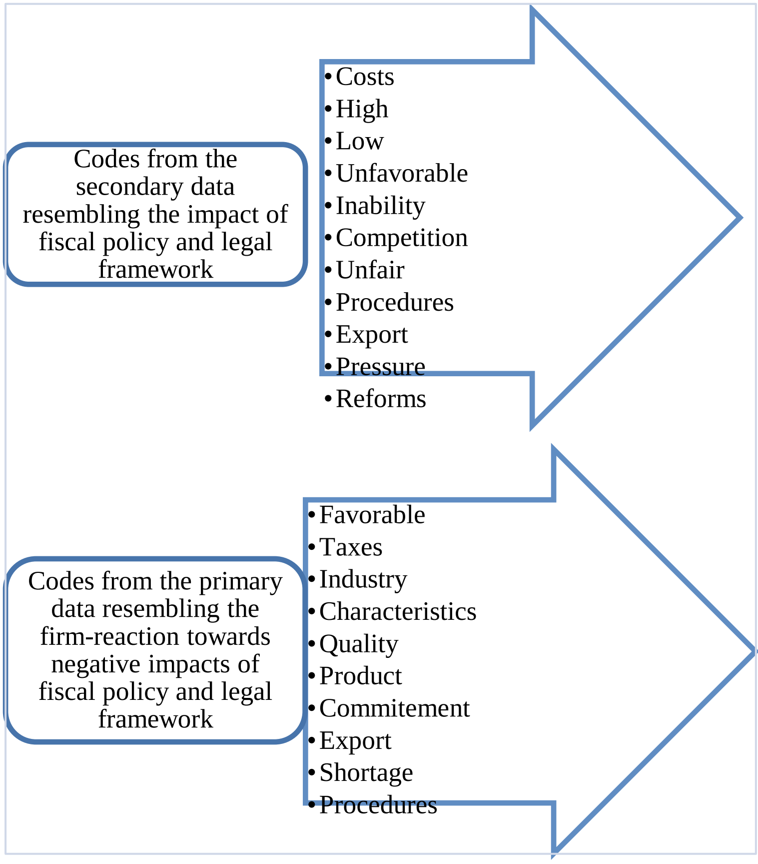

Figure 10: Codes from the Primary and Secondary Data Resembling the Impact of Fiscal Policy and Legal Framework on Firm Internationalization**.**

In addition, during the coding process two sub-categories emerged which were not related to the impact of institutions, but to the sources that encourage the firms to engage in international business activities. First, the sub-category that emerged during the transcript analysis was the motive of firm internationalization, with the codes such as 'low buying power in home market', 'firm growth', 'small home market'. Second, the sub-category is gradual internationalization and the codes that closely described it are 'neighboring countries then other countries'. These two sub-categories describe the characteristics of firm internationalization and the process of entry into other countries. Based on these two sub-categories, another theme emerged.

Theme: The Characteristics of Firm Internationalization

Sub-categories: The Motive of Firm Internationalization and the Process of Internationalization

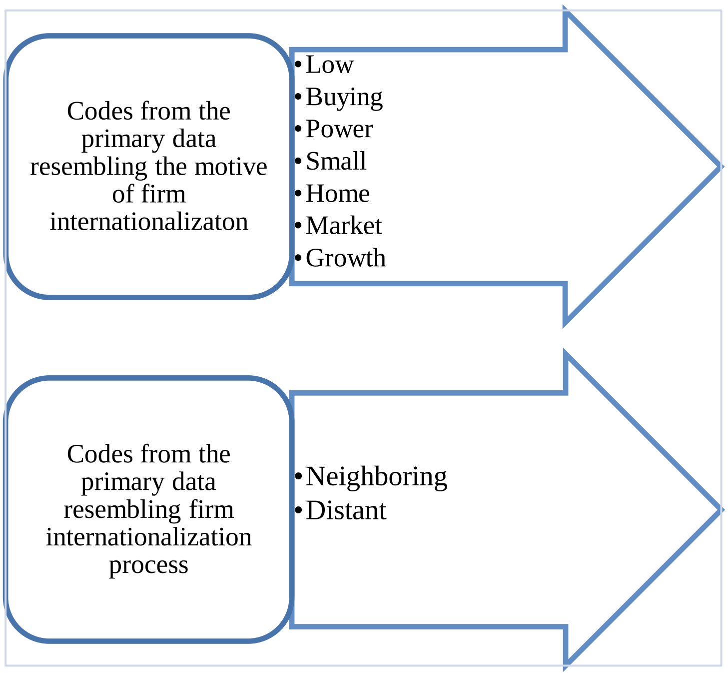

Figure 11: Codes from the Primary Data Resembling the Characteristic of Firm Internationalization

The coding process on the impact of social networks on firm internationalization was based solely on transcripts from the cross-case interviews. It was divided based on the sub-categories decided upon the literature review, in which three main home networks emerged: distributors, government ties, and business groups. The codes for the sub-category were based on their impact on firm internationalization such as: 'continuing presence in home market', 'the lack of experience on international markets', inability to connect the firm with international networks', 'protecting firms product from imitation', and the statement such as 'our success depends on relations with our networks in Europe'. The impact of government ties included the codes such as 'to expensive to maintain relations', 'the negative impact on firm image' that closely explain the importance of government ties. The impact of bridging ties is based on a common statement that closely presents their importance for firm internationalization such as ‘plays as representative role in cases when the firms address the issues to the government.’ Contractual enforcement sub-category referred to the importance of social networks, therefore, this sub-category is added into home social networks sub-category.

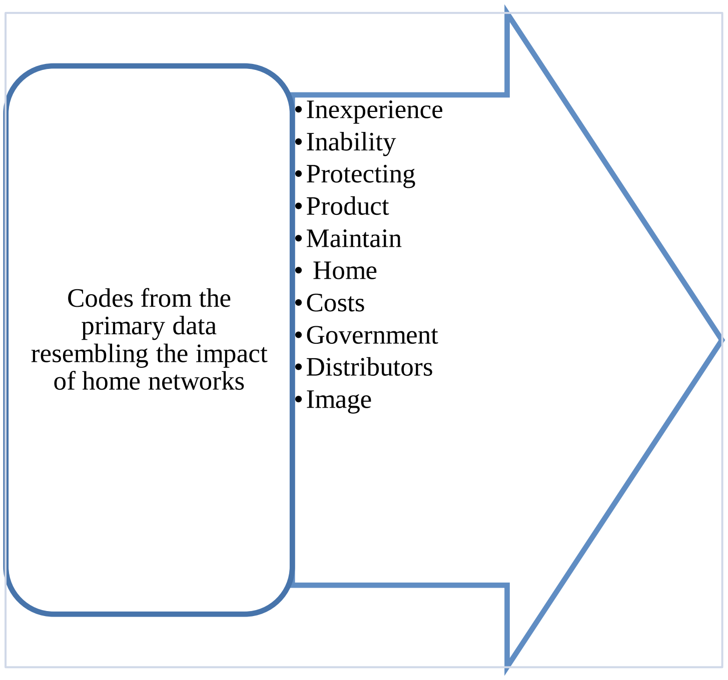

Figure 12: Codes from the Primary Data Resembling the Impact of Home Networks on Firm Internationalization

Based on the codes and the impact that home networks have on firm internationalization, a theme that closely explains the impact of home networks emerged.

Theme: Home Networks

Category: Maintaining Position in Home Market

Sub-categories: Distributors, Government ties and Business Groups

The impact of international networks on firm internationalization was based on two important components: first, how the firms build international networks and enter into international markets, and second, which component is the impact of international networks on firm internationalization. For the first component, the codes such as ‘internet’, ‘suppliers’, ‘bridging ties’, ‘contacted by their client’, ‘visiting company’, ‘international fairs’, ‘diaspora’, ‘prior contact’ were introduced to explain the process on how the firms build international networks. The second component on the impact of international networks on firm internationalization, ‘knowledge’, ‘experience’, ‘firm performance', 'information', 'entering into new countries', 'image', 'sharing experience and knowledge' were the codes that closely resembled the impact of network relations. These codes also include the network structure in international markets, in which case the firms entered through the current network relations. During the coding process several codes that explain the impact of networks on firm internationalization and the characteristic of this process emerged. This process was characterized by learning process and the codes such as 'gradual learning process', 'consistently improving the quality of product', 'clients recommendations on prices and quality', 'adapting new technologies', and 'developing products' were introduced to explain how social networks helped the firms to learn about international markets. In addition, another sub-category emerged on how the firms maintain relations with international networks. The codes such as 'the advantage of maintaining relations', 'trust', 'experience', 'networks image', 'investing into relations' were made to explain on why the firms maintain long term relations. Based on the codes and sub-categories emerged, a similar procedure is followed to build a theme that explains these sub-categories.

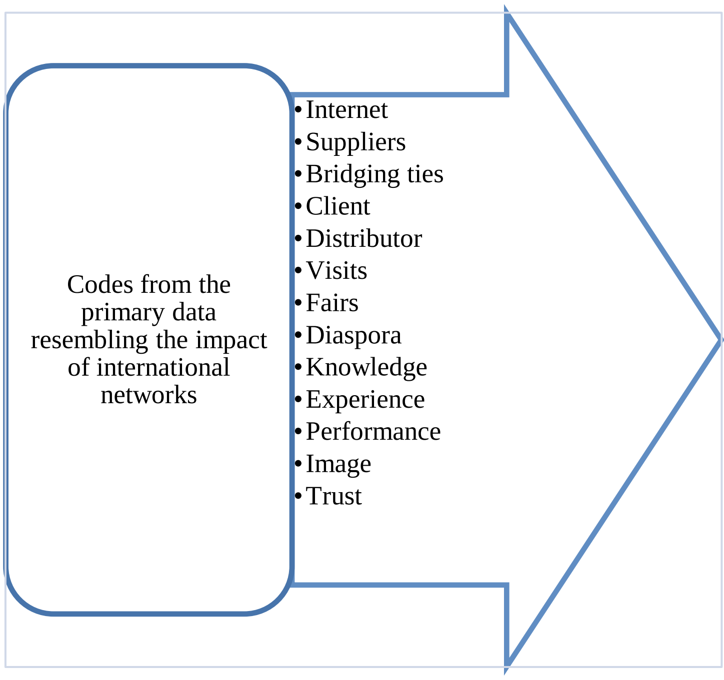

Figure 13: Codes from the Primary Data Resembling the Impact of International Networks on Firm Internationalization

Theme: International Networks

Category: Facilitating Firm's Internationalization

Sub-categories: The Process of Building International Networks; Network Relations and Structure; and Maintaining International Networks.

As it is shown above, there are no codes that are related to the characteristics of the context or the environment. Although, the codes on the impact of these institutions are not context specific, these codes also show how the firms in the case of Kosovo reacted to the negative impact of institutions and maximized from social networks. As it is shown and discussed in introduction part, the case of Kosovo is unique in her process towards the market economy. Furthermore, as it is said in the expected contribution of the study and the gap in the literature, despite that there are no context specific codes, the gap calls for the scholars to examine the firm internationalization, these codes derived from the data that show how the firms react to the negative impact of institutions and use social networks to get internationalized. Therefore, despite that there are no codes that show the specific characteristics, Kosovo is unique from macro level, thus this was taken for granted when the coding process was preceded.

Table 4
Sub-categories, Categories and Themes on the 'Impact of Institutions and Social Networks on Firm Internationalization

Sub-categories	Category	Theme
Property rights Intellectual property rights Contractual Enforcement	Economic Institutions	The impact of Institutions on firm product development
Fiscal Policy Legal Framework		The impact of institutions on firm ability to compete
Distributors, Government ties and Business Groups	Maintaining Position in Home Market	Home Networks
The process of building international networks	Facilitating firm's Internationalization	International Networks
Network relations		
Network structure		
Factors that lead firms to maintain networks		

3.4. Trustworthiness of the Research

Trustworthiness is based on four components: credibility, dependability, conformability, and transferability (Nowell et al., 2017; Coskun, 2017:363). Credibility entails the internal validity and refers to building accuracy of the findings and interpretation of these findings (Tobin and Bergley, 2004:391). Two interrelated strategies were used, one being the direct quoting, and the other, the triangulation of data (Patton, 2002:544)., The documents from different sources were used. These documents provide a different point of view regarding the topic examined. These documents are open for the public (Coskun, 2017: 363) for the parties interested. They were accessed through official websites in which cases, some documents were in Albanian language and were translated into English. As mentioned above, various secondary sources of evidence were included. As this study was carried out in two phases, the first five cases were included, then after analyzing the primary data, the analysis was compared to the secondary data analysis. In the second phase, three firms in the industries examined, were selected to identify whether the findings of prior five cases are different, and the findings of second cross-case analysis support the claims by the managers on the impact of institutions and social networks on firm internationalization process. The findings of the second phase conducted with three firms (case#6-7-8) strengthened and increased the trustworthiness of the study.

To ensure dependability requires that the author be self-critical and accessible for internal and external dialogue (Tobin and Bergley, 2004:391). Dependability questions the integrity and consistency of data collection, analysis and interpretation of research, and the consistency of the process (Lincoln and Guba, 2013:105). In such a situation, the goal of the researcher is viewed as scientifically distant that the study is not influenced or the researcher does not attempt to impact the study (Krefting, 1991:216). To do so, the researcher has to be neutral to the study by not aiming to prove a particular perspective or manipulate the data to achieve the predisposed truth (Patton, 2002:51). While selecting the documents, conducting interviews, analyzing and interpretation of the findings, the author tried to ensure the neutrality by putting aside personal opinion and other beliefs that might affect the study's findings. To ensure the dependability of the study, it was attempted to provide detailed information regarding the procedure of the coding process, the structure of the study, and the techniques used to analyze the data. To be more objective, the author provided direct quotes from the documents and interviews, and was not influenced by personal views regarding the study conducted.

Transferability denotes the generalization of the study to other settings (Tobin and Bergley, 2004:392). It also refers to the degree that the findings can be applied in other contexts or populations (Krefting, 1991:216). It is argued that the findings of case studies might be applied to other contexts. Given the characteristics of Kosovo, it is important to note that the factors that lead to the failure of institutions might be applied in another context. For multiple case studies, these findings can be applied in similar contexts where the institutions are weak, and where the firms attempt to substitute these institutions by using social networks. Also, to ensure the generalization of the findings, a cross-case analysis can be employed to check for literal and theoretical replications (Rialp et al., 2005:142).

Table 5
The Characteristics of the Firms

Cases	Foundation	Ownership	Employees	Products	Incomes and position prior to internationalization	Year internationalization and the number of countries entered	Entrepreneurs' international experience prior to internationalization
Case# 1	Early 70's; destroyed during the war; restarted business activity in 1999-2000	Family	40	20, depending on market demand	5-6 million euro/Stable	2012-2013/first neighboring then distant countries/Five countries	No prior experience
Case# 2	Founded in 1994; restarted business activity in 1999	Family	140	Two Brands, with different features	12-15 million euro/70% controlled the market	2007/ first neighboring then distant countries/ 25 countries	No prior experience
Case# 3	Established during1995 destroyed during the war	Family	250	One brand; dozens of products	40% of annual incomes are from exports/Stable	2012/ first neighboring then distant countries/ 14 countries	No prior experience
Case# 4	2017	Home and German owners	5	46 products; and 36 others in testing process	2 million; in five-year goal is to reach 10/Fragile	2017/first neighboring then EU/Three	Prior experience, Co-founder lived in Germany and partners are German
Case# 5	2012	Family	100	Different products, based on season	20-25% of incomes are from exports/Fragile	2017/ European Market/ Three	Prior experience
Case# 6	1995	Family	40	15	1.5 million-euro annual incomes/Stable	2009/European Market/Three	Owner lived in Germany
Case# 7	2008	Family	8	27	90% of incomes are from exports/Stable main focus international market	2015/ first neighboring then distant countries/Six	No prior Experience
Case# 8	2002	Family	52	70	1.5 million euro (95% of products are sold/ The lack of culture on using firms products, main focus international market	2003-2004/ European Market	Lived in Germany

3.5. Conclusion

This chapter discussed the research strategy on the impact of institutions and social networks on firm internationalization. The first section focused on the justification of multiple case studies over a single case study, the selection criteria of the firms from various industries and stages of internationalization, and briefly described the unit analysis. The second section explained the data, both primary and secondary data for analysis. This study included the interviews with eight managers and two government officials as a primary source, whereas the secondary source were the documents from the firms, and various government and non-governmental organizations regarding the topic examined. It also explained in detail the coding process and how the themes, categories and sub-categories emerged from the data analysis. The last section discussed and explained the trustworthiness of this study.

CHAPTER 4: FINDINGS ON THE IMPACT OF INSTITUTIONS AND SOCIAL NETWORKS ON FIRM INTERNATIONALIZATION

This chapter reports the empirical findings of our research. It consists of five sections. The first section explores the characteristics of firm internationalization and its two sub-categories, namely the motive and the process of firm internationalization. The findings on the impact of institutions on firm internationalization are reported in section two, with the details provided in two sub-sections. The first sub-section reports the findings on impact of institutions on firm product development, to be followed by the second sub-section that provides the impact of regulatory institutions on the ability of the firm to compete. Section three compares the difference of governmental officials and the firms regarding the impact and the role of institutions on firm internationalization. The impact of home and international social networks on firm internationalization by various players and stakeholders is reported in section four. The last section of this chapter elaborates the barriers to export and build international networks.

Table 6
The Chapter Structure

Sections	Characteristics of Firm Internationalization
Section I	a)Motives; b)Processes
Section II	Impact of Institutions on Firm Internationalization
	a)Product development; b) Competition
Section III	Views of Different Bodies
	a) Government officials; b) Firms
Section IV	Home and International Networks
	a)Home social networks; b) International social networks
Section V	Discussion
	a) Managerial implications; b) Policy implications; c) Limitations of the study and future suggestions

4.1. The Characteristics of Firm Internationalization

As discussed in the first chapter, the findings on the motive of firm internationalization are provided by sub-categories which are based on the literature review. The sub-categories then are analyzed in compliance with the aim of empirical study to generate the findings on the process of firm internationalization in the case of Kosovo.

4.1.1. The Motive of Firm Internationalization

The findings for the sub-category suggest that small home market, low purchasing power, profit and the firm's growth are the main motives of internationalization. These findings are interesting considering that Kosovo's institutional environment is weak, consistently produces uncertainty, and has a negative impact on the firm performance. The characteristics for these motives are the lack of attractiveness in the home market, and most importantly, the commitment of these firms to engage in international business activities. The commitment to international markets is supported by the process to learn and improve the quality of their product consistently.

Table 7
Motive of Firm Internationalization

Case	Quotes	Codes
#1	"The purchasing power in Kosovo is low, and the production capacity of our firms can cover more than Kosovo market. Every business aims to grow, including our business, expand the market, increase profits and the image of the firm, and getting familiar with the procedures to export are an advantage for us"	Low purchasing power in home market, firm growth, profits
#2	"At the early stage our firm had no capacity, but when we succeeded in the home market, and witnesses that the on the demand for our products is higher in other countries, we focused more in foreign markets. Even though we had in our plan the aim in home market where 70% of our sales were carried out after introducing our first brand, we wanted to grow and increase our profits by going more international."	Firm growth, profits
#3	"Our financial stability, the growth of our company has evolved gradually, and we have not seen any limits in attaining it..."	Firm growth, profits
#4	"We did not have any plan to export unless we got an offer from Switzerland. We offered a lower price than a firm from Bangladesh... Now we are motivated, and we want more..."	Firm growth, profits
#5	"The reason why our investors invested here was to export from here, and we can be cheaper. …Exports are the core to our company"	Firm growth, profits
#6	"If you export, automatically it means that your firm will increase profits, becomes more stable and grows. Kosovo's economy is small, and we know that when entering into business have to aim exporting, making more profits as small market does not ensure long-term stability, exports become the primary source"	Firm growth, profits, small home
#7	"When you produce something here in Kosovo, there are some products that we sell here for 80 euro and the same product with the same quality we sell in Switzerland for 450 euro…Thus in Europe we can more than triple our profits"	Profits, growth market
#8	"From the beginning when this company started to operate, we focused on those types of products, because, the culture of using the term 'Bio' products is not developed yet. There are many clients in the European market especially in Germany that appreciate this, and that is why we are 99% focused on exports"	Firm growth, profits

4.1.2. The Process of Firm Internationalization

The findings for the sub-category on firm internationalization process suggest that all firms followed a similar logic. The firms went to neighboring countries then entered into EU market. In some cases, they directly began exporting into the EU market as the neighboring countries were not the alternative. In all cross-cases it was found that the firms prefer more the EU market and compete there.

Table 8
The Process of Firm Internationalization

Case	Quotes	Codes
#1	"At the beginning, we entered Serbia, Bosnia, Northern Macedonia...then after our product was recognized and became successful, we entered into other countries such as Switzerland, Germany…"	Gradual\ Neighboring
#2	"In 2006 we started with energy drinks before making out first exports. We had a stable position in the home market, then at the end of 2006, we began exporting to Albania. During this time, we consistently worked on our product, then as we grew, gradually into Northern Macedonia. Having success in these countries, the ambitions grew to enter into more distant countries such as European, Middle East, Africa, and America, but all were carried out step by step; it did not happen overnight"	Gradual\ Neighboring
#3	"...we started to export to Albania, Serbia, Northern Macedonia, Montenegro. Our main market in France, .but we gradually entered into other countries"	Gradual\ Neighboring
#4	"Our first exports were to Switzerland, and then we entered France...now we send our products to Sweden"	Gradual\ EU countries
#5	"we started exports gradually first to Albania, then Northern Macedonia, Hungary..."	Gradual\
#6	"We exported in Germany, Switzerland, Austria as…here in neighboring countries no one was interested"	Gradual\ EU countries
#7	"You go step by step, and there is no rush. These business procedures are serious when the question of exporting arises. Our firm started exports in Northern Macedonia, Serbia, Montenegro, Slovenia, Switzerland, Germany"	Gradual\ Neighboring
#8	"Germany, Austria, Czech Republic, Switzerland, partially in France, Netherlands….but our focus is Germany and Austria as the primary market…"	Gradual\ EU countries

As it is shown in both sub-categories, the firm internationalization in the case of Kosovo is characterized by the motives mainly related to the type of activity, industry and the socio-economic situation in Kosovo. Although the firms did not directly relate their motives to weak institutions in Kosovo, low purchasing power is addressed to the poverty which in Kosovo is widespread. This is due to the poor economic performance of Kosovo and the inability of institutions to implement proper reforming package as a result of low living standard in Kosovo. However, it is important to mention that the firms at certain point when they reach a competitive advantage, internationalization is a natural step they have to go for. In our examined cases, as long as they find an opportunity, they see internationalization as an important step to fill their objective by increasing the profits. The findings for this sub-category suggest that firm's internationalization is gradual, with the main focus on the European Markets to build a stable position and continue the presence there. Another characteristic of gradual internationalization is to enter into foreign markets through the information gathered from social networks to lower the danger of de-internationalization. Furthermore, the logic of these firms in contrast to the 'born-global' firms that enter many countries simultaneously, entered gradually and were not born global by nature, so the decision to internationalize was made by the opportunities derived from social networks. The table below summarizes the findings on the characteristics of firm internationalization in the case of Kosovo.

Table 9
Characteristic of Firm Internationalization

Cases	Motive of Firm Internationalization		The Process of Firm Internationalization		
	Low buying power in home market, small home market	Firm growth, profits	Neighboring	Geographically distant-European Countries	Gradual process
#1	✓	✓	✓	☒	✓
#2	☒	✓	✓	☒	✓
#3	☒	✓	✓	☒	✓
#4	☒	✓	☒	✓	✓
#5	☒	✓	✓	☒	✓
#6	✓	✓	☒	✓	✓
#7	☒	✓	✓	☒	✓
#8	☒	✓	☒	✓	✓

Note: Yes, ✔; No, ☒

Figure below summarizes findings on the characteristic of firm internationalization.

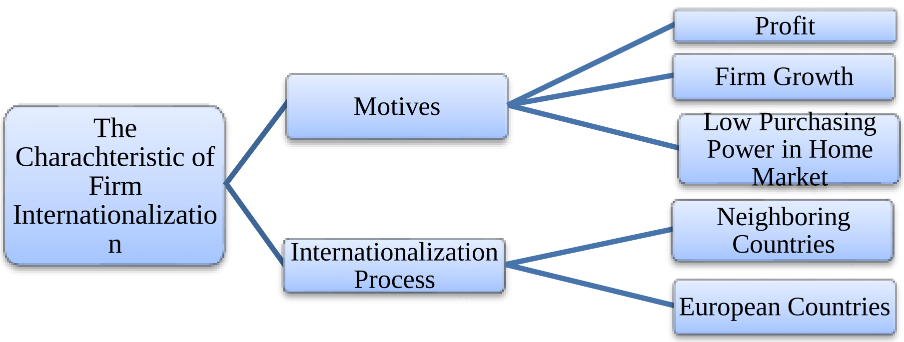

Figure 14: The Characteristic of Firm Internationalization

4.2. The Impact of Institutions on Firm Internationalization

This section addresses the first research question of the study: How do institutions impact the firm internationalization? As it is highlighted in the first chapter of this study, after analyzing the data and the coding process, this section addresses the main objective on the distinct impact of institutions. After the coding process, two main themes emerged based on the categories and sub-categories defined from the literature review. The themes that emerged from the coding process are:

Theme: The Impact of Institutions on Firm's Product Development

Category: Economic Institutions

Sub-categories:

I. Property rights,

II. Intellectual Property Rights and

III. Contractual Enforcement

Theme: The Impact of Institutions on Firm's Ability to Compete

Sub-categories:

I. Fiscal Policy

II. Legal Framework

As reported in the chapter on methodology, two interviews with government's officials are conducted. The aim was to understand their attitudes between government representatives and the firms regarding the importance of institutions on firm internationalization. The interviews with two government officials are compared and contrasted with the statements given by the firms' managers.

The sub-section below presents the findings on the impact of institutions based on themes, categories and sub-categories. First, the findings on the impact of institutions on firm product development are presented, followed by the findings on the impact of institutions on firm's ability to compete, and last, the attitude by government officials and firms regarding the importance of institutions on firm internationalization.

4.2.1. The Impact of Institutions on Firm Product Development

After analyzing and comparing primary and secondary data, the impact of economic institutions and two sub-categories of property rights and intellectual property rights is related to the main theme of this category. The findings in this case are not separated due to their similar impact on the firms, whereas, the impact of contractual enforcement is discussed separately from these two sub-categories. The direct quotes from analyzed documents are presented first, then the quotes from the interviews.

4.2.1.1. Property Rights and Intellectual Property Rights

The findings indicate that the business environment in Kosovo is characterized by weak protection of property rights and intellectual property rights that have several consequences, and reflects in various ways on the firm internationalization attempts. The source of this weak protection is the inefficiency of the courts and their deficiency to implement and enforce respective laws. The outcome of weak protection of property rights and intellectual property rights played as exporting barrier due to the product imitation practices, and resulted in unfair competition in home market. These negative impacts directly reflected on industry development, exporting performance at national level and growth of industries. Negative impacts of weak protection of property rights and intellectual property rights reflected on textile industry, where the firm’s product development was at consistent threat of imitation by other firms. Direct quotes from document analysis are shown below.

Table 10
Property Rights and Intellectual Property Rights

Quotes	Codes
"...the property rights protection negatively impacts the sector, either with regards to the development of new products\services...or to the transfer of activities of international companies..." KI4:32	Product development
"Copying of products and unfair competition are considered the main consequences of the poor implementation of property rights." KI3:30	Imitation of product
"...courts are not functional enough to ensure the security of property and the enforcement of contracts, which are of a crucial importance for investment, trade, and the overall growth of the private sector..." R1: p.42-43	Firm growth
"...that industrial property and patenting is an obstacle for their exporting business..."KI2:27	Barrier to export
"... the level of intellectual property rights (IPR) protection in Kosovo poses an obstacle to the development of firms in the textile industry"KI5:28	Product development
"...contract enforcement as one of the main factors which affects home and foreign investment is among the lowest ranked in the world."G2: p. 25	Firm growth
"...businesses do feel that the level of protection of intellectual property rights (IPR) poses an obstacle to the development of firms in the industry" KI5:37.	Firm growth
"...the process of registering a patent hinders their business development...15% of businesses that believe that industrial property and patenting is an obstacle for their exporting business..."KI2:27.	Barrier to export

Compared to the document analysis, the findings from interviews show how the negative impacts of weak protection of property rights and intellectual property rights are lowered by focusing on building internal capabilities and attempts to internationalize. The primary data show that the negative impacts depend on various factors such as: characteristics of industry in which the firm operates, type of products, firm size and age, and the ability to produce unique products that would be able to cope with negative impacts derived from economic institutions sub-categories.

The firms that operate in the textile industry are negatively influenced by weak protection of property rights and intellectual property rights. In order to overcome the negative impacts of these institutions, the firms consistently diversify their products and become more competitive. The manager of case#3 stated:

"Our firm produces dozens of products that have original features. We face problems regarding the protection of our intellectual property, products' designs and features. If a product is introduced today in the market, the probability to see a similar product in the market increases tomorrow. Still, we are aware of it and focus on the features of products that cannot easily be imitated…"

The main form to cope with negative impacts of institutions is to focus on internal capabilities, namely by improving the quality of product and core competencies as supported by case#6 that operates in textile industry. The manager of the firm concerned, stated:

“Someone can steal the models of our products, but not the quality. Every material has its characteristics and components. It is difficult to immitate, because we test our product consistently in a laboratory, and the client can see the real quality of the product.”

The negative impact of institutions is more profound among the small firms. The firm of case #5 considered that the product imitation is a consistent threat and the solution is to seek protection by the distributors in home market.

“In the textile industry, imitation has become a daily procedure. The firm works consistently to compete with new ideas, but when we see that someone imitated our product, it is frustrating for us. Being aware of this, we have attempted to protect our product through distributors. They inform us when something about imitation occurs, and at the same time, we set the competitive prices and work on quality. In Europe, we have not experienced such problems; stealing the ideas does not work there."

The firms, in particular small size ones, due to the product imitation practices in home market, pay extra costs in order to protect their intellectual property. The manager of case#4 that operates in chemical industry, stated:

"...we cannot register our "receptors" because we do not trust the customs officials. They can take a picture and send to our competitors who may steal the "formula". The government has to act, because, to protect the product, we pay extra thirty thousand euros every year…"

To protect their products and services, the firms since their establishment focus on unique products such as quality and other forms to avoid any imitation. The findings suggest that the awareness of the firms about the business environment where they operate, helps them successfully to build internal capabilities to produce unique products. In some cases, the firms focus on the quality to make a difference with their competitors in cases when their product is imitated. The manager of case#1 that operates in metal work industry, stated:

“The quality of your product and service determines everything. Costumers are those that make the difference and evaluate what we should do”

Unique products and the skills of entrepreneurs to cope with weak institutions do not concern the firm from any imitation practices in industry. The firm due to its experience in dealing with these practices consistently improves and generates new ideas. The manager of case#7, stated:

“We have patented our products, and there is a firm [name of a city], that certifies and patents the products in every two or three years. The certification does not matter and stealing ideas does not concern us. If someone steals our ideas and produces in the same quality, I would say 'Bravo.' The firm currently is working on new products that are unique than previous ones."

The experience of the firm and innovative ideas of entrepreneurs resulted in competitive advantage due to the image that firm’s previous products had over the years. In cases when the firm successfully designed and produced a unique product, then the product is easily recognized by the clients, and that is a kind of protection mechanism from any imitation practices. Despite weak institutions in home market, the firm successfully introduced two products which then became a national brand, and as a result, attracted the clients from other countries. The manager of the firm that operates in food processing industry case#2, stated:

“When we started producing energy drinks and became a national Brand and succeeded with the first one, we launched the second brand and became successful as with the first one. The competitors cannot easily copy the quality of these two brands, and our clients know that these are unique brands”

The firm’s product may not be prone to weak protection of property rights and intellectual property rights. This is due to the characteristics of the product and the process that the firm launches it into the market. All firms that operate are exposed to weak institutional settings, and the process of producing the product is not intellectual property, but the procedures that the firm follows when launching the product, in this case exporting, it needs certain certifications that are used as tool to gain competitive advantage. The manager of case#8 that operates in food processing industry, stated:

“We sell organic products [Bio-products], and anyone can have the plantations to do the same thing. However, they do not have a certificate to export which is called the C certificate, and there is an institution in charge of issuing such a certificate, which certificate in Kosovo is issued by our company. There was one firm here that attempted to export organic products, but was not certified. In this case, our partners inform us. In our business, it is not about imitating product; it is about having certification from international organizations to export organic products. ”

The findings in general suggests that weak protection of property rights and intellectual property rights negatively impact the firm’s product development, and present a barrier to export. To overcome the negative impact of these institutions, the firm finds various ways to successfully compete in home market and internationalize.

4.2.1.2. Contractual Enforcement

The findings on the impact of contractual enforcement indicate a present and consistent negative impact on the firms. The sources of weak contractual enforcement are identified as weak enforcement mechanisms. Direct quotes from the documents are presented below, which among others, stipulate:

"The legal system has continued to suffer from poor accessibility and efficiency, delays and a backlog of unresolved cases. Weak enforceability of contracts has remained one of the main concerns of companies and investors in Kosovo. It is also one of the factors explaining the relatively high interest rates charged by commercial banks to the private sector. It has contributed to the rise in non-performing loans. There has been some progress regarding the property rights infrastructure, although the accuracy of data could be further improved" (EU6:24).

The difficult and costly legal enforcement of contracts hindered access to finance and continued to hamper seriously the business environment." EU 5; p. 24-25

"Kosovo must ensure a properly functioning legal and judiciary system, enhance contract enforcement and effectively reduce delays in courts.." EU 11; p.-4

Although contractual enforcement due to deficient judiciary institutions and their inefficiency to establish functional enforcement mechanisms negatively impact the firms, they rely on close relations with social networks to overcome this shortcoming. Direct quotes from the firms below show that long term relations based on mutual trust have been of crucial importance for the firms to avoid any delays in contractual disputes.[6] The common understanding of both parties in unique circumstances and close cooperation, have been the key for the firm to avoid any negative impact which would harm their internationalization.

"We base our relations with clients, suppliers, and distribution on trust. Sometimes our clients cannot pay due to financial constraints. Similarly, when we have financial difficulties, we order from our supplier in Ukraine, and we pay later." (Case#1)

[6] The impact of social networks on firm internationalization is discussed in the next section of this chapter.

“The relations with our distributors here in Kosovo and elsewhere are stable and close. However, when we sign a contract with one distributor in another country, there are neutral courts such as in Switzerland that can solve these problems if necessary” (Case#2)

“Before our product goes into the production process, raw materials are selected in plantations. There are some cases that the contact is not fulfilled due to the weather conditions. When the temperature is -8 Celsius, it directly has consequences on our products in plantations. We always inform our distributor to check the weather forecast and understand that this was outside our capacity. In general, we never had problems with payments after the product arrives in destination, and within 30 days the payment is confirmed." (Case#8)

In some firms that still lack the trust, the opportunistic behavior of clients in international markets have been a consistent uncertainty. The importance of long term trust between the parties is shown as an important factor not only in filling the institutional voids, but also to avoid opportunistic behavior and information asymmetry between the two parties. The manager of case#6, stated:

“It is not easy to export. For example, recently the German firms became ‘sneaky’ to order our products. After we delivered, they said to pay for later. Then they find numerous excuses such as, the product is not as we expected, only to escape and delay the payment and renegotiate the price” (Case#6)

In summary, the findings indicate that weak protection of property rights and intellectual property rights negatively impact the firm product development due to imitation practices in home market, and this acts as an exporting barrier. To cope with these weak institutional settings, the firms focus on building internal capabilities such as improving the quality of product, and producing unique products. The firms that lack contractual enforcement substitute it by social networks, in particular the trust and common commitment to relations between the parties build over the years. These findings are summarized in the table below and each case is discussed in the end of this section.

Table 11
Summarizing Findings on the Impact of Institutions on Firm Product Development

	The impact of institutions on firm product development	Firm responses to the impacts of institutions		
Cases	**Protection of property rights, Intellectual property rights and contractual enforcement**	**Improving quality of product**	**Diversification of products**	**Using social networks to improve the quality, diversify products and enforce contracts**
#1	✓	⍓	⍓	⍓
#2	✓	⍓	⍓	⍓
#3	✓	⍓	⍓	⍓
#4	✓	⍓	⍓	⍓
#5	✓	⍓	⍓	⍓
#6	✓	⍓	⍓	⍓
#7	✓	⍓	⍓	⍓
#8	☒	⍓	⍓	⍓

Note: ☒- No impact; ⍓- Firm responses; Negative Impacts ✔

4.2.2. The impact of Institutions on Firm's Ability to Compete

As noted above, the second theme that derived from the coding process is the impact of institutions on firm's ability to compete based on regulatory institutions category. This theme is derived based on document analysis and interviews with the firms on the impact of sub-categories of fiscal policy and legal framework. Below are presented the findings based on document analysis, then the findings from interviews of cross-cases.

4.2.2.1. Fiscal Policy

The findings from the firm's ability to compete, in particular the fiscal policy, can be divided into two phases. The first phase is when the institutions fail to propose a favorable fiscal policy that would encourage the firms to compete in home market by lowering the costs derived from taxes. The second phase is when the institutions successfully implement and reform the first fiscal policy, which exempted the firms from the taxes during the production process. The reforms on second fiscal policy directly reflect on the firm's production costs by positively encouraging them to become more competitive.

Table 12
Fiscal Policy

Quotes	Codes
"...manufacturers in Kosovo face is the payment of custom duties on raw materials, particularly since other countries...the goods produced in those countries a competitive advantage...companies face higher costs." ACH1: p.30	High costs, unfavorable taxes
"Abolition of the VAT in raw materials and production machinery has reduced the initial investment costs..." G1:13.	Reforms, lowering costs
"... input costs indicate that the average share of raw materials in total costs is 79%, with large companies spending 37% of total costs on raw material." KI2: p.12	High costs
"Raw materials and intermediate goods dominate the cost of inputs for micro and small businesses (75% and 63%, respectively), and they account for around 46% of that in medium and large businesses." KI5: p.14	High costs
"The recent fiscal reform of the last two years has generated very little positive results...but at the same time we should also consider the entry into force of the Stabilization and Association Agreement that has further liberalized trade with EU Member States, thus further increasing the competitive pressure on products produced in Kosovo" E17	Competitive pressure
"Agriculture is a key sector in Kosovo. Agriculture and fishing has a share of about 17% in the total value added in the economy. It is the main source of income for the majority of the population. The sector has further growth potential, both in terms of production and trade. Kosovo is a net importer of agricultural products. Import of agricultural products (food and beverages, live animals and vegetables) amounts to almost 22% of all imports but less than 8% of all exports. The main agricultural exports are beverages, spirits and vinegar (wine, edible vegetables and vegetable and fruit preparations). The most important imports of agricultural products in terms of value are beverages, spirits and vinegar, edible meat, dairy products, pastries and milk preparation" (EU5:21).	Low exporting performance, competitive pressure, weak institutions

4.2.2.2 Legal framework

The findings on the impact of legal framework were part of the the reform packages which directly related to the fiscal policy. Long bureaucratic procedures were the main barrier for the firms to export in foreign market. The second fiscal policy package included the simplifying of required documents at border crossings, which increased exports.

Table 13
Legal Framework

Quotes	Codes
"...development is limited due to the market which, according to processors has no statutory regulation for certain categories of products." G3: p.5-6	Weak legal framework
"...the regulatory framework for trading across borders has recently been reformed, and the number of documents required to export has been greatly reduced..." KI5: p.21	Shortening of exporting procedures
"...the regulatory framework for trading across borders has recently been reformed, and the number of documents required to export has been greatly reduced, reducing the cost of trade by 20%3." KI3: p.24	Reforms, lowering costs
"Business executives have complained in addition to prices and troubles in supply...from supply problems Kosovo businesses lost about 300 million Euros during 2016." I7	High costs, lack of energy supply
"Local producers have major problems with electricity. Electricity costs increase by around 50% when the winter tariff is applied...Besides increasing the cost of production, winter rates create problems with liquidity during because sales drop during this season..." G6: p.9	High costs, lack of energy supply
"…the entry into force of the MSA…is good news, especially for exporters…But it has also lowered the cost of production…" E2	Trade agreements positive outcome
"…if institutional performance does not improve further in order to create even more favorable conditions for new businesses and investments, trade liberalization may not fully deliver the desired outcomes that affect both the benefits of consumers and producers." T5	Unfair competition, weak institutions
"Some progress was made in simplifying business registration, but insolvency procedures still present an obstacle. The establishment of one-stop shops in 2014 has reduced the time needed for company registration down to three days. However, the announced online registration has still not been fully implemented. Numerous obstacles to market entry remain: a weak and unaccountable administration; insufficient access to finance; an underdeveloped infrastructure (especially in electricity supply); a deficient rule of law; extortion practices; a widespread informal economy; and insufficient academic and professional/vocational education. Weak insolvency procedures still hinder market exit and delay payments to creditors" (EU8:34-35).	Reforms on legal framework, institutional barriers to grow
"Kosovo would benefit from programmes aimed to raise the competitiveness of its economy, focusing on the adoption of new technology, increased productivity, reduced labour costs and the generation of jobs. Such programmes should help increase the transparency of business regulation, including licences, permits and certification, and effective and independent supervision, and offer support for networking initiatives" (EU2:8).	Absence of advanced legal framework

Compared to economic institutions category where there was little improvement on enforcement mechanisms to protect property rights, intellectual property rights and enforcement of contracts, the impact of regulatory institutions changed over the time. The findings from the interviews support the secondary data findings that an improvement on fiscal policy directly reflects on firm's ability to compete in home and international markets. A firm that operates for over one decade, stated:

"Comparing the conditions of doing business, now they are more favorable than they used to be few years ago. When we started production, the costs were too high, taxes unfavorable, and exporting procedures long. During this period, we always were careful about the costs and how they would reflect on our price and competitive position. The changes in fiscal policy and the issues that concerned our firm are appropriately addressed. Currently, we are in an equal with our competitors in Germany or other countries. We pay 1 euro for exporting procedures, a maximum from MSA agreement with EU." (Case#2)

New fiscal exempted firms from the taxes on raw materials and technology, including the shortening of the procedures, increased the commitment towards international markets. It also lowered the costs of production and influenced positively the firms' exporting performance.

"The exporting procedures when the first fiscal policy was in force were long, associated with the costs derived from the taxes on raw materials. Now, with the changes made, the procedures are shorter, in a short period we fill all necessary documents and pay 1 euro taxes. This made the price of our products lower, now we are more competitive and export more." (Case#1)

"With our German partners, we decided to invest in Kosovo due to favorable fiscal policy. The rate of taxes we pay here compared to Germany is lower; this means lower costs of production and higher profit rate for our company." (Case#4)

"The reformed fiscal policy is favorable; it brought many advantages for the private sector. The firms now are not obliged to pay the VAT at the border crossing, and exporting procedures are shorter. Now the government should protect the manufacturing firms in the textile industry from the competitors of Turkey and other countries." (Case#5)

"Exporting procedures, including taxes, are more favorable comparing to the previous fiscal policy. Since the new fiscal policy began to be implemented, our appetite for export increased. Now our firm is focused more on exporting rather than in the home market because of higher profit rates." (Case#7)

However, the reforms in fiscal policy did not result in expected outcomes for the firms except for the legal framework, namely the shortening of exporting procedures. The firms operating in the textile industry have not been positively influenced as expected. It is interesting that small firms (e.g. in Case#5) were positively influenced despite operating in the industry where the new fiscal policy did not result in expected outcomes for other sectors. The mixed impact of fiscal policy reform is evidenced also in case#8, which did not cause lowering the costs but increased them instead. The managers of these firms, stated:

"Comparing the institutions to some 5 or 7 years ago with current condition, there are two different things. In the past, we faced barriers to export, lack of professionalism at customs duties and many more. The new fiscal policy partially addressed our concerns, except for exporting procedures and high costs we still have. The firm still pays the taxes on certain raw materials. The reform of fiscal policy is not designed to take into consideration the firm size; our firm has different aims compared to smaller ones. We plan to extend the production line and increase our capacities. However, unclear legal framework, high taxes on raw materials and other barriers, hampered us in doing so." (Case#3)

“Fiscal policy remained the same for our firm, except for exporting procedures and for the technology we use. The firm still pays for some raw materials that are not exempted from taxes. The reform in many areas remains as it was. The government should further improve the fiscal policy so we can produce more qualitative products and have more competitive prices."(Case#6)

"Compared to other laws which are up to the EU standards, the fiscal policy remains a barrier to our firm. Except for exporting procedures, policy reform increased the VAT from 16% to 18%. The firm operates in agriculture and food processing industry, and our raw materials are home, which case is not treated with any ease in the new fiscal policy. Other costs such as fuel, taxes on firm’s incomes, reach 16 000 euro per year, and that directly reflects on our final product costs." (Case#8)

In summary, the findings about the impact of institutions on the firm’s ability to compete suggest that the fiscal policy is a significant factor to become more or less competitive in international markets. Likewise, the shortening of exporting procedures does increase the firm’s commitment towards international markets and exporting performance. Despite the negative impact of fiscal policy in the past and in some cases at present, the firms successfully increased their performance in international markets by offering competitive prices and the expected quality of the products. These findings are summarized in the table below.

Table 14
Impact of Institutions on Firm Ability to Compete

	The Impact of Institutions on ability to compete				Firm responses	
					Social Networks	
Cases	1st Fiscal policy	Reforms on fiscal policy-	Reforms on legal framework (exporting procedures)	Reforms on legal framework (exporting procedures) their	Learning how to lower extra costs	Experience, Knowledge
#1	✓	⍓	✓	⍓	⍓	⍓
#2	✓	⍓	✓	⍓	⍓	⍓
#3	✓	☒	✓	⍓	⍓	⍓
#4	✓	⍓	✓	⍓	⍓	⍓
#5	✓	⍓	✓	⍓	⍓	⍓
#6	✓	☒	✓	⍓	⍓	⍓
#7	✓	⍓	✓	⍓	⍓	⍓
#8	✓	☒	✓	⍓	⍓	⍓

Note: Negative Impacts ✓; No impact after reforms☒; Positive Impact ⍓

4.3. The Differences between the Firms and the Government on the Role of Institutions on Firm Internationalization

This section presents the statements by the government officials and the firms regarding the importance of institutions on firm internationalization. These statements are compared and contrasted to clearly show the opinions regarding how the government should support the firms to internationalize.

There are differences between the firms and government officials' opinions about international markets and the importance of institutions. A government official used a metaphor to describe the firm internationalization in the case of Kosovo.

"Imagine a ten year boy who plays basketball and sending him to play in the NBA league. He has to go through a long process, first to grow up, then train hard, stay on the bench and waiting for the moment to play…" GO1

Another government official who holds a political position, stated:

"Our goal is to stimulate national businesses by firstly building quality according to international standards." GO2

The firms from their side stated that they have already built internal capabilities and are able to compete in foreign markets where the quality of products and services meet the international markets standards, including their competitive prices. The managers stated:

"We are a serious firm in the region and elsewhere with products and competitive prices. We test the reliability of welding in the laboratories in Europe, and this means extra costs for our company which we could have it carried out in University laboratories of Kosovo." (Case 1)

"The quality of our product and the prices are two important components. Also, most importantly, we present Kosovo with two brands in the international market." (Case 2)

"Kosovo is a small market, and our firm uses 50% of our production capacity only for the national market." (Case 3)

"The home market is not our strategic goal, and we are an export-oriented firm." (Case 5)

The problems of competition pressure arising from imports became a consistent barrier for the firms. In the view of government officials, the firms need to focus on adopting more advanced technology which would increase their competitive advantage in the home market. Likewise, the lack of capacity by manufacturing firms to cover the market in Kosovo, is not consistent with the motives to get internationalized. In this respect, the interviewee added:

"What matters is substituting imports with home products, and to gradually increase our exporting capacities when raw materials become more available. The price of the product will be lower, and we do not have 'over-production'; on the contrary, we lack the needed raw materials for these industries..." *GO1*

The firms have high competitive pressure from imported products, especially in the textile industry. In this case, there are different opinions by the government officials and the firms on the impact of institutions regarding the protection of national manufacturing firms. The government officials, stated:

"We identified six sectors that we promote such as wood work, metal work, textile, agribusiness, and truism. We are also oriented to other industries that have the capacity to orient for export activities. Not only we visit export companies, but also identify their problems and address the Prime Minister's office to change particular policies, and as a result, we had the fiscal policy reforms adopted." GO1

"Our priorities are the protection of national products, increasing their capacity, quality, exports, and decreasing imports. Our manufacturers face unfair competition. As the ministry, we are focused on protecting the consumers, build a strong legal framework to increase the quality of our products and protect home manufacturers. Kosovo has a strong legal framework to encourage the private sector and economic development." GO2

On the other hand, the firms complain that they still have problems due to the costs and the lack of support from these institutions. The managers stated:

"We still pay for particular raw materials. We have had numerous meetings and are still waiting. National producers do not have support from their institutions, and in contrary, we are disfavored when participating in public procurement. Despite the higher quality of the products that we offer, we are not protected even from foreign competition, namely the textile firms from Turkey..." Case 3;

"The competition from Turkey and China is high. The government’s priority is more focused on agriculture and other industries. Large companies are favored and take the grants. Despite these problems, we have approximately 100 employees." Case 4.

The firms’ statements regarding the capacity to have the products meet the international market standards and ability to compete in these markets, are entirely different. The managers of the firms said:

"The biggest problem is how to enter the market with final products, which poses different barriers, not because they allow you to enter, but in the context to fulfill the criteria about the quality." GO1

"We subsidize the firms that participate in international fairs. We invite and categorize them according to the nature of the fair organized."GO2

"The lack of a firm's performance in international markets is related to political will in identifying strategic industries which would bring prosperity to our country. The firms will be treated based on their size. The imported raw material for home manufacturers pay 0% taxes, thus all firms are in principle equal to us." GO2

Export promotion was based on firm size and industry. The lack of support to newly internationalized firms was evidenced. Insufficient information related to the international fairs increased the firms' costs to participate in these events.

"We are invited every year, and as a company, sometimes we cover their [Government's] expenses..." Case 2;

"The institutions invited us once, but it was not related to a product we produced. As a company, we attend it in Italy every year which is costly for us. The institutions should at least reimburse our expenses." Case 3;

"They [export promotion agency] never called us. We applied for training, and we have not heard from them yet..." Case 4.

In summary, the differences between government officials and firms are in three main points. First, the government officials argued that the firms still do not have the capabilities to compete in international markets. Second, the firms in contrary to the government officials, argue that the institutions do not support enough the firms to internationalize, and business environment is still uncertain. Third, the support for the firms is not related to the characteristics such as firm size, age, industry, and the absence of sound exporting promotion programs is evident in Kosovo. Figure below summarizes the impact of institutions on firm internationalization.

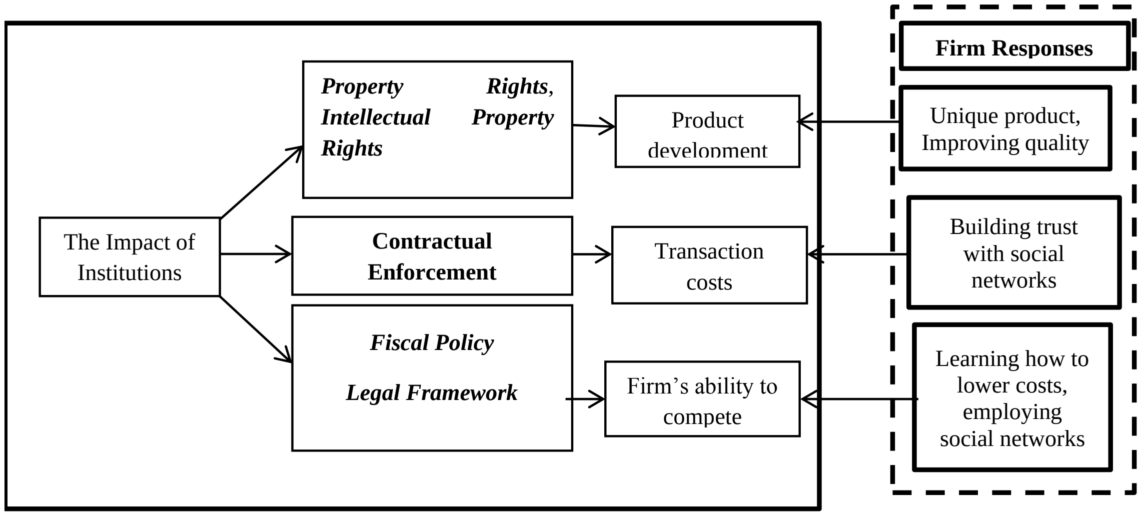

Figure 15: The Impact of Institutions on Firm Internationalization and Firm Responses to Institutional Impacts

4.4. The Impact of Social Networks on Firm Internationalization

In cases when proper reforms are implemented, most firms benefited in terms of their commitment towards international markets and exporting performance. When the institutions exercise their negative impact, the firms attempt to find alternatives against these impacts. This section presents the findings on the impact of social networks on firm internationalization, and attempts to answer the second research question of this study: How Social Networks Impact Firm Internationalization? The impact of social networks is divided into home and international networks. The coding process was based on two main categories: home and international networks. Sub-categories for the impact of these networks were based on the characteristics and the impact on firm internationalization. Moreover, the themes on the impact of home and international networks were based on the distinction that these networks have, and capability to help the firm internationalize.

The themes, categories and sub-categories on the impact of social networks are:

- ✓ The Impact of home networks on firm internationalization,

  Category: Home Networks

  Sub-categories: Distributors, Government ties, and Business groups

- ✓ The impact of international networks on firm internationalization

Category: International Networks

Sub-categories: The Process of Building International Networks, International Network Relations, Network Structure, Factors that lead Firms to Maintain Networks

4.4.1. The Impact of Home Networks on Firm Internationalization

The first subsection presents the findings on the impact of distributors, then government ties, followed by business groups. In addition, it presents the reasons why home networks had a limited impact on firm internationalization.

4.4.1.1. Distributors

The impact of distributors on the firm's performance is manifested mainly at an early stage of firm establishment and pre-internationalization. The impact is expressed through providing of information and promoting the products. By exchanging information, which is based on trust, the firm consistently interacts with the distributors to promote the products to the clients. The commitment by the distributors has positive impact on the firm's performance in home market to help in promoting the the products. The managers of the firms stated:

"Our firm is a family business. Everything started from the family and in the beginning, we aimed to supply our city, then when we invested in our first Brand. The success was decided in home market by the role of distributors and how they promoted our product. We controlled in a short period of time up to 70% of Kosovo market, because they (distributors) were committed to promote our product. During this process, being honest and having built the trust is very important. You can succeed at home, but you may not have the same success when you enter into other countries. The distributors here have their role, but when you enter into other countries there is completely something else" (Case# 2).

"Before we exported in 2012, our focus was on home market. We worked closely with the distributors to change the mentality of consumers by using the label 'Made in Kosovo'. The key to our success is the close relation with the distributors, clients, and trust we have built. The quality of product and prices also played a role. The focus on quality was important considering the competition from imported products." Case 3

"Later on, our product became more known in Kosovo. We are seven members of the family. My brother is regularly in contact with our distributors and he worked closely with them on promoting our products. He has experience in bringing the products from Turkey, then he asks our distributors to promote more our than the imported products. We have been working closely with these distributors for 8 years…" (Case#5)

Another firm to avoid any competition among distributors selects one or two distributors in each city to enable the flow of information. This is based on the logic that when there are more than one distributor in each city, the profits are higher for both the firm and the distributor. The managers of the firm stated:

"As a firm we are new in Kosovo market, but I have 10 years working experience in Kosovo. I know what the distributors and the clients want. I have noticed that some companies see only their own interest and want to succeed by not focusing on their distributors. During my experience over the years, when we started production we had a different logic. I choose in every city one or at least two distributors in each city, so they won't compete against each other for higher prices which would harm their and our profit. This is also important because they will know what kind of product and at what price they are selling to their clients. What we do is simple; we are interested that our distributors have higher performance, which means that our sales would increase. We do not invest in advertisements in media, but working closely with distributors by training them how to sell our products" (Case#4).

Besides the distributors, the firms use clients and suppliers as a bridging tie to connect with other clients. The managers stated:

"When this firm started operation, the clients and the suppliers were critical for us. They were the source of our image, performance, and growth. During our first years of operation, we worked as sub-contractors of a large company in Kosovo. The improvements in the quality of product and prices increased the trust of our clients, who recommended us to others. When we started exporting, foreign markets were different." (Case# 1).

"I do not work with the same people, but I still have contacts with my old clients. I finish one project and move to another one. Old clients always recommend me when their friends get familiar with the quality of our product. Then when I finish the project with their friends, they recommend me to another one." (Case#7)

In addition, the firm cooperates with the same suppliers over the years, and shares the experience. However, the suppliers do not have any impact on the firm; on the contrary, the firm shares its experience to help the suppliers increase their knowledge about the product. The manager of the firm stated:

"We have 57 points where we gather our 'raw material', and the suppliers are almost the same. At the beginning they were not specialized on how to plant and conduct all the process. At the same time, we have 3, 200 spontaneous collectors or cultivators, and they are all linked to us" (Case#8).

4.4.1.2. Government Ties

The findings on the impact of government ties are based on primary and secondary data. According to the findings from secondary data, the firms use the government ties to avoid any taxation and against the competitors.

“Some businesses are more privileged in terms of taxes as they finance the activities of political parties. Based on their answers, this selective collection of taxes is negatively reflected on the business climate as it creates room for unfair competition" R1:66.

"Kosovo remains one of the most criticized countries by international observers for misusing the public procurement system and awarding the contracts to the people with close ties to powerful politicians" I12.

"Changes should be made to address the ongoing and severe problem of political corruption in Kosovo. Political party financing should be made open and transparent, so that special interests that donate to political parties are not able to unduly influence the election process G3:13

With respect to the government ties, in particular the public procurement, the managers stated:

“Four years ago, we were supplier boots and shoes for the politics. When the contract ended, we applied for the second time. The quality and price of our product is known. One company that imported products won the contract. We complaint to the police and filed a lawsuit to the court, and won. Now we are waiting for the compensation, a process that lasts three years. Every year we go to international fairs, mostly in Italy. The institutions can reimburse these costs of attendance, because this negatively impacts our financial stability” (Case 3)

“We applied, but there is harsh competition. About 1 000 firms compete for one grant, and the criteria are not on what plan do you have, but how close you are with them. As a company, we also apply for the governmental contracts, because we also produce the Uniforms, but the problem is that the contracts are awarded to close groups, not to those who deserve it by the criteria.” (Case 6)

Furthermore, the difficulty for access to finance, in particular to the grants from the government, is one of the major barriers for the firms. Some firms successfully got access to these grants, others partially got some support, whereas the rest did not meet the criteria by the laws that regulate the process. The managers of the firms stated:

“The main determinant of our success in EU and other countries was the quality and price of our product. When we started to grow, we had to expand our activities. The institutions helped us with different grants on infrastructure development, then with their financial support, machines on processing the fruits and other production lines. These grants have been dedicated to firms that operate in our sector. The government gave these grants only after we started to grow" (Case#2)

"We received a grant in 2016 for one of our production lines, where the government supported with 50% and we invested the rest. There are irregularities in obtaining the grants, and you cannot get them unless you have a support there. Just going to apply and talk to someone is costly, let alone not receiving it" (Case# 8)

"It is in our business plan to search for grants. The government gives the grants based on the number of employees. We do not have large number of employees because we use modern technology. I understand that they want from us to contribute in lowering unemployment in Kosovo, but they should understand and make a distinction between the firms according to the law and include all firms, regardless their number of employees" (Case#4).

The practice how to maximize from the ties with government officials or political groups, differ. Some firms maintain that it is strictly a government business, while others deliberately do not engage in relations with the officials. It is interesting why small firms do not engage in close relations and asking for favors from the government officials. The managers of the firms stated:

"We are a private firm that has not benefited from political groups. We are independent. When we benefited from the government, that was legally regulated and not by any favors. We do not have friendship or anything like that with the government. The institutions adopted the demands from Kosovo manufacturing firms and exporters. I had entry barriers in a particular country and the government intervened by fixing the problem..."(Case#2)

The firms see having direct contacts with the government as a danger for their survival and image. The managers of these firms declared:

"We have never attempted to have close connections with the people who work in government or any political group. If you start cooperating with them, there is one way in and there is no way out – they ask for favors in return. The most important thing is to base your success on your hard work, and work closely with the distributors here." (Case#4)

"We do not want to have close relations with the government officials. They may harm our image and maybe even our incomes..." (Case#5)

4.4.1.3. Business groups

The last sub-category on the impact of home networks is the business groups, which are derived from the secondary and primary data analysis. Business groups play an important role on policy proposals about the concerns of business community in Kosovo. These policy proposals include fiscal policy and improving the legal framework. However, in relation to internationalization their lobby did not have any impact on the firms. The information shared among the business groups was mainly related to the concerns about institutional barriers for not sharing information and knowledge about the international markets. Direct quotes from primary and secondary data are presented below.

"Businesses believe that Customs make no difference from other institutions, such as Tax Administration of Kosovo, when it comes to the interpretation of the respective legislation by this institution, with only 17% of respondents claiming that the interpretation is fair, while 32% of them believe that the interpretation of laws is biased. Some of the issues related to legal interpretation were raised by the representatives of business associations through Consultative Council of TAK-Customs-Business Community" ACH1:20.

"In the view of private businesses and business associations there is a lack of information about business opportunities, service providers and legal and regulatory requirements, particularly those regarding tax-related issues. It is a general concern among businesses that many responsible officials do not provide written responses to their inquiries. However, if the businesses insist on a written response, then they should expect the process to take a long time" ACH1: 21.

The membership in business groups or associations for some firms played an important role to present their concerns and interests regarding barriers they face in home market. These concerns and propositions that were addressed through business associations to the government, in some cases have been successful. The manager stated:

“We recommended the reform of fiscal policy and were part of the working groups with other manufacturing firms here in Kosovo” (Case#2)

However, for some firms, the concerns about particular barriers did not find any last address, namely the institutions. The managers stated:

“We attend the meetings organized by the representatives of manufacturing firms in Kosovo and addressed many issues” (Case#5)

"We have addressed the problem that our "receptors" can be stolen by our competitors by individuals at customs , and the extra costs of this problem that we pay during one year…which costs exceeds 30,000 Euro…" (Case#4)

In summary, the findings on the impact of home social networks do not indicate that these networks had limited impact. Their impact was on pre-internationalization process by playing a critical role in the firms' survival, growth, and performance, and in some cases helping to have a competitive advantage. The manager of case 8 stated:

"They do not know [home networks] how to work with this product, and we trained them to share our experience gained from our partners in Europe. The experience and knowledge of our suppliers depend on our experience and knowledge. They have no capacity and idea how to compete in international markets, and their success [suppliers] depends on us who in turn depend on the relations with our network in Europe or other countries." (Case#8)

Also, home networks are characterized by a limited knowledge and inexperience in international markets, which are critical for the firms at the early stage and during the internationalization process. The findings on the impact of home networks are summarized in the table below.

Table 15
Summarizing Findings on the Impact of Home Social Networks on Firm Internationalization

Cases	The characteristic of home social networks						Maintaining position in home market	The impact on firm internationalization
	Distributors	Family	Business groups	Government officials	Suppliers	Clients		
#1	⍓	☒	☒	⍓	☒	⍓	⍓	☒
#2	⍓	☒	☒	⍓	☒	☒	⍓	☒
#3	⍓	☒	☒	⍓	☒	☒	⍓	☒
#4	⍓	☒	☒	⍓	☒	☒	⍓	☒
#5	⍓	⍓	☒	⍓	☒	☒	⍓	☒
#6	⍓	☒	☒	⍓	☒	⍓	⍓	☒
#7	⍓	⍓	☒	⍓	⍓	⍓	⍓	☒
#8	☒	☒	☒	⍓	⍓	☒	⍓	☒

Note: No impact☒; Positive Impact ⍓

4.4.2. The Impact of International Networks on Firm Internationalization

As mentioned in the previous section, the impact of home networks on firm internationalization is limited due to various factors. This section reports the findings on the impact of international networks on firm internationalization, and are based on international network category, with the following sub-categories:

a) The Process of Building International Networks

b) Network Relations

c) Network Structure

d) Factors that lead the Firms to Maintain Same Networks

4.4.2.1. The Process of Building International Networks

The process how the firms build international networks and trust at an early phase of internationalization, determines their future international expansion. International fairs, diaspora, suppliers and the internet are the players that establish the first contacts with international networks. These prior contacts that played a bridging role were part of a wide social network structure and produced the image which was crucial for the firm.

Table 16
The Process of Building International Networks

Case	Quotes	Codes
#1	"Through internet was our first contact with our supplier in Ukraine. After they supplied us with raw materials, our relations became strong. Then they introduced us to other clients in the region”	Internet, suppliers, bridging ties
#2	“Our products image due to the quality in the home market attracted the attention of a client. The client visited our firm and told us that he was interested in becoming our distributor in Albania. In other countries, we made the contacts through international fairs.”	Contacted by their client, international fairs
#3	“The firm actively presented the product in international fairs. When we made the first contacts with possible clients, we invited them in Kosovo. Always, after the contact, the clients ask to visit our factory, and this is not a simple process. Some distributors have 50-60 years of experience, and you cannot convince them with a single power point presentation. They want to examine the company, how we produce, the certificates we have, social review, technical review, and other reviews requested by the potential client; then they say OK, we want to work with your firm”	International fairs, distributors, visiting company
#4	**"To succeed in the market, the first think, among others, is to conducts a market research, analyze it, scan the territory and the city. Then analyze the distributors, contact them through the sales manager. After introducing the product and the plan, the distributors are convinced to cooperate with the firm. That is how we entered into Albania, and Hungary. For European Market and other countries, our German partner already had existing contacts."**	**Offering product to potential distributors, market research, old network structure**

Continuation of Table 16

#5	**"Our distributor in Switzerland is Albanian who lives and works there, and saw our product here in one of the markets in Kosovo. He contacted us and asked to become our distributor and sales manager."**	**Contacted by distributor, diaspora**
#6	"The owner of our firm lived abroad, and there are also many Albanians who have their construction companies. He knew before these Albanians"	Diaspora, old contacts
#7	"I did some search on the internet. I found some firms, then sent an email to these firms. One architect replied and was interested in visiting our firm's facilities. After the visit, he asked to implement a project and see if this cooperation will continue. After the first project, he was satisfied with our firm's professionalism, the quality of the product and the price we offered."	Internet, visit by client

The characteristic of this process was that after the firm established the contact, in some cases through the third party, before it decided to cooperate, an international tie visited the factory's facilities to examine the production line closely. For some firms, to cooperate with large distributors and before they export, it was needed to fulfill a long list of criteria. A manager stated:

"Through an EU country ambassador, we visited some firms in Austria and Germany. Our firm has shown the interest to work with them and invited them to visit our firm. They sent here 2-3 experts, did some inspection and review, met the farmers, and controlled the collection points. Few days later, they contacted us and ordered the first exports. However, before they ordered the products, the firm had to fulfill some criteria such as the price should be fair, the product should meet the international safety and environmental standards, we should not engage the children into the working force, and do some social activities. When the firm fulfilled the criteria they asked, they sent a team and trained us on how to get the things right based on EU standards and certifications."

The significance of this process was threefold: the image of the third party that introduced the international network; the image of the product that the firm produced and attracted potential buyers; and, the visit by these potential clients through which the firm aimed at building long term relationship with them. After the firms establish the international network relations, they attempt to gain more knowledge and experience through the information received from their network relations. The next subsection presents the findings on the impact of network relations.

Table 17
The Process of Building International Networks

Cases	The process of building international networks						
	International fairs	Diaspora	Contacted by their client	Market research	Bridging ties (other)	Visited by their client	Suppliers
#1	☒	☒	☒	☒	☒	☒	✓
#2	☒	☒	✓	☒	☒	✓	☒
#3	✓	☒	☒	☒	☒	✓	☒
#4	☒	☒	☒	✓	☒	☒	☒
#5	☒	✓	☒	☒	☒	✓	☒
#6	☒	✓	☒	☒	☒	☒	☒
#7	☒	✓	☒	✓	☒	✓	☒
#8	☒	☒	☒	☒	✓	✓	☒

Positive ✔ Not Used ☒

4.4.2.2. Network Relations

The firms in the case of Kosovo lack international market knowledge and experience, including the information about foreign market customers. The ability to improve the quality of product on one hand and avoid the negative impact of institutions on the other hand, was related to the extent how the firms maximize from international network relations. The use of network relations depends on the firm's ability to maximize from network relations. These networks are characterized by suppliers, distributors, clients and other networks.

To find new clients, the firms use the image of their network relations which plays as a bridging tie. Case #1 used suppliers' image as a bridging tie to find the clients in new markets. The manager of case#1 stated:

“The relation with our distributor from Ukraine who has its market in Switzerland, Serbia and in other Balkan countries helped us to find new clients. We were always regular in paying for raw material and then trust was built. They recommended us to their clients for the projects they had. They helped us also to export because at that time we were not sure if we were ready for this. They never god disappointed, we focused on building long term relations as it was our common interest, mainly our interests being in touch with a giant like [name of company]. They connected us to clients in Serbia, Bosnia, and then informed us when some international fairs have been organized in North Macedonia or other countries. Then when the news was spread that we have lower prices and higher quality, a company from Bosnia contacted us and told that they want to cooperate with us. Since then, we still keep these close relations based on strong grounds, and of course, the recommendations from our partners…”

In these network relations, trust plays a determining role in the way how it is introduced to the new clients by current ones. The manager of case#7 stated:

“The first exports have been to Switzerland. We cooperated with an architect, who previously had bad experience with a company from Poland. What he needed was to test us first, if we are trustful, and have the quality of the product. Trust for them is very important, but before you build it, the first step is quality assurance. In the past two years, we had no problem in cooperating with them. We exported to Slovenia 6 months after Switzerland where a friend of mine has its own firm and he recommended some projects he was working with. Now that we had success in Switzerland, I sent my son there and we opened a company to be close to our clients”. (Case#7)

The firms directly rely on the information received form their international network relations about prices and the quality of their products. The recommendations of these networks on the quality of their product and the information about foreign market costumers, is important for the firms to maintain their presence in international markets.

“The distributor plays a very important role. This is not only for Kosovo market but in international markets. If you want to succeed there, you have to listen to your distributors what they have to say. They have their own interest but we have ours too. They are in contact everyday with the clients, know what they want and inform us for everything. In some cases, they told us that the price of our product should be considered from our side, or they said that the quality of the product should improve. The experience gained then reflects on the ‘dynamism’ of our company” (Case#2)

“Our firm usually works with the same people. We work with the firms in construction that have, for example, 100 employees. They always order uniforms for summer or winter season. They cooperate with us because, they trust in the quality of product and affordable price. Sometimes, they recommended us to other clients due to the quality of our product. These companies know that there is the demand and the expected quality in construction there. They recommended us to improve the quality of our product as appropriate.” (Case#6)

The commitment of network relations to help the firm improve the quality of product performance in international markets is critical. This is related to the experience and how the image of network relations are in a host country. The managers of firms stated:

"If you don't have a good distributor, you won't have good sales. If you don't have good sales, then you don't have financial stability - this is a domino effect. The success of our company is based on close relations with the distributors. Of course, this was done after we did some extra investments, then we worked more closely with our distributors, because if you fail to fulfill their expectations on quality and price, they may buy once, but next time they won't come again. If you give your product to successful distributors, and of course the product should be according to the EU standards, the success is guaranteed, but partly. There are some priorities. The image built by your distributor directly reflects on the product. You have to do your job by improving the quality, but even this is not enough. It is important to make sure what are the expectations of the distributor, work closely with it to fill the puzzle of image either in Kosovo or in the international market, by building trust, being honest, and asking for help from your distributor. This image is built based on how you approach your product, and trust you build with your distributor" (Case#3)

"The company in Austria advised us how to improve our product. We have another partner in Germany who is very powerful when someone asked us in international fairs which whom we cooperate with. When we told them that our partner is [name of companies in Austria and Germany] and we have five-year contract with the company in Germany, they adopted a more serious approach towards us. Working with the companies [name of company] brings you a reputation in Europe. Their financial turnover is 150-200 million euro per year. Since then, we had 400-500 thousand euro sales only to that company Thanks to this cooperation and image of our partner, we do not have to invest in marketing and promoting our product, because, if you visit the web-sites of the Bank in Germany [name of the bank], you see the list of companies that cooperated with in the last years [name of company]. Around 80% of the contacts are directly made with the companies, and 20% with our representatives in Germany. We wanted through these representatives to work, offered them a provision of 4%, and had a lot of demand." (Case#8)

Newly internationalized firms still attempt to use various ways to increase their performance in international markets. Some (e.g., case#4) use the experience of their partners and share it with new distributors in host countries on how to increase their performance, whereas others (e.g., case#5) use the experience of their representatives

"We used a similar logic that we applied in Kosovo. We conduct research and select the distributor. Then we share our experience gained from our German partners who are in this business many years ago, to our distributors how to maximize from our product and be successful" (Case#4)

“There is an Albanian who works in Switzerland. He offered us a deal to represent our product there as a sales manager as he had experience. Since then, we still are working with him and offer the commission based on performance he has” (Case#5).

To avoid the product imitations and consistently improve their own product quality, the firms have to learn how to lower the costs derived from institutional settings. This process is characterized by the learning process which is facilitated by the firm’s social networks. The findings suggest that the firms before and during the internationalization process consistently improved the quality of products and services to ensure high quality and low prices, which would provide a competitive advantage in international markets. Although the firms in Kosovo face high costs of doing business, they succeeded in providing competitive prices in international markets by learning. As they had different features for products and services, they attempted to diversify during their internationalization and meet the expectations of their customers in international markets.

Consistent changing and adapting to the international market by gradual learning process had a positive impact on their ability in adopting new technology and services. The managers of the firms stated:

“The process to build our two brands, quality and price were quite long. We started from nothing and gradually built our brands. We always looked at our products from a different angle, to see their weak spots.” (Case#2)

“Our process was learning by doing. This was a long and tough way to come where we are today. We learned how to work with the clients and understand them. This process is more challenging when we met the clients who did not know even if Kosovo exist. When we moved into the industrial zone, the firm invested in new technologies, buildings, employees and trained them. All this process was thanks to the dedication of our firm to improve the quality of our products and learned how to compete. We got this position thanks to innovative ideas and great designs.” (Case#3)

Consistent learning and adopting the new knowledge and requirements to the clients is of crucial importance. To maintain competition in international markets, the firms adopt the criteria set by their distributors and clients to increase the image and gain more trust. The managers of the firms stated:

“We produce all the isolation system, and in doing so, our firm was careful in the quality. The quality of the product determined the image of our firm, and for this reason, we consistently test our products, improve the quality when it is necessary, and make our clients happy. When the question is about the isolation of a building, there is no turning back, and once you isolate the house, it should last for long. It is the 'make up' of a building. ” (Case#4)

“A German company produces some 'plates'. When I first saw them, I was convinced that I can make them better. We now produce higher qualitative and more competitive ‘plates’ that are. In doing so, the first thing I did was learning from an architect in Switzerland. Now our firm is more professional. We cooperate with the firms that examine our products in 'millimeters' and the failure is not tolerated by them." (Case#7)

“In the first year we started cultivating some agriculture products. Over the time we increased the number of products and plantations consistently. When a client shows interest for a product, we explore it in all locations and collect it, and hand it over to our client. This process goes through a very tight procedure in compliance with the international standards. Now we train other NGO's to do the same thing that our partners taught us." (Case#8).

The change of new products and designs for adapting to the clients’ requirements is related also to the characteristics of the industry. The firms in textile industry do not only improve the quality of their products by designing and changing them to be more successful and competitive in international markets. The managers of the firms stated:

“The textile industry is not like other industries. As a firm, we have been aware of designing new models, changing these models when it is necessary. This process was done to attract as many clients as we could. Then at the end of a season, we evaluate the models and compare which ones are more or less successful.”(Case#5)

“If you want to succeed you have to do things better, and when we know the unfair competition here and strong competition in Europe where the products from Poland and China are cheaper, thus they succeed, you have to do the things right and learn fast, or you are OUT’’(Case#6)

There are many impacts that these network relations had on firm internationalization process. First, the firm increases the quality of the product and service by closely cooperating with these networks, and using the knowledge and experience. Likewise, during this process of building the quality of products according to international standards, the firms succeeded to set competitive prices in international markets. Second, the image of network reflected positively on the firm’s network in international markets, where the product of the firm was represented by large number of distributors or former suppliers. Third, these network relations positively influenced the firms’ performance by sharing the information about international markets. Last but not least, as a result of close cooperation with these networks, the firm internationalization was characterized by learning process.

In summary, in getting adopted to the competition in international markets, the firms needed to set competitive prices which in turn would learn how to lower the costs derived from the negative impact of regulatory institutions. In this respect, the impact of international network relations through the knowledge and experience that the firm gains from these networks, becomes of crucial importance to fill the institutional voids on one hand, and more competitive in international markets on the other hand. The findings suggest that the impact of international network relations depended on the level of their relations and the interaction between these networks. Network relations helped the firm to enter into new markets, set competitive prices, obtain the information about foreign markets, shared knowledge, and experience. These networks were the source for the firm to build an image in international markets.

Table 18
Summarizing the Impact of International Network Relations

Cases	The Impact of international network relations						
	Finding New clients	Information	Experience	Knowledge	Performance	Helping the firm to build image and build new networks	Learning how to improve the quality of product and developing
#1	✓	✓	✓	✓	✓	✓	✓
#2	☒	✓	✓	✓	✓	☒	✓
#3	✓	✓	✓	✓	✓	✓	✓
#4	☒	✓	✓	✓	✓	☒	✓
#5	✓	✓	☒	☒	☒	☒	✓
#6	✓	✓	✓	✓	✓	✓	✓
#7	✓	✓	☒	☒	✓	✓	✓
#8	☒	✓	✓	✓	✓	✓	✓

Positive ✔ Not Used ☒

4.4.2.3. Network Structure

The second sub-category of the international networks' impact is the network structure. Network relations and their image enable the firms to expand their activities and enter into new countries. The network structure had several positive impacts. The firms entered into new countries by sharing information about the opportunities in international markets. Those firms that entered through long term relations, experienced better performance by being connected to more extensive clients and distributors in other countries. The diaspora acted as a bridging tie to connect the firms to other countries and distributors.The process of building the network structure is measured how well the firms build relations and trust with their relational networks.

Table 19
Network Structure

Case	Quotes	Codes
#1	"The firms with which we cooperate in Switzerland, know the people in construction industry and in some cases we signed the contracts through their recommendations. Albanians own the firms there, have their friends in the construction industry. Our supplier in Ukraine has a large company with many clients in the region and other countries, and recommended us to its clients, and through them, we signed a contract in Germany. All these contacts that we build had one thing in common, and that is the image of people that recommended to their partners to work with us, which is important."	Network structure, diaspora, entering into new countries, image of network relation
#2	"Until now we entered into 23 countries, in each of these countries we have distributors that we work closely with"	Wide network structure
#3	**"Our clients and distributors always inform us for everything about opportunities in markets outside Kosovo. Our main market is France which is our first destination, then from there, our distributor has the stores around the World. Now we entered in South Africa-Cape Town. One of our clients in Switzerland contacted us and told that he has a direct contact in Cape Town. He asked us 'are you interested,' then we sent the samples first, they liked them, and the first order from South Africa came"**	**Network structure, entering into new countries, bridging ties**
#4	"Our German partners are in this business for 40 years. They know the people in Europe and other countries, and through them we are not entering in the China market. In order to have a higher performance, in each city in other countries we select one or two distributors. This is done to ensure that we increase profits and be able to control the competitive prices. The firm applied this logic when we entered in Albania because we have competitors from Italy and Israel. The reason for building the trust with these networks, is that they may one day recommend us to other firms, and this helps us to achieve the firm's goals"	Network structure, long term relations, entering into new countries, firm performance, image of network relation, distributor

Continuation of Table 19

#6	**“Nothing happens without reason. We continue to export in Switzerland thanks to the recommendations of people we worked there for a long time. They helped our firm to promote our product, build the image, and thanks to this when someone mentions our firm's name, the people recognize us. We work with some people that collect our product in a cargo depot, and then they spread to other interested clients. Through international fairs organized in Germany, we establish some contacts with some clients that we currently cooperate with. Working with the people you know first, then through them building contacts is the best and more secure way.”**	**Network structure, entering into new countries, diaspora**
#7	“We opened new firms to be close to our clients, then a Swiss architect recommended us to another Italian businessman who is building 70 blocks of apartments there. If they know that someone has a project related to metals, then the clients always tell us or give them our email or the contact number for the new projects they have”	Network structure, finding new clients

In entering these network structures, the quality of products were the determining factors, where past and current relations with network relations played a role. The success with networking relations, the trust, and the quality of products were the source that the firm entered into a broader network structure, into other countries, and experiencing a better performance in international markets. Also, the firm in case#5 is at the early stage of internationalization and is connected yet to another wide network structure, while case#8 has few distributors and is limited in capacity to widen the network structure. There are three interesting findings of the network characteristics and the process how the firms enter into a network structure and maximize from it. The characteristics of each network structure is explained below.

The first is that the firm gradually over the years builds a broader network structure in each foreign market. In this case the distributors that operate in various countries are not directly connected between themselves but through the firm. The firm (e.g. case#2) in this network structure gets access to diverse information and knowledge from different foreign markets. The main characteristic of this network structure is that the firm has high exporting performance and exports in more than twenty countries.

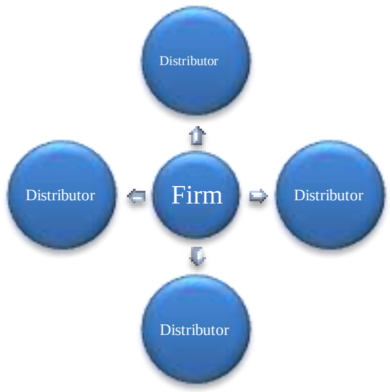

Figure 16: High Performance Network Structure

In the second network structure, the firm enters through the network relations by using current network relations as the bridging tie. T The image of network relation was a determining factor to enter into a wide network structure. The second characteristic of the network structure is when the firm gradually through international fairs builds the network relations which similarly to the first characteristic, played a bridging tie role. The difference between the first and the second characteristic is that the latter network relations have their stores in the European Market. The firm in this network structure gets access to a variety of information and knowledge, but compared to the first network structure, these are more redundant. The firm in this case lacks to build its own network structure (e.g., case#1,3,6,7).

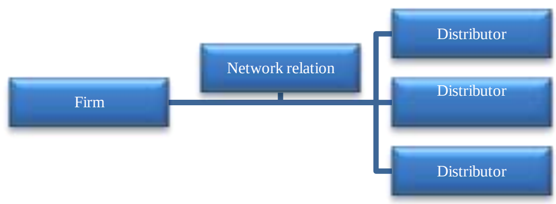

Figure 17: Lower Performance Network Structure

The third network structure characteristic occurs when the firm deliberately is not connected to a broader network. The reason behind such a move is its stable relations with current networks (e.g., case#8), knowledge, and the experience that these network relations have. The firm in this case is embedded in network relations to operate for a long time in home market that has already built the image in international markets as well.

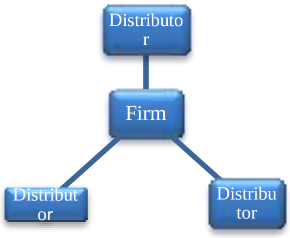

Figure 18: Lower Performance Network Structure

4.4.2.4. Factors that Lead Firms to Maintain Same Networks

The findings about the factors that lead the firms to maintain long term relations are firm specific. The first factor that the firms are motivated to maintain long term relations is the investment in these networks. The second factor is the experience, knowledge and information gained from these long-term relations. In some cases, the firms cooperate with the distributors for ten years, and the experience, knowledge and information shared by their international counterpart is consistent. The third factor is the trust, which is a determinant factor to continue these relations.

Table 20
Factors that Lead the Firms to Maintain Same Networks

Case	Quotes	Codes
#1	"Since we started to export, we still have the same distributors, suppliers, and clients. When the firm builds the trust with them and succeeds, it had no reason to change the people with whom it worked a long time. They helped us when the firm experienced a crisis and needed to be introduced to other clients or distributors. Of course, our clients increased as the firm grew, but we continue to cooperate and cannot change them for someone. The firm will stop cooperating when it realizes that there are no positive outcomes from these relationships, and realizes that these relations become a disadvantage for the firm."	Firm performance, trust, long term relations advantage, clients
#2	**"There is no reason to change the people with whom the firm cooperated for a long time when we invested energy and money. For example, we worked with the same distributor in Albania since 2007, in Macedonia since 2008, and in other countries too. These relations, the trust that we have built, took a long time, energy, and effort. Changing the distribution is more a disadvantage than an advantage when considering that the firm invested financially in developing the product, and promoting it through them. Changing the distributors and restarting it does not ensure to the firm that new ones are going to be more effective."**	**Investing into networks, trust, long term relations**

Continuation of Table 20

#3	**“It is vital to continue the relations with current clients in order to ensure the needed quality and product. Comparing the firm’s position with five years ago with the current position, the firm grew faster thanks to the relations with our clients. The firm adopted the distributors’ needs on improving the quality and setting prices. If the firm did not adapt to the clients’ requirements, then they would start to cooperate with other firms. Firm continued working with the same clients, increased the efficiency, delivered the product in time, and ensured the quality. Exchange of knowledge and ideas helped us to become competitive, resulted in better products, and make our plans attainable. The distributors in Europe have experience and a good background. We are investing in them, working closely, and consistently improving the firm’s product based on their [distributors] or our market research. The information gathered by our sales agents helps us get familiar with latest trends in the industry. We meet with all the distributors in Kosovo and Europe once or twice a year, exchange ideas and keep them close to our firm. However, there are some cases when the firm needs to make an ‘update’ about the distributors, which results in an advantage because new ones bring something new that the firm did not have.”**	**Long term relations, trust, knowledge and experience, information**
#4	"The firm’s philosophy is not only in doing business with our clients but be partner, friends and growing up together. The firm has common interests our clients when they promote the products, sell more, thus make more profit. To ensure that the firm builds the quality and sets competitive prices, both the firm and the clients have their benefits. The German partners have not changed the relations and they cooperate with their firms for 20-30 years. This is thanks to the trust established by making sure that the firm builds stable and long-term relations. To have high performance with our distributors, we train them by bringing the experts from Germany, and ensure that the firm’s distributors increase their performance."	Trust, network relations, sharing experience, long term relations
#5	“The firm aims to continue working with the same distributors, because now the focus is to export. The relations with distributors in international markets based on trust.”	Trust
#6	“There is no reason to change a network when you build trust with it, but it may stop working with the firm. To ensure stable relations, the firm ensures the quality and prices that suits the clients."	Trust, quality and price
#7	“ The firm always responds to the demands of clients. Meeting the criteria of the clients in Switzerland is difficult and challenging for the firm to adapt to them. The firm’s clients worked previously with some firms in Poland, but they stopped cooperating because there was no trust, professionalism, the quality of the product was not satisfactory, and the prices were too high. They work with us because the firm has consistently adopted their criteria and expectations."	Trust, quality of product and price

The trust in the firm is gained by introducing and improving the quality of the product consistently. The outcome of these relations is higher and stable exporting performance, where the network and the firm have common aim to increase the performance, which depends on each other’s success. The firm improves the quality of the products and sets competitive prices, while the network introduces and promotes them in the international market. The last factor that the firms are motivated to maintain these long-term relations is the image of a network. Due to the uncertainty and the lack of desire to take the risk to change the network, these firms aim to cooperate with large distributors who have a better image in their home market. As already mentioned, building the trust with the international network takes a long time, and the firms mainly consider it as a reason for not changing the network. The manager of case 8 stated;

> “The firm works with the same distributors for 7 or 8 years. This is an advantage, because, they know our problems and we know theirs. The firm works with the distributors that have been established in 1860 and have more 150 years’ of experience in this industry. Imagine their image and how it reflects to our firm, including the knowledge and experience they have. When the firm goes into international fairs and tells other firms that we work with [name of distributor], then these firms ask to work with them. All this comes thanks to the image of our distributor, whose image the firm could not build for many years. Then, if the firm changes the distributors, the contracts are usually short based. With old ones, we sign the contracts for five years and they automatically are extended. Case#8

Referring to the second research question “how social networks impact the firm internationalization”, it is found that they helped the firms to gain the needed experience, knowledge, improve the quality of the product, set competitive prices by informing the firm about the costumers’ needs and tastes in international markets. Social networks, in particular international ones, play a determining role in facilitating the firm to build capabilities and compete abroad. The firms that are more competitive in international markets are those that have built long term relations with international networks. The difference in performance and ability to compete is addressed to the firm size and age. Larger and older firms learned how to maximize from their international networks, built network relations, and have a stable position in a network structure. However, in some cases older firms still lack the expected performance due to the inability to maximize from their international networks and search for the new clients and distributors. Small firms have limited capacities for innovation, and still face the challenges to get adopted to the taste of foreign customers. This is a process that characterized also larger firms which internationalized many years before. The findings for each case are summarized in the table below.

Table 21
Summarizing Findings the Impact of Network Structure and Factors that Lead Firms to Maintain Same Networks

Cases	The process of building network structure				Factors that lead firms to maintain networks				
	Through current network relations	Used current network relations to enter into network structure	Has built over the years its own network structure	Performance	Image of network	Knowledge, experience, learning	Performance	Maintaining competitive position in international markets	Lowering the uncertainty in home and international markets
#1	✓	✓	☒	✓	✓	✓	✓	✓	✓
#2	☒	☒	✓	✓	✓	✓	✓	✓	✓
#3	✓	✓	☒	✓	✓	✓	✓	✓	✓
#4	✓	✓	☒	✓	✓	✓	✓	✓	✓
#5	☒	☒	☒	✓	☒	☒	☒	✓	✓
#6	✓	✓	☒	✓	✓	✓	✓	✓	✓
#7	✓	✓	☒	✓	☒	✓	✓	✓	✓
#8	✓	✓	☒	✓	✓	✓	✓	✓	✓

Note: Positive ✔ Not Used ☒

Figure below summarizes the impact of home and international networks on firm internationalization. In the following section, theoretical and practical implications of these findings is discussed, in particular, the contribution of these findings in international business literature in transition economies regarding t the impact of institutions and social networks on firm internationalization.

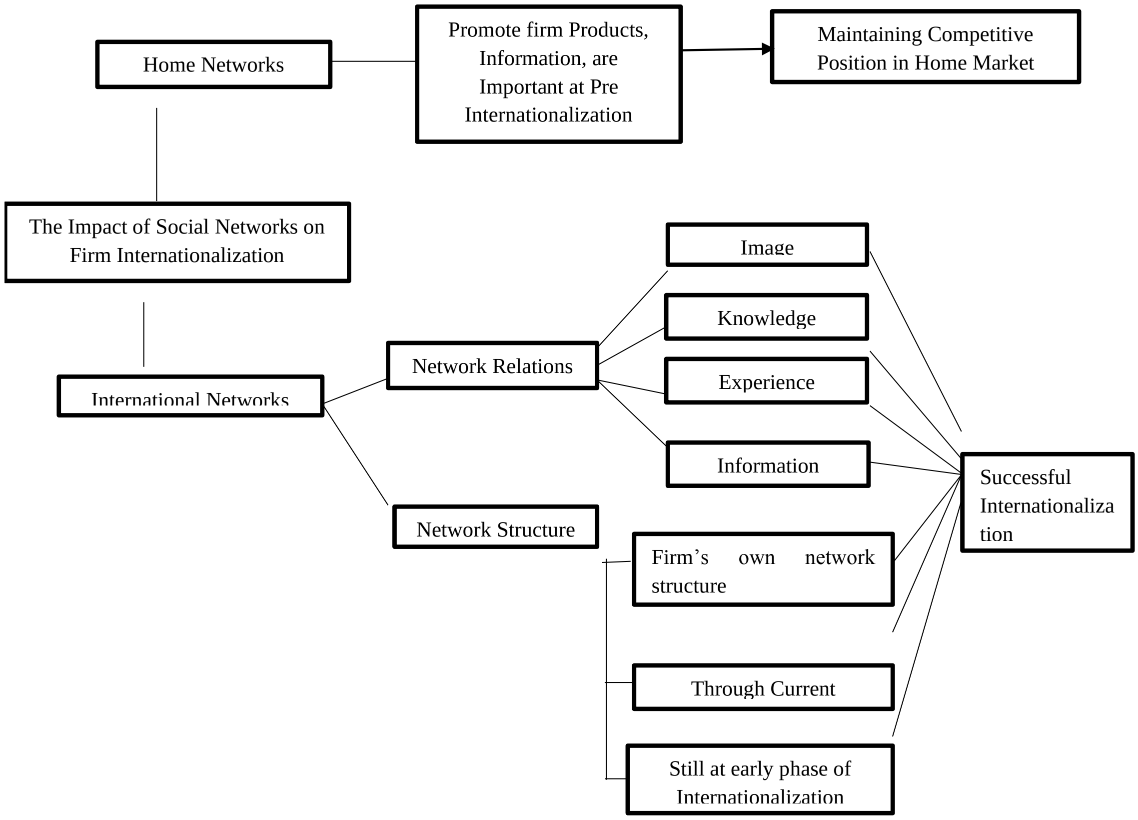

Figure 19: The impact of Social Networks on Firm Internationalization

4.5. Discussion

The contribution of this study is as follows: i) it shows the distinct impact of various economic institutions' indicators on firm internationalization; ii) the importance of being embedded into network relations and structure; and iii) the extent why social networks substitute institutional deficiencies during internationalization attempt.

This study examined the impact of institutions and social networks on firm internationalization in a newly independent country, namely the context of Kosovo. As it is stated in the introduction, Kosovo compared to other transition economies has several distinct characteristics from institutional transition towards market economy to the heavily dominated import economy. The characteristics of institutional transition compared to other transition economies are twofold; Firstly during the institutional building period, Kosovo was led by international actors, a period which was not successful as expected for various factors[7]. Secondly, after the independence period, Kosovo was advised by international actors how to reform the institutions, namely the

[7] See table 1 in introduction part.

courts led by the European Rule of Law Mission (EULEX), which did not bring the expected outcomes in the fight against corruption to ensure the functionality of judiciary institutions. As for negative trade balance Kosovo since 1999, despite several attempts of institutions to encourage the firms engage into exporting activities, trade balance still is negative and Kosovo's economy is dominated by imported products. An import dominated economy might seem as an opportunity for firms to enter into international markets. This study showed how institutions and social networks influenced the firm internationalization in a newly independent country, contributes to current discussions and responds various calls by the scholars to examine the firm internationalization in different institutional and cultural settings. The contributions of this study are discussed below into more details.

The first contribution of this study is that it has attempted to show that institutional indicators have distinct impact on firm internationalization. More particularly, it has attempted to "clarify" the impacts on firm internationalization. Several attempts (Shinkle and Kriauciunas, 2010:267; Shirokova and Tsukanova, 2013:193; Manolopoulos et al., 2018:993; Li et al., 2013: 361; Ngo et al., 2016: 2911) have been made by the scholars to examine the impact of institutions on firm exporting performance. However, these studies did not sufficiently address "how they [institutions], under what circumstances, to what extent, and in what ways" (Powell, 1996: 297, cited in Peng, 2000:46). The findings from this study on the indicators of economic institutions suggest a distinct impact on firm internationalization. In particular, weak protection of property rights and intellectual property rights, negatively impact the firm product development, thus indirectly affecting their performance in international markets. On the other hand, unfavorable fiscal policy and legal framework directly impact the firm exporting performance which produce extra cots, thus making the firm less competitive in home and international markets. When the institutions reformed the fiscal policy, it positively reflected on the firm's ability to compete. This depended on whether the reformed fiscal policy had an impact on the firms by their age and industry characteristics.

The second contribution with respect to the first research question, is the responses by the firms towards the institutional impacts in transition economies, where the firm strategic choices are influenced by either formal or informal institutions. This is in line with theoretical expectations (see Peng et al., 2008:920; Peng et al., 2009:63; Peng, 2000:41; Peng and Khoury, 2008:1; Shinkle and Kriauciunas, 2009:267; Shirokova and McDougall-Covin, 2012:177; Shirokova and Tsukanova 2013: 200-202 Makhmadshoev and Crone, 2014:303; Ngo et al., 2016:2912). Furthermore, this study contributes in the literature on the relationship between institutional impacts and the firm strategic choices (Young et al., 2014:348). When weak property rights and intellectual property rights influenced the firm's product development, due to product imitation, which led to the focus on designing of unique products and quality or diversification. To cope with these negative impacts and imitation practices in particular, the firms employed reactive strategies (Smallbone and Welter, 2003). In comparison to weak property rights, intellectual property rights and contractual enforcement impacts, faced more challenges arising from negative impacts of fiscal policy. The firms focusing on product development, in some cases successfully sett competitive prices to compete in home and international markets.

Although these strategies that the firms employed to cope with negative institutional impacts were not real strategies at first glance, when entering the international markets they were able to employ two strategies, namely diversification and cost leadership strategies. These findings partly support Piercy et al. (1998) argument that higher exporting performance is related to the firm's competitive advantage driven by the haracteristics of the product and services, not from low costs and prices. The possible explanation of these findings is the awareness by the firms examined, then the characteristics of products and service combined with competitive prices which allowed them to maintain their presence in international markets. These findings do not support those by Aulakh et al (2000) who showed that the firms build the strategies according to institutional context they enter such as, weak institutional environment, and differentiation in more stable cost-based strategy.

When the ability to compete is negatively influenced by regulatory institutional mechanisms, the firms by focusing on strengthening internal capabilities and close interaction with social networks, coped with the institutional impacts. These findings contribute to the current discussion on the impact of institutions on firm exporting (Gao et al., 2010:377-396; Ngo et al., 2016:) suggesting that firms exporting behavior that is influenced by institutional environment, where industry factors are a determining factor (Gao et al., 2010:377-396) on firm exporting behavior. This study extends the current knowledge on the impact of institutions on firm's exporting behavior that is shaped and influenced by institutional environment. Exporting behavior depends on the firm's ability to cope with institutional negative impacts and ability to maximize from social networks. When institutional environment negatively reflected on exporting behavior, the firms focused on internal capabilities and core competencies to lower the determining impact of uncertain institutional environment. These findings are in line with Leonidou (2004) who maintained that the firms can efficiently manage and control their internal barriers and are more exposed to external barriers. The reasons for poor institutional environment are mainly political and institutional factors, which over the years in Kosovo's economy played as a barrier and contributing to underperformance compared to other European countries.

Compared to the impact of weak property rights, intellectual property rights, and contractual enforcement that mainly impact at pre and early internationalization process, the firms operating in textile industry are negatively influenced consistently, compared to other industries where the impact of institutions is not evidenced, the characteristics of the product are unique and the imitation practices were not present. Fiscal policy and legal framework consistently influenced the firms' performance, mainly in negative terms, by this decreased when the institutions introduced a more favorable fiscal policy. In this respect, fiscal policy matters more in all phases of firm internationalization than the property rights, intellectual property rights, and contractual enforcement that matter at certain phases depending on the firm behavior. Successful implementation of the fiscal reforms positively reflected not only on exporting performance, but also on their commitment towards the international markets. These findings make a contribution to how and which institutions matter for the firms (Ngo et al., 2016; 2912; Peng and Khoury, 2008:1; Shinkle and Kriauciunas, 2010:267) internationalization, and shows why the impact of certain institutions may decrease over the time.

This study extents the current knowledge why the firm characteristics differ in less favorable institutional environments. While previous studies showed that small firms are negatively influenced by institutional deficiencies in home market, and larger firms have resources and ties to cope with particular institutional deficiencies in institutional environment, (LiPuma et al., 2013:834). In this study, using case analysis examined the impact of institutions when large firms still were at early stage of exporting. The findings partially support those of other authors, where large firms at their early phase of internationalization faced similar barriers as the current small firms. The barriers are partially institutional, and are related to the firm's ability to get access to resources, knowledge and experience in international markets. The firms with higher experience and knowledge towards international markets were less influenced by formal institutions. These findings are not in line with Shinkle and Kriauciunas (2010:282:281) that the firm size is an asset in less development institutional environments, and have higher exporting performance due to the preferential treatment they enjoy by the governments.

Referring to the second research question how social networks impact the firm internationalization, this study divided the impact of home and international networks. The impact of home networks was rather limited as they lacked the capability to help the firm facilitate the required knowledge and experience about the international markets. Although home social networks played an important role for some firms at pre internationalization, the impact was absent when the firms faced competitive pressure in international markets. Interesting, the firms could not learn from competition in home market, in particular form imported products. Therefore, to internationalize, the firms relied on international networks which positively influenced their internationalization. These findings are not in line with previous studies that the firms in transition economies are positively impacted by various home networks during internationalization (e.g. Manolova et al., 2010:257; Lu et al., 2010:419; Li et al., 2013: 361). The scholars suggest that among other roles that the social networks play, is to build the capability to compete in international markets. For example, Zhu et al. (2006:1-19) model view various home networks that help the firm to increase their internationalization capabilities, develop new ones, and learn in identifying and maximizing from opportunities. Besides the importance of these networks to help the firm adopt new capabilities according to foreign markets, Li et al. (2012:419) study suggests that this depends on the firms' ability how to coordinate, recombine, and allocate the resources derived from either managerial or institutional ties to meet the requirements towards international markets.

The findings of this study support the previous studies in developed economies that the network relations are of crucial importance for firm internationalization (Zain and Ng, 2006; Chetty and Agndal, 2007; Johanson and Vahlne, 1990; Johanson and Vahlne, 2006; Coviello and Munro, 1995:49; Covello and Munro, 1997:361). These networks play a role in recognizing the opportunities, seeking more knowledge and finding more opportunities (Chetty and Agndal, 2007), a finding that is e in line with previous studies in transition economies in the respective area of research (Musteen et al., 2014a:1: Musteen et al., 2014b: 221). The longer the relation with international networks, the higher the outcomes from these networks. The firms that maintained long term relations with international networks were able to diffuse the current knowledge and increase new one. The networks also helped to improve the products in compliance with foreign costumers' needs and set competitive prices. In contrast to Batjargal's (2010:146) findings, the network's structural holes impact the firm product development and profits in weak institutional environment. Network relations advise the firms how to develop products by sharing their experience and information regarding the customer taste in foreign markets. When these network relations are combined with a network structure where the knowledge and experience of members in the network is high, then this impacts the product development and increases the firm's profits in international markets. In this study, the firms mainly benefited from the third parties to enter into new markets or the network structure to build new relations, not on developing the products.

The first major findings on the impact of social networks on firm internationalization is the length of relations with international networks. The firms that are embedded into a particular network relations and structure were able to benefit from the knowledge, experience and get access to information about foreign customers' needs. Our findings contradict those that the strong ties based on long term relations brings into blindness for the firms (e.g. Uzzi, 1996:674; Uzzi, 1997:35; Batjargal, 2003:535). These findings also do not support the previous studies that found the firms' networks evolve according to the firm growth (Hite and Hesterly, 2001:275; Lechner and Dowling, 2003:1) and the change of networks according to the stages of firm internationalization (Musteen et al., 2010:203); the firms do not change neither home nor international networks for the reasons mentioned above. The factors that encourage the firms to maintain long term relations are: the image of network relations in international markets, experience and knowledge, and the outcomes of the interaction on firm's internationalization. The firms in the case of Kosovo aim at choosing large distributors and suppliers in foreign markets that have positive perception and image in their home market. These networks consistently update the firm with new information, knowledge and help the firms to maintain their competitive position in international markets. For example, in some cases (e.g. case#8) the firms cooperate with the distributors operating in their home market for more than 100 years, and have their good image in other foreign markets. Similarly, suppliers and former clients in other examined cases help the firm to update the information and new network relations. To maintain these long term relations, these firms are based on pre-conditions set by international networks such as: trust, trustworthiness, norms, sanctions, obligations, and expectations. In addition, the differences on the firm's ability to compete in international markets (e.g. small or large) depends on the duration of network relations. Furthermore, the process of networks involved various ways such as the third parties, the firm was contacted directly by the distributor, client, or through the search by the entrepreneur.

The second major contribution on the impact of social networks on firm internationalization is which network structure leads to higher exporting performance. There are limited studies in transition economies that examine which network structure leads to higher performance. For example, Musteen et al. (2010:203) maintain that the firms with geographically diverse networks have superior performance, which are characterized by weak ties. This study showed that these diverse networks are characterized by strong ties and are therefore, embraced. Three various network structures were identified and their impacts on firm performance in international markets. The firms that build their own network structure over the years were able to have higher exporting performance due to the non-redundant information, experience and knowledge received from the distributors about various markets. Second, the network structure evolved from current network relations, which played as a bridging tie to help the firm select foreign markets and enter into other foreign markets. Compared to the first network structure, these firms experience lower exporting performance. The third network structure is divided into two groups. The first group of the firms deliberately do widen their network structure due to the positive outcomes received from their current network structure. The second group are newly internationalized firms, which still are at an early phase of building the network structure and have a fragile position into a network structure. There are limited empirical studies in transition economies on the network structure and how they impact the firm's performance in international markets.

The study also does not support the previous modes that the firms employ in social networks based on institutional transition phase in home market. Peng (2003:275) model that suggested that the firm's social network evolves according to the phases of institutional transition, showed that the firms at an early phase rely on government's ties, whereas at a later phase build the inter-firm ties. These findings also do not support the Peng and Zhou (2005:321) model where, during the intermediate institutional transition phase, the firms' social networks evolve from Business to Government (B2G) to Business to Business (B2B). Furthermore, our findings do not support Kiss and Danis (2010:273) model either, who maintained that the firms at an early institutional transition use strong home ties, then connect with international market through bridging ties. The explanations why the examined cases do not change social networks are: i) related to the outcomes from current networks such as knowledge, experience, and the trust build over the years, and ii) Kosovo institutions operate in a vacuum which consistently produce uncertainty for the firms in home and international markets. Therefore, being involved into network relations, in particular a network structure, lowers the negative impact of institutions to operate in home market and internationalization.

Referring to the third research question *In a country where macro institutions are weak, to what extent social networks can fill the gap of those institutions to facilitate firm internationalization*?, it was found that there are several important impacts that the social networks have on firm internationalization and their extent do fill institutional gaps. The trust between either home or international markets to substitute weak judiciary institutions. Interesting, the firms did not have any complaints against the judiciary institutions. The main explanation for this is that long term relations are characterized by trust that avoided contractual disputes. The third contribution is the impact of social networks to lower the negative impact of institutions on firm's product development and ability to compete. The firm internationalization is characterized by a gradual process, during which the firm learns how to produce the products that meet the expectations of foreign customers and set competitive process. To avoid product imitation, the firms have been helped by their distributors to protect their products. Apart from this, the firms consistently improved the quality of their products, and to do so, the social networks have been of crucial importance. In this case, the knowledge how to improve the quality of products and shared experience by their social networks in foreign markets, made the firms 'immune' to negative impacts of property rights and intellectual property rights institutions. When the quality of products imporved, it followed competitive process which led to higher performance. In addition, the firms that know how to maximize from social networks to increase their capabilities, are less influenced by the institutions and fill the gaps to maximize from these relations (e.g., small firms or newly internationalized firms).

The findings of this study contribute to current discussions how the firm social networks may fill institutional voids (Puffer et al., 2009: 441; Danis et al., 2011:394; Estrin et al., 2013:564). In particular, The extent that the firms fill institutional voids, which institutional voids can be filled by institutions and which ones cannot, (De Clercq et al., 2010:96) and shows not only the number of firms with structural holes, (Batjargal et al., 2013:1024) but long term relations (e.g., being embedded into network relations and structure) that play their role in substituting formal institutions on internationalization attempt. This is line with Danis et al. (2011:394) argument that social networks play a crucial role in deficient institutional contexts. Furthermore, these findings extent the Estrin et al. (2013:564) study that the firms cannot substitute all institutions. The firms over the years can fill those institutional gaps that impacts the survival and growth in home market and internationalization attempt. Substituting the impact of institutions depends on experience and ability of the firm to maximize from social networks, the duration of social networks, and the characteristics of network relations and structure. It is important to note that due to the unpredictability of institutions derived mainly from political institutions, the firms may not be consistently prepared which institutional voids may become more harmful than others. Therefore, being embedded into home and international network structures, the relations may lower the uncertainty of institutions. These findings also respond to the scholars' call to examine which social networks are more efficient to substitute institutional deficiencies (Danis et al., 2011:403).

The characteristics of the firm internationalization in the case of Kosovo have some similarities and differences in other transition economies. The motive of the firm internationalization in Kosovo has been influenced by internal and external factors. Internal factors are related to profit and firm growth, while external factors to the low purchasing power of customers in the home market. These internal and external factors are interrelated. Given that the size of Kosovo market is small, the firms seek to increase their profit and grow, and their most suitable strategy is attempting the internationalization. In some cases, the firms have their share over 70% (case#2) or 60% (case#3) in home market, and their production capacity exceeded the demands of home market. Thus, exporting activities for these firms appeared as the best strategy to maximize from international markets. These firms were motivated by proactive and reactive motives (Ellis and Pecotich, 2001:124) influenced the decision to export. These findings are in line with previous studies in transition economies according to which, the firm related factors drive the internationalization attempts (Stoian et al., 2016: 115-117; Nowinski and Rialp, 2013:221-222; Musteen et al., 2014a:764-767), and the motives such as positive perception to grow and make more profit from international markets.

In cross-case studies, unlike earlier studies, it was found that weak institutional environment did not impact the firm internationalization, and this can be explained by political instability, informal economy and corruption as the firm motives to go for export as an alternative (Krammer et al. (2018:218). The perception by the firms towards weak institutions leads to intensify the activities in looking for opportunities in foreign markets, including the long bureaucratic export procedures in home country that lower the export commitment (Manolopoulos et al. 2018:1002) and that did not impact firm commitment and motives to export. Once the firms started to export and found new opportunities, despite institutional deficiencies and bureaucratic procedures and barriers, the commitment towards international markets increased. The firms pursued their opportunities gradually by either entering into neighboring or European countries.

Cultural proximity of the host country did not matter, and the firms mostly pursued the European markets due to higher purchasing power. These findings are also not in line with those that found cultural and geographical proximity as essential factors for the firms to enter into particular countries (e.g., Shirokova and McDougall, 2012:191; Stoian et al., 2016: 115-117). Also, the firms enter into similar countries to avoid the failure and increase the commitment towards international markets (Johanson and Wiedersheim-Paul, 1975:308). There are three possible explanations for this: first, although the purchasing power in regional countries may be high, these countries still lack proper institutional and economic performance. Entering into these countries where the competition is still weak, would increase the danger of firm de-internationalization, thus the firms pursued a more rational decision by entering the European countries. Second, these regional markets are not attractive in the long term and do not bring any new knowledge and experience compared to the European market. Third, the political relations are not still stable with certain countries in the region, and many firms face entry barriers. The characteristics of the firm internationalization in Kosovo are based on a gradual process, moving from one stage to another by consistent learning and increasing the commitment towards international markets. These findings support the Stoian et al. (2016:116) argument of Uppsala internationalization model that can be applied in transition economies. The table below shows the contributions of this study and figure after it summarizes the discussion above how institutions and social networks impact the firm internationalization.

Table 22
Contributions on the Impact of Institutions and Social Networks on Firm Internationalization.

This Study	Previous Studies
The contribution on How the Firm Internationalizes in Transition Economies	
- Contributes in the literature of international business and transition economies how the firms in a newly independent country internationalize. - Shows how the firms internationalize in an import dominated country; where the attempts to reform institutions created disadvantages to compete in home market and internationalize.	- This study contributes to various calls of scholars to examine firm internationalization in transition economies (Meyer and Peng,. 2015: 3; Peng et al., 2008:920; Gaur et al., (2014:19; Kiss and Danis 2008:388; Kiss and Danis 2010: 273; Manolova et al. 2010:263; Yamakawa et al., 2008:59; Li Puma et al. 2013:817; Thai and Turkina, 2014; Cielsik and Kaciak, 2009).

Continuation of Table 22

How Institutions Impact Firm Internationalization	
- This study employed a qualitative case study strategy to make a clear distinction between 'perceived' and 'actual' barriers that the firms face (Doern, 2009), how and which institutions matter, and the extent that these institutions matter for firm internationalization process (Ngo and Francis, 2016; Ngo et al., 2016; Peng and Khoury, 2008). - This study shows that property rights, intellectual property rights impact firm product development, hence, indirectly impact the firm exporting performance. Fiscal policy, legal framework impact the firm exporting performance directly. - that property rights, intellectual property rights impact at incumbent, pre and early internationalization phase, whereas, regulatory institutions matter and impact at all phases of internationalization. These institutional impacts depend on the firm ability to lower the negative impacts. Including on how firms build trust with social networks, which trust plays as substituting role for weak judiciary institutions. -Makes a contribution to institutional based view in transition economics, which suggests that the firm strategic choices are influenced by either formal or informal institutions (Peng et al., 2008:920; Peng et al., 2009:63; Peng, 2000:41; Peng and Khoury, 2008:1; Shinkle and Kriauciunas, 2009:267; Shirokova and McDougall-Covin, 2012:177; Shirokova and Tsukanova et al., 2013: 200-202 Makhmadshoev and Crone, 2014:303; Ngo et al., 2016:2912). - Shows that firm's reactions are accordingly to institutional impacts. When the firm's product development is negatively influenced by weak institutions, the quality of product and diversification of product are the responses by the firm. However, the firm's reactions to negative impacts of fiscal policy and legal framework institutions, namely the impact on firm ability to compete is more challenging. This is due to the high competitive pressure that the firms face in international markets, and adopting the strategies according to competition in international markets, requires time. - The firm successful internationalization is related to the characteristics of the product, low costs and competitive prices. - The firms use the same strategies when they compete in international markets.	- Previous studies focused on exporting performance, did not show which institutions directly impact the firm exporting performance, and which ones have indirect impact on firm performance. - These studies focused on outcomes not the process. Did not clearly show the firm reactions to institutional impacts during attempts to internationalize. In addition, did not shows how and which institutions matter at particular stages, and the extent (see Cuervo-Cazurra and Dau, 2009; Shinkle and Kriauciunas, 2010; Li et al., 2013; LiPuma et al., 2013; Shirokova and Tsukanova, 2013:193; Cherchye and Varriest, 2016; Ngo et al., 2016; Krammer et al., 2018; Manolopoulos et al., 2018:993). -Partly supported by Piercy et al. (1998) argument that higher exporting performance is related to the firm's competitive advantage derived from the characteristics of the product and services, not from low cost and prices. -Do not support the findings of Aulakh et al. (2000) who showed that the firms build the strategies according to institutional context they enter such as, weak institutional environment, and differentiation in more stable cost-based strategy.

Continuation of Table 22

The Impact of Social Networks on Firm Internationalization	
- Home networks are rather absent. The reason is that these networks lack international experience, knowledge and information about international markets.	Previous studies in transition economies suggest that home networks impact positively the firm internationalization (Manolova et al., 2010:257; Lu et al., 2010:419; Li et al., 2013: 361; Zhu et al., 2006:1-19)
- International networks positively impact the firm internationalization. The longer the relation with international networks, the higher the positive outcomes. The firm that is embedded into particular network relations and structure, has the chances to become more successful in international markets. - Contributes in the literature of transition economics and shows how the importance of proper networks becomes a strategic factor for the firms to become in international markets. - The factors that embeddedness in network is important, are: the firms cooperating with the distributors, information, knowledge, and experience that the network has. Image of the networks through which the firms build their own image in international markets over the time. These networks play as bringing tie to enter into new countries and help the firm to select other foreign countries. They also help the firm to enter and have a position into a network structure. The uncertainty in home market institutional environment that the firms see as advantage to maintain long term relations. - The networks do not change when the firms grow, thus the firms maintained either home and international networks - Shows which network structures result and contribute in the literature, and which network structures result on high exporting performance in international markets. The firms that have built their own network structure have higher network structure. The firm that has a position into a network structure through current network relations, has lower performance. Or the firm that deliberately does not have any network structure, is at early phase of internationalization, and hence has lowest exporting performance. - Diverse geographically networks are characterized by strong ties and embedded into the network structure.	- The firms that are embedded into particular networks lack to receive non-redundant information (Uzzi, 1996:674; Uzzi, 1997:35; Batjargal, 2003:535). - There are limited number of studies in transition economies on which cases embeddedness for the firms can play a crucial role and become a key to success in international markets. - Show that the firms change networks according to the firm growth (Hite and Hesterly, 2001:275; Lechner and Dowling, 2003:1) and the stages of firm internationalization (Musteen et al., 2010:203) - There are limited studies that do not make a clear distinction which network structures result in higher network relations. - Musteen et al. (2010:203) suggests that the firms with geographically diverse networks have superior performances, which are characterized by weak ties.

Continuation of Table 22

The networks do not change according to institutional development.	Previous models suggest that the firms employ social networks based on institutional transition phase (Peng, 2003: 275;Peng and Zhou, 2005:321; Kiss and Danis. 2010:273)
- Shows how th firms employ social networks to fill institutional deficiencies such as the impact of institutions on firm product development and the firm's ability to compete in international markets. - The findings of this study contribute to current discussions how the firm social networks may fill institutional voids (Puffer et al., 2009: 441; Danis et al., 2011:394; Estrin et al., 2013:564) - These findings also respond to the scholars' call to examine which social networks are more efficient to substitute institutional deficiencies (Danis et al., 2011:403).	
The Characteristic of Firm Internationalization	
The motives of firms to internationalize are not related to institutional factors, but to the motives such as: profit, firm growth, and low purchasing power in home market.	The motive of firm internationalization is related to institutional deficiencies in home market (Krammer et al. (2018:218; Manolopoulos et al. 2018:1002)
The firms pursued their opportunities gradually by either entering into neighboring or European countries. During this process, the cultural proximity of the host country did not matter, and the firms mostly pursued the European markets due to higher purchasing power	Cultural and geographical proximity are essential factors that the firms enter into particular countries (Shirokova and McDougall, 2012:191; Stoian et al., 2016: 115-117). Also, the firms enter into similar environments to avoid the failure and increase the commitment towards international markets (Johanson and Wiedersheim-Paul, 1975:308).
The findings support the Stoian et al. (2016:116) argument of Uppsala internationalization model that can be applied in transition economies	

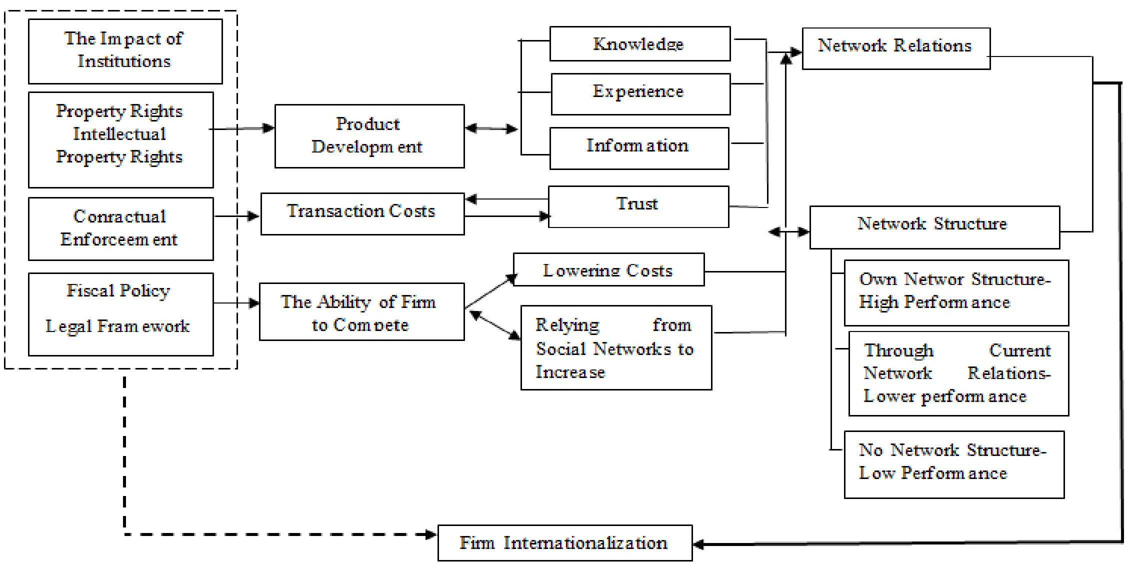

Figure 20: How institutions and Social Networks Impact Firm Internationalization.

Note: Negative Impact

Positive Impact

Besides the contributions discussed above, this study offers some policy and managerial suggestions. These are recommended based on the findings of this study. The scholars argued that future studies need to be focused on examining the impact of institutions and recommend policy implications of the international entrepreneurship in transition economies context (Li, 2013). To provide more clear policy recommendations, this study used multiple case strategy with in-depth interviews and document analysis, attempting to build a 'map' on previous and current barriers that the firms faced using in-depth interviews (Doern, 2009:294) and document analysis. Tables in the subsection below offer some policy and managerial suggestions.

4.5.1. Policy Suggestions

To come out with clearer policy recommendations, this study examined the firm internationalization in various industries of different size and stages of internationalization. The failure of institutions to provide reforming packages in the economy had direct consequences not only on Kosovo's economic performance, but also on the firms' internationalization attempts. The policy suggestions are summarized in the following table.

Table 23
Policy Suggestions

Institutional Impacts	Suggestions
Property Rights, Intellectual Property Rights	Suggestions
-Weak protection of property rights -Weak protection of intellectual property rights	-Strengthening the mechanisms of the rule of law -Ensuring the implementation of laws regarding to property rights and intellectual property rights -The laws that protect the intellectual property rights and physical property need to be amended to encourage the firms focus on innovation -Training for the firms, mainly those that are at incumbent phase on how to register their patents -Encouraging innovation through a) financial support; b) exempting firms from taxes; c) interaction between public universities and firms to focus on R&D. -Reforming the Judiciary System
-Weak Contractual Enforcement	Suggestions
-The firms examined rely on long term relations with their social networks to avoid contractual disputes. However, these long-term relations due to uncertainty in home market might be a barrier to look for new networks and enter into new network structures	-Increasing the efficiency of courts on solving the contractual disputes of the firms -Training the new firms on how to address contractual disputes -Reforming the Judiciary System

Continuation of Table 23

Regulatory Institutional Components	Suggestions
-Fiscal policy -Legal framework -Fiscal policy had a positive impact in all cases when the legal framework regarding administrative procedures were shortened, but the impact on firm's costs under the new fiscal policy remained unchanged. - The firms in Kosovo face the challenge of electricity supply, and the financial costs of alternative energy - The labor force in Kosovo is relatively young and cheap, but the firms face the challenges to find and select the employees that have specific technical skills. -No export promotion programs	-To strengthen the implementation of the legal framework and lower competitive pressure of imported products by providing a clearer legal framework to encourage fair competition in the home market. -Adopt fiscal policy according to the firm size, industry characteristics and the phase of internationalization - Improve fiscal policy and differentiate it according to the firm size, age, and industry. -The regulatory institutions should be reformed to lower the costs of the firms, which would result in increasing their potential to compete in home and international markets. - The government should regulate the energy sector and ensure not only regular electricity supply which would lower the costs of the firms, but also the prices of energy. - The government is advised to support the programs that train the labor force according to industry and the firm's needs. - Designing and implementing advanced export promotion programs; a) encouraging current firms through favorable taxes and financial support to enter into new countries; b) organizing international fairs; c) informing potential exporting firms about international markets and lowering their negative perception about the international markets; d) establishing new budget solely for supporting export and potential exporters; e) These export promotion programs can also be carried out through consistent meetings with the diaspora businesses which would help the firms to promote their products in various countries beside international fairs. - In Kosovo, the firms also face uncertainty for long term investments due to unfavorable loan interest rates. The government is advised to provide a more advanced legal framework that regulates the banking sector, where the interest rates dot not result in higher proportion of bad loans. Getting access to long term favorable loans would allow the firms to make more investment and lower the cost of loans.

4.5.2. Managerial Suggestions

The managerial suggestions are based on the findings of this study and are presented in the table below.

Table 24
Managerial Suggestions

The Impact of Institutions	
Product development	**Suggestions**
1)Weak intellectual property rights 2) Weak property rights Impact: Economic institutions impact was negative at incumbent and early growth phase. However, the firms that failed to do so, these institutions consistently influenced firms which were also related to industry, firm and product characteristics. Firms protected their products through improving the quality, building unique products. These institutions negatively influenced firm growth and were barrier to export.	1) Consistently improve the quality of product and setting competitive prices which makes more difficult the product imitation form competitors. 2) Firms need to focus on product development skills. 3) Learn how to adopt and react to cases when the product imitation occurs. Increase the interaction with social networks, in particular those that help the firm to protect the product from imitation. 4) Increase the dynamism of learning and diffusing new knowledge regarding to costumers needs and learn how to implement. 5) In cases when the protection of current products is difficult, then diversify the products. 6) Besides reaction strategy in short term, the firm needs to focus on long term strategies.
Transaction costs	**Suggestions**
1)Weak contractual enforcement Impact: Weak enforcement mechanisms (e.g., courts) in home market increase firm's transaction costs.	1) Build trust with social networks to avoid any contractual disputes; 2) Firms need to rely on third party enforcement (e.g., arbitrary courts in third countries) when contractual disputes occur. This would avoid the opportunistic behavior of distributors in home and international markets.
The ability of firms to compete	**Suggestions**
1) Fiscal Policy 2) Legal Framework Although institutions under 2nd fiscal policy aimed to exempt firms from raw materials and technology used. Reforms passively reflected on firm exporting performance. However, these reforms were not designed according firms from different sizes and industries. Hence, these institutions negatively influence the ability of firms to compete. The exemption can be made on reforms to shorter the exporting procedures which positively influenced all firms. Firms attempted to set competitive prices, however, still lack to respond to the impact of these institutions. These institutions matter in all phases of internationalization, including firms from all sizes and industries.	1) Focus on how to build more flexible organizational structure, lower the costs and set competitive prices in international markets. 2) Training employees and maximize from their skills to increase the efficiency of production. 3) Adopt advanced technologies that lead to lower costs. 4) Enhancing new learning practices through social networks to set competitive prices. 5) Increasing own selling capabilities in international markets through social networks. 6) Focus on expanding the networks, which helps the firm to find new clients. 7) Focus on the quality of products, leading to higher sales and attracting more costumers. Product quality increases the reputation, which then leads to higher performance. 8) Expand current network structure, in particular for the firms that rely on current network relations. Network structure need to search for new weak ties that help them to enter into new network structure and hence, resulting on wider pool of costumers. 9) Build geographically diverse network structure, first through current network relations then attempting to build its own network structure to increase competitiveness and performance in international markets. 9) Firm needs to increase the absorbing capability of knowledge gathered from various countries on one hand, and learn to how to implement it on the other hand.

Continuation of Table 24

The Impact of Social Networks	
Social Networks	**Suggestions**
1) Network relations impacts: a) Positively influenced the firms to build image an avoid the liability of outsidership and newness in foreign markets b) Absorb knowledge; c) Increase knowledge, d) Gather information about foreign costumers international markets; e) Help the firm to improve the quality of product, set competitive prices and substitute institutional voids f)The characteristics of these relations where based on long term relations; g) Maintaining same network relations was critical for the firms based on factors: i) Trust build over the years; ii) image of network; iii) the positive impact of these network. Network structure: a) Firm's own network structure (geographically diverse) =higher exporting performance, built over the years b)Through current network relations=lower network structure, build over the years; c) Still at emerging phase with network relations=low exporting performance.	1) Although being embedded into particular network relations resulted in helping the firm to internationalize, in long term, the firms need to focus on: a) Building new networks to avoid opportunistic behavior of social networks which would increase the transaction costs. b) Besides strong ties, the firms need to add more weak ties that help to gather non-redundant information, knowledge and experience. 2) The characteristics of the networks were mainly distributors and clients. Building networks with various research institutes and organizations would help the firm to increase its innovative capabilities. 3) Firms need to focus on what to maximize from social networks at various stages; a) Emerging phase builds the image through social networks to avoid the liability of newness and outsidership. b) To avoid the liability of outsidership, the firm needs to maximize from the network relations and enter into a network structure. b) Early phase to be used for information gathering about costumers and host country institutional environment. c) Learn how to adopt new knowledge and experience gathered from social networks. e) Focusing on with whom network relations can be maintained. 3) Besides network structure, the firms need to build their own strategies. This can be achieved after the firms have already built solid network relations and position into network structure.

4.5.3. Limitations and Future Suggestions

A number of firms that are at different stages of internationalization and growth were chosen as case studies to understand their challenges derived from institutional barriers and how to maximize from social networks. The firms that aim to get internationalized in the future and the impact of institutions and their social impact were outside the scope of this study. This presents a limitation and future suggestion for research. Future studies can examine the challenges of newly internationalized firms and those that aim to do so. This would provide a contribution in the literature of transition economics as well as the international business literature. It is worth noting that an investigation in transition economies is challenging due to the poor data and the difficulty to obtain robust results.

The third limitation is the limited secondary data available in Kosovo. Kosovo institutional building is in the process, thus the data available for industry growth and various statistics available have their shortcomings or are limited. The secondary data from various non-governmental organizations examined is also limited, despite the efforts to include variety of reports from different stake-holders.The access to the firms' reports such as financial data, is challenging due to the reluctance by the firms to release them for research. Financial reports from the firms was difficult to be accessed.

Another limitation is related to the institutions examined. These institutions have a distinct legal framework, features, and various enforcement mechanisms. Therefore, for future research it is advised to examine the impact of other mechanisms and legal framework on the firm internationalization on one hand, and the impact of host country institutions on firms' competitiveness on the other hand. Host country institutions can be divided into transition and developed economies. It would be useful to analyze how the firms compete and build the networks in these environments by analyzing their home market institutions and networks.

To contribute in this discussion, this study has made a clear distinction between 'perception' and 'actual' barriers (Doern, 2009:284) that the firms face during their international attempts. The study focused on the process (Chetty, 1996) that allowed to examine the institutional impacts at different stages of firm internationalization. The findings show that when the firms learn how to produce unique products and improve the quality, then institutional impact is somewhat controlled. The firms that operate in textile industry are the most vulnerable to product imitation due to the characteristics of this industry. In response to these imitation practices due to weak protection of property rights and intellectual property rights, the firms either focus on the product quality or diversification. The impact of fiscal policy is found important in all stages of firm internationalization. Therefore, it is recommended that future research when examining the impact of institutions on firm internationalization, conduct a multiple-case study strategy to clearly identify the institutional impact and the factors that lead to firm internationalization in transition economies.

There are some findings that are worth to replicate in future research. The first is the impact of social networks as a strategic factor, and raise the research question how network inclusion can become a strategic choice, under which circumstances, and why the firms prefer long term over short term relations.

Although this study briefly discussed the cost advantage and diversification strategy, the strategic choices made by the firms were outside the scope of this study. Therefore, it is recommended that future research employ a case study strategy to find how the firms build their capabilities by using the social networks, and how these over the years help the firm to fill institutional voids. In this context, it is advised to examine the firm strategic choices, and whether these choices are determined at home, host country, and what role the social networks play in this process.

As it is based on few case studies, the generalizations from this study are minimal, especially from Kosovo as a more specific or unique case of transition economies. Thus, these findings can be discussed and tested in a similar institutional environment, to examine if they are applicable in different or particular transition economies.

CONCLUSION

The aim of this study was to examine the impact of institutions and social networks in the case of Kosovo, and addressed three research questions to understand the firm internationalization in the case of Kosovo: 1) *How Institutions impact the firm internationalization?; 2) How social networks impact the firm internationalization?;* and 3) *In a country where macro institutions are weak, to what extent social networks can fill the gap of those institutions to facilitate the firm internationalization*? A multiple case study strategy was employed. Qualitative study helped us to clearly divide the institutions during the firm internationalization, and how the firms lowered the negative impact of these institutions by maximizing from home and international social networks. Interviews were the primary source of data, along with various documents, including government official and the non-government organizations reports as the secondary source.

The findings suggest that the impact of institutions depend on the indicators which have a distinct impact on firm internationalization. Weak protection of property rights and intellectual property rights negatively impact the firm product development. When cross-cases studies were conducted, the firms were found to have improved the quality of their products and diversification to avoid any imitation by the competitors. The firms operating in textile industry were consistently influenced by these indicators negatively, while the impact of property rights and intellectual property rights depended on the firm product characteristics. In cases when the firms successfully adopted the quality and launched new products, they were 'immune' from negative impacts of these institutions.

Fiscal policy and legal framework impact on firm internationalization affect the firm's ability to compete in home and international markets. The initial fiscal policy package disfavored the firms to compete at home and abroad, among others, as a result of not including tax exempts for raw materials and imported technology. At the time, the firms faced long procedures to export. When fiscal policy was reformed, the firms were exempt from taxes in their production process and technology used, including the shortening of the procedures to export. The new fiscal policy did not result in any positive outcomes as some firms are still negatively affected in their performance by these institutions. Despite these negative impacts, the firms were successful to some extent in home and international competition. The findings indicate that these institutions matter in all phases of firm internationalization.

The impact of social networks on firm internationalization was different. Home networks impact was twofold: first, the impact was at pre internationalization where the firms heavily relied on social networks to promote their products, and second, to substitute formal institutions by lowering the uncertainty of institutions. International networks impact on firm internationalization was to select the foreign markets, facilitate the firms with experience, knowledge and information about international market customers. These social networks were characterized by distributors, clients, and suppliers that helped the firm to adopt and improve the quality of products and set competitive prices according to international market standards. Both home and international networks were characterized by long term relations. The more the firms were embedded into these networks, the higher the ability to compete and less impact by home institutions. The firms that successfully built their own network structure, were more competitive in international markets, received unique information and knowledge, compared to the firms that through the current network relations gained a position into a particular network structure.

Referring to the third research question, the findings suggest that the use of social networks to fill institutional voids is employed in two ways: first, through the trust to substitute or sidestep the deficient court system and avoid any contractual disputes; and second, as an alternative to the impact of institutions on the firm's product development and ability to compete, the firms employed the social networks to fill these institutional voids. The firm's ability to maximize from social networks and the duration of these network relations, is a determining factor to the extent that institutional voids can be filled, and the phases of internationalization through which the firm goes through.

REFERENCES

Books

Acemoglu, D, Johnson, S ,and Robinson, J. A. (2005). Institutions as a Fundamental Cause of Long-Run Growth. Aghion, P. and S. Durlauf (Eds). In *Handbook of Economic Growth*, Amsterdam: Elsevier, p.385-472.

Aldrich, H. E., A. B., Elam, and P. R. Reese. (1997). Strong ties, weak ties, and strangers. In Birley, S., and I. C. MacMillan (Eds.). *Entrepreneurship in a global context* (Vol. 1). London: Routledge, p. 1-25.

Alston, J.L. (2008). The 'Case' for Case Studies in New Institutional Economics. Brousseau, E. and J. M. Glachant (Eds). In *New institutional economics: a Guidebook*, Cambridge/New York: Cambridge University Press, p.103-121.

Brooks. M.R. And Frances, A. (2012). Barriers to Exporting: An Exploratory Study of Latin American Companies. Seringhaus, F. R and J. Rosson (Eds). In *Export development and promotion: The role of public organizations*, Springer Science & Business Media.

Burki, Sh. J. and G.E. Perry. (1998). *Beyond the Washington Consensus: Institutions Matter". World Bank Latin American and Caribbean studies; viewpoints*, Washington DC: World Bank Publications.

Burt, R. (1992). *Structural Holes: The Social Structure of Competition*. Cambridge, MA: Harvard University Press.

Coffey, A. (2014). Analyzing Documents. Flick, U. (Eds). In *The SAGE handbook of qualitative analysis*, London: Sage Publications, p. 367–380.

Czinkota M.R., MarinovA S., Samli A.C and Z. Jiang (2015). Key Determinants of Retail Internationalization: Do Institutions Matter?. Marinova S. (Eds). In *Institutional Impacts on Firm Internationalization*, Palgrave Macmillan, London, p.264-285.

Davis, L. E., D. C. North, and C. Smorodin. (1971). Institutional Change and American Economic Growth, CUP Archive.

Flick, U. (2014). *An Introduction to Qualitative Research*. Sage Publications.

Furubotn, E. G and R. Richter. (2010). Institutions and Economic Theory: The Contribution of the New Institutional Economics, University of Michigan Press.

Gillham, B. (2000). *Case Study Research Methods*. Bloomsbury Publishing.

Ibrahim, A. B. (2004).Internationalization: Motives and Processes. Dana, L.P. (Eds). *In Handbook of Research on International Entrepreneur*ship, Edward Elgar Publishing, p. 129-138.

Johanson, M. (2011). Conducting processual studies in transition economies: reflections on a case study. Marschan-Piekkari, R. and C. Welch (Eds). In *Rethinking the Case Study in International Business and Management Research* , Edward Elgar Publishing, p.499-519

Karhu, A. (2015). Firm Internationalization and Institutions: The Case of Pharmaceutical Retailing. Marinova, S (Eds). In *Institutional Impacts on Firm Internationalization*, Palgrave Macmillian, pp. 286-298.

Krackhardt, D. (1992). The Strength of Strong Ties: The Importance of Philos in Organizations. Nohria, N. and R. G. Eccles (Eds). In *Networks and Organizations: Structure, Form, and Action*, Boston: Harward Business School Press, p. 216-239.

Lincoln, Y.S. and E.G. Guba. (2013). *The Constructivist Credo*. London and New York: Routledge.

Makhmadshoev, D. and Crone, M. (2014). Exploring the Influence of the National Institutional Environment on SME Exporters: Comparative Evidence from Tajikistan And The Kyrgyz Republic. THAI, M. T. T. and E.TURKINA (Eds). In *Internationalization of Firms from Economies in Transition*, edited by Edward Elgar Publishing, p.303-331

Murrell, P. (2008). Institutions and Firms in Transition Economies. Ménard, C. and Shirley, M. M (Eds). In *Handbook of New Institutional Economics*, edited by Springer, Berlin, Heidelberg, p.667-699.

North, D. C. (2006). *Understanding the process of economic change*. Academic foundation.

North, D.C. (1990). *Institutions, Institutional Change, and Economic Performance.* Cambridge University Press, Cambridge.

Patton, M.Q. (2002). *Designing Qualitative Studies*. Qualitative Research and Evaluation Methods, Thousand Oaks, CA: Sage Publications.

Pejovich S. (1990). *The Economics of Property Rights: Towards a Theory of Comparative Systems*. Kluwer Academic Publishers: Netherland

Peng, M. W. (2000). Business strategies in transition economies. Sage Publications.

Roland, G. (2000). *Transition and economics: Politics, Markets, and Firms*. MIT Press.

Schreier, M. (2012). *Qualitative content analysis in practice*. Sage Publications.

Schreier, M. (2014). Qualitative Content Analysis. Flick, U (Eds). In *The SAGE Handbook of Qualitative Data Analysis*, Sage Publications, p.170-183.

Strauss, A. L. (1987). *Qualitative analysis for social scientists*. Cambridge University Press.

Thai, M. T. T. and E. Turkina. (2014). The Theory of Transition. Thai, M. T. T. and E. Turkina. In *Internationalization of Firms from Economies in Transition*, Edward Elgar Publishing, p.3-13

World Bank (2002). *Building Institutions for Markets*. World Development Report, Published for the World Bank, Oxford University Press

Yin, R. K. (1993). *Case Study Research: Design and Methods*. Sage Publications, Thousand Oaks.

Yin, R. K. (2003). *Applications of Case Study Research. Applied Social Research Methods Series*. Thousand Oaks: Sage Publications.

Articles

Acquaah, M. (2007). Managerial social capital, strategic orientation, and organizational performance in an emerging economy. *Strategic Management Journal*. 28. 12, 1235-1255.

Acs, Z. J., R. Morck, J. M. Shaver and B. Yeung. (1997). The internationalization of small and medium-sized enterprises: A policy perspective. *Small Business Economics*. 9.1, 7-20.

Agndal, H., Chetty, S., Wilson, H. (2008). Social capital dynamics and foreign market entry. *International Business Review*.17.6, 663-675.

Ahlstrom, D. G. and D. Bruton. (2010). Rapid institutional shifts and the co-evolution of entrepreneurial firms in transition economies. *Entrepreneurship Theory and Practice*. 34.3, 531-554.

Aidis, R. (2005). Institutional barriers to small-and medium-sized enterprise operations in transition countries. *Small business economics*. 25.4, 305-317.

Andersson, S., J. Gabrielsson and I. Wictor. (2004). International activities in small firms: examining factors influencing the internationalization and export growth of small firms. *Canadian Journal of Administrative Sciences/Revue Canadienne des Sciences de l'Administration*. 21.1, 22-34.

Aralica, Z., T. Svilokos and K. Bacic. (2018). Institutions, and firms' performances in transition countries: the case of the selected CESEE countries. T*he South East European Journal of Economics and Business.* 13.1, 68-80.

Araujo, L., G. Mion and E.Ornelas. (2016). Institutions and export dynamics. *Journal of International Economics.* 98, 2-20.

Aron, J. (2000). Growth and institutions: a review of the evidence. *The World Bank Research Observer*. 15. 1:, 99-135.

Balassa, B. (1978). Exports and economic growth. *Journal of Development Economics*. 5.2, 181–189.

Banalieva, E. R., K. A. Eddleston and T. M. Zellweger. (2015). When do family firms have an advantage in transitioning economies? Toward a dynamic institution-based view. *Strategic Management Journal*, *36*.9, 1358-1377.

Batjargal, B. (2003). Social capital and entrepreneurial performance in Russia: A longitudinal study. *Organization studies*. *24*.4, 535-556.

Batjargal, B. (2010). The effects of network's structural holes: polycentric institutions, product portfolio, and new venture growth in China and Russia. *Strategic Entrepreneurship Journal*. *4*.2, 146-163.

Batjargal, B., M. A., A. S., Hitt, Tsui, J. L., Arregle, J. W., Webb, and T. L. Miller, (2013). Institutional polycentrism, entrepreneurs' social networks, and new venture growth. *Academy of Management Journal*. *56*.4, 1024-1049.

Beck, T. and L. Laeven. (2006). Institution building and growth in transition economies. *Journal of Economic Growth*. 11.2, 157-186.

Belitski, M., F. Chowdhury and S. Desai. (2016). Taxes, corruption, and entry. *Small Business Economics*. 47.1, 201-216.

Berkowitz, D., J. Moenius and K. Pistor. (2006). Trade, law, and product complexity. *The Review of Economics and Statistics*. 88.2, 363-373.

Bilkey, W. J. (1978). An attempted integration of the literature on the export behavior of firms. *Journal of International Business Studies*. 9.1, 33-46.

Boettke, P. J. and C. J. Coyne. (2009). Context matters: Institutions and entrepreneurship. *Foundations and Trends in Entrepreneurship*. 5.3, 135-209.

Bowen, G. 2009. Document analysis as a qualitative research method. *Qualitative Research Journa*.l 9 .2:27-40.

Bowen, H. P., and D. De Clercq. (2008). Institutional context and the allocation of entrepreneurial effort. *Journal of International Business Studies*. 39. 4, 747-767.

Buck, T., I., Filatotchev, P., Nolan, and M. Wright, (2000). Different paths to economic reform in Russia and China: Causes and consequences. *Journal of World Business.* 35.4, 379-400.

Burt, R. S. (1997). A note on social capital and network content. *Social networks*. 19.4, 355-373

Burt, R. S. (2000). The network structure of social capital. *Research in Organizational Behavior*. 22, 345-423.

Capaldo, A. (2007). Network structure and innovation: The leveraging of a dual network as a distinctive relational capability. *Strategic management journal*. 28.6, 585-608.

Cardoza, G., G., Fornes, V., Farber, R. G., Duarte, and J. R. Gutierrez. (2016). Barriers and public policies affecting the international expansion of Latin American SMEs: Evidence from Brazil, Colombia, and Peru. *Journal of Business Research.* 69.6, 2030-2039.

Carlisle, E., and D. Flynn. (2005). Small business survival in China: Guanxi, legitimacy, and social capital. *Journal of Developmental Entrepreneurship*. 10.01, 79-96.

Cavusgil, S. T. (1984). Differences among exporting firms based on their degree of internationalization. *Journal of business research*. 12.2, 195-208.

Cavusgil, S. T., and J. R. Nevin. (1981). Internal determinants of export marketing behavior: An empirical investigation. *Journal of Marketing Research*. 114-119.

Chadee, D., and B. Roxas. (2013). Institutional environment, innovation capacity and firm performance in Russia. *Critical perspectives on international business*. 9.1/2, 19-39.

Chari, M. D., and E. R. Banalieva. (2015). How do pro-market reforms impact firm profitability? *The case of India under reform. Journal of World Business*. 50.2, 357-367.

Cherchye, L., and A. Verriest. (2016). The impact of home-country institutions and competition on firm profitability. *International Business Review*. 25.4, 831-846.

Chetty, S. (1996). The case study method for research in small-and medium-sized firms. *International small business journal.* 15.1, 73-85.

Chetty, S. and D. B. Holm. (2000). Internationalisation of small to medium-sized manufacturing firms: a network approach. *International Business Review*. 9.1, 77-93.

Chetty, S. and K. Eriksson. (2002). Mutual commitment and experiential knowledge in mature international business relationship. *International Business Review*. 11. 3, 305-324.

Chetty, S., and H. Agndal. (2007). Social capital and its influence on changes in internationalization mode among small and medium-sized enterprises. *Journal of International Marketing.* 15.1, 1-29.

Chu, A. C., G., Cozzi, and S. Galli. (2014). Stage-dependent intellectual property rights. *Journal of Development Economics.* 106, 239-249.

Cieslik, J., and E. Kaciak. (2009). The speed of internationalization of entrepreneurial start-ups in a transition environment. *Journal of Developmental Entrepreneurship.* 14.04, 375-392.

Coşkun, R. 2017. An objection to the “closed system” approach that attributed to the Classical Management in Management and Organization textbooks: a qualitative analysis on the implications of “open system” in selected books written before 1925. 8th International Social Sciences Conference in the Balkans, September 6-11, Constanta, Romania.

Coviello, N. E., and H. J. Munro, (1995). Growing the entrepreneurial firm: networking for international market development. *European journal of marketing*. 29.7, 49-61.

Coviello, N., and H. Munro. (1997). Network relationships and the internationalisation process of small software firms. *International Business Review.* 6.4, 361-386.

Cuervo-Cazurra, A., and L. A. Dau. (2009). Promarket reforms and firm profitability in developing countries. *Academy of Management Journal*. 52.6, 1348-1368.

Cuervo-Cazurra, A., and L. A. Dau. (2009). Structural reform and firm exports. *Management international review*. 49.4, 479-507.

Cuervo-Cazurra, A., R., Narula, and C. A. (2015). Internationalization motives: Sell more, buy better, upgrade and escape. *The Multinational Business Review.* 23.1, 25-35.

Danis, W. M., D. S., Chiaburu, and M. A. Lyles. (2010). The impact of managerial networking intensity and market-based strategies on firm growth during institutional upheaval: A study of small and medium-sized enterprises in a transition economy. *Journal of International Business Studies.* 41.2, 287-307.

Danis, W. M., D. S., Chiaburu, M. A. Lyles. (2010), The impact of managerial networking intensity and market-based strategies on firm growth during institutional upheaval: A study of small and medium-sized enterprises in a transition economy, *Journal of International Business Studies*. Vol,41, No.2, pp.287-307.

Danis, W. M., D., De Clercq, and O. Petricevic. (2011). Are social networks more important for new business activity in emerging than developed economies? An empirical extension. *International Business Review*. *20*.4, 394-408.

De Clercq, D., W. M., Danis, and M. Dakhli. (2010). The moderating effect of institutional context on the relationship between associational activity and new business activity in emerging economies. *International Business Review*. 19.1, 85-101.

Dewatripont, M., and G. Roland. (1995). The design of reform packages under uncertainty. *The American Economic Review.* 1207-1223.

Dewatripont, M., and G.Roland. (1992). The virtues of gradualism and legitimacy in the transition to a market economy. *The Economic Journal*, 102.411, 291-300.

Djankov, S., C., Freund, and C. S. Pham. (2010). Trading on time. *The Review of Economics and Statistics*. 92.1, 166-173.

Doern, R. (2009). Investigating barriers to SME growth and development in transition environments: a critique and suggestions for developing the methodology. *International Small Business Journal*. 27.3, 275-305.

Dubini, P., and H. E. Aldrich. (1991). Personal and extended networks are central to the entrepreneurial process. *Journal of Business Venturing*. 6.5, 305-313.

Efendic, A. S. and G. T. Pugh. (2007). Institutions and economic performance: an overview of empirical research with the main focus on transition economies. *South East European Journal of Economics and Business*. 2 .1: 25-3

Efendic, A. S., G.T., Pugh, and N. Adnett. (2011). Institutions and economic performance: A meta-regression analysis. *European Journal of Political Economy*. 27 .3: 586-599.

Eisenhardt, K. M. (1989). Building theories from case study research. *Academy of management review*, *14*(4), 532-550.Chetty, S. (1996). The case study method for research in small-and medium-sized firms. *International small business journal.* 15.1, 73-85.

Ellis, P. (2000). Social ties and foreign market entry. *Journal of international business studies.* 31.3, 443-469.

Ellis, P. D. (2011). Social ties and international entrepreneurship: Opportunities and constraints affecting firm internationalization. *Journal of International business studies*. 42.1, 99-127.

Ellis, P. D., H., Davies, and A. H. K. Wong. (2011). Export intensity and marketing in transition economies: Evidence from China. *Industrial Marketing Management*. 40.4, 593-602.

Ellis, P., and A. Pecotich. (2001). Social factors influencing export initiation in small and medium-sized enterprises. *Journal of Marketing Research.* 38.1, 119-130.

Elo, S. and H. Kyngäs. (2008). The qualitative content analysis process. *Journal of Advanced Nursing*. 62, 107-115.

Emery, R. F. (1967). *The relation of exports and economic growth.* Kyklos. 20.4, 470-486.

Eriksson, K., J., Johanson, A., Majkgård, and D. D. Sharma, (1997). Experiential knowledge and costs in the internationalization process. *Journal of international business studies.* 28.2, 337-360.

Estrin, S., J., Korosteleva, and T. Mickiewicz. (2013). Which institutions encourage entrepreneurial growth aspirations? *Journal of business venturing.* 28.4, 564-580.

Feige, E.L. (1997). Underground Activity and Institutional Change: Productive, Protective and Predatory Behavior in Transition Economies. In Nelson, J.M., et al. (Eds.), *Transforming Post-communist Political Economies.* 21-35. National Academy Press, Washington, D.C.

Filatotchev, I., N., Dyomina, M., Wright, and T. Buck. (2001). Effects of post-privatization governance and strategies on export intensity in the former Soviet Union. *Journal of International Business Studies.* 324, 853-871.

Fliess, B. and C. Busquets (2006). The Role of Trade Barriers in SME Internationalisation. *OECD Trade Policy Papers*. No. 45, OECD Publishing, Paris, https://doi.org/10.1787/246707602042.

Gao, G. Y., J. Y., Murray, M., Kotabe, and J. Lu. (2010). A “strategy tripod” perspective on export behaviors: Evidence from home and foreign firms based in an emerging economy. *Journal of International Business Studies*. 41.3, 377-396.

Ge, G. L., and H. Q. Wang. (2013). The impact of network relationships on internationalization process: An empirical study of Chinese private enterprises. *Asia Pacific Journal of Management.* 30.4, 1169-1189.

Gelbuda, M., K. E., Meyer, and A. Delios. (2008). International business and institutional development in Central and Eastern Europe. *Journal of International Management.* 14.1, 1-11.

Gow, H. R and F.M.J. Swinnen. (2001). Private enforcement capital and contract enforcement in transition economies. *American Journal of Agricultural Economics*. 83.3, 686-690.

Graneheim, U. H. and B., Lundman.(2004). Qualitative content analysis in nursing research: concepts, procedures and measures to achieve trustworthiness. *Nurse Education Today.* 24, 105-112.

Granovetter, M. (1983). The strength of weak ties: A network theory revisited. *Sociological Theory*. 1.1, 201-233.

Granovetter, M. (2005). The impact of social structure on economic outcomes, The *Journal of Economic Perspectives.* Vol.19, No.1, pp. 33-50.

Granovetter, M. (2005). The impact of social structure on economic outcomes. *Journal of economic perspectives*. 19.1, 33-50.

Granovetter, M. S. (1973). The strength of weak ties. *American Journal of Sociology*.1360-1380

Halinen, A., and J. Å. Törnroos. (1998). The role of embeddedness in the evolution of business networks. *Scandinavian journal of management*. 14.3, 187-205.

Hashi, I., and B. A. Krasniqi. (2011). Entrepreneurship and SME growth: evidence from advanced and laggard transition economies. *International Journal of Entrepreneurial Behavior & Research*. 17.5, 456-487.

Hashi, I., and J. Mladek. (2001). Fiscal and regulatory impediments to the entry of new firms in five transition economies. *Journal of East-West Business*. 6.2, 59-94.

Hilmersson, M., and H. Jansson. (2012). International network extension processes to institutionally different markets: Entry nodes and processes of exporting SMEs. *International Business Review.* 21.4, 682-693.

Hite, J. M., and W. S. Hesterly. (2001). The evolution of firm networks: From emergence to early growth of the firm. *Strategic management journal.* 22.3, 275-286.

Hitt, M. A. (2016). International strategy and institutional environments. *Cross Cultural & Strategic Management.* 23.2, 206-215.

Hohenthal, J., J., Johanson, and M. Johanson. (2014). Network knowledge and business-relationship value in the foreign market. *International Business Review*. 23.1, 4-19.

Holmes Jr, R. M., T., Miller, M. A., Hitt, and M. P. Salmador. (2013). The interrelationships among informal institutions, formal institutions, and inward foreign direct investment. *Journal of Management*. 39.2, 531-566.

Hoskisson, R. E., L., Eden, C. M., Lau, and M. Wright, (2000). Strategy in emerging economies. *Academy of management journal*. 43.3, 249-267.

Inkpen, A. C., and E. W. Tsang. (2005). Social capital, networks, and knowledge transfer. *Academy of management review.* 30.1, 146-165.

Iwanow, T., and C. Kirkpatrick. (2007). Trade facilitation, regulatory quality and export performance. Journal of International Development: *The Journal of the Development Studies Association.* 19.6, 735-753.

Jaklič, M. (1998). Internationalization strategies, networking and functional discretion. *Competition & Change.* 3.4, 359-385.

Johanson, J., and F. Wiedersheim-Paul. (1975). The internationalization of the firm—four Swedish cases. *Journal of management studies*. 12.3, 305-323.

Johanson, J., and J. E. Vahlne. (1977). The internationalization process of the firm—a model of knowledge development and increasing foreign market commitments. *Journal of international business studies*. 8.1, 23-32.

Johanson, J., and J. E. Vahlne. (1990). The mechanism of internationalisation. *International marketing review.* 7.4.

Johanson, J., and J. E. Vahlne. (2006). Commitment and opportunity development in the internationalization process: A note on the Uppsala internationalization process model. *Management International Review.* 46.2, 165-178.

Johanson, J., and J. E. Vahlne. (2009). The Uppsala internationalization process model revisited: From liability of foreignness to liability of outsidership. *Journal of international business studies.* 40.9, 1411-1431.

Johnson, S., J., McMillan, and C. Woodruff. (2002). Courts and relational contracts. *Journal of Law, Economics, and organization*.18.1, 221-277.

Johnson, S., J., McMillan, and C. Woodruff. (2002). Property rights and finance. *American Economic Review*. 92.5, 1335-1356.

Johnson, S., J., McMillan, and C. Woodruff. (2002). Courts and relational contracts. *Journal of Law, Economics, and organization.* 18.1, 221-277.

Kaleka, A., and C. S. Katsikeas, (1995). Exporting problems: the relevance of export development. *Journal of Marketing Management.* 11.5, 499-515.

Katsikeas, C. S., and R. E. Morgan. (1994). Differences in perceptions of exporting problems based on firm size and export market experience. *European Journal of Marketing*, 28.5, 17-35.

Keefer, P. and S. Knack. (1997). Why don't poor countries catch up? A cross-national test of an institutional explanation. *Economic inquiry*. 35 3:590-602.

Khanna, T. and K. Palepu. (1999). The right way to restructure conglomerates in emerging markets. *Harvard Business Review*, Vol.77, pp.125-135.

Khanna, T., K. G. and Palepu, J. Sinha. (2005) Strategies that fit emerging markets. *Harvard Business Review*. 83, 4-19.

Kiss, A. N., and W. M. Danis. (2008). Country institutional context, social networks, and new venture internationalization speed. *European Management Journal*. 26.6, 388-399.

Kiss, A. N., and W. M. Danis. (2010). Social networks and speed of new venture internationalization during institutional transition: A conceptual model. *Journal of International Entrepreneurship.* 8.3, 273-287.

Kiss, A. N., W. M., Danis, and S. T. Cavusgil. (2012). International entrepreneurship research in emerging economies: A critical review and research agenda. *Journal of Business Venturing.* 27.2, 266-290.

Koford, K., and J. B. Miller. (2006). Contract enforcement in the early transition of an unstable economy. *Economic Systems*. 30.1, 1-23.

Koka, B. R., and J. E. Prescott, (2002). Strategic alliances as social capital: A multidimensional view. *Strategic management journal*. 23.9, 795-816.

Krammer, S. M., R., Strange, and A. Lashitew. (2018). The export performance of emerging economy firms: The influence of firm capabilities and institutional environments. *International Business Review*. 27.1, 218-230.

Krasniqi, B. A. (2007). Barriers to entrepreneurship and SME growth in transition: the case of Kosova. *Journal of Developmental Entrepreneurship.* 12.01, 71-94.

Krasniqi, B. A., and S. Desai. (2016). Institutional drivers of high-growth firms: country-level evidence from 26 transition economies. *Small Business Economics*. 47.4, 1075-1094.

Krefting, L. (1991). Rigor in qualitative research: The assessment of trustworthiness. *The American Journal of Occupational Therapy*. 45.3, 214-222.

Kryeziu, L., and R. Coşkun. (2018). The Political and Economic Institutions and Economic Performance: Evidence From Kosovo. *The South East European Journal of Economics and Business.* 13.2, 84-99.

Lechner, C., and M. Dowling. (2003). Firm networks: external relationships as sources for the growth and competitiveness of entrepreneurial firms. *Entrepreneurship & regional development.* 15.1, 1-26.

Leonidou, L. C. (1995). Empirical research on export barriers: review, assessment, and synthesis. Journal of International Marketing, 29-43.

Leonidou, L. C. (2004). An analysis of the barriers hindering small business export development. *Journal of small business management*. 42.3, 279-302.

Leonidou, L. C., and C. S. Katsikeas. (1996). The export development process: an integrative review of empirical models. *Journal of International Business Studies*. 27.3, 517-551.

Li, H., K. Atuahene-Gima. (2001), Product innovation strategy and the performance of new technology ventures in China, *Academy of Management Journal*. 44. 6, 1123-1134.

Li, J. (2013). The internationalization of entrepreneurial firms from emerging economies: The roles of institutional transitions and market opportunities. *Journal of International Entrepreneurship*. 11.2, 158-171.

Li, J. (2013). The internationalization of entrepreneurial firms from emerging economies: The roles of institutional transitions and market opportunities. *Journal of International Entrepreneurship.* 11.2, 158-171.

Li, J., I., Vertinsky, H. Zhang. (2013). The quality of home legal institutions and export performance. *Management International Review*. 53.3, 361-390.

Lin, C., P., Lin, and F. Song. (2010). Property rights protection and corporate R&D: Evidence from China. *Journal of Development Economics.* 93.1, 49-62.

Lindstrand, A., S., Melén, and E. R. Nordman. (2011). Turning social capital into business: A study of the internationalization of biotech SMEs. *International Business Review.* 20.2, 194-212.

Lipton, D., J., Sachs, S., Fischer, and J. Kornai. (1990). Creating a market economy in Eastern Europe: *The case of Poland. Brookings papers on economic activity*. 1990.1, 75-147.

LiPuma, J. A., S. L., Newbert, and J. P. Doh. (2013). The effect of institutional quality on firm export performance in emerging economies: a contingency model of firm age and size. *Small business economics.* 40.4, 817-841.

Liu, W., and K. Atuahene-Gima. (2018). Enhancing product innovation performance in a dysfunctional competitive environment: The roles of competitive strategies and market-based assets. *Industrial Marketing Management.* 73, 7-20.

Lowik, S., D., van Rossum, J. Kraaijenbrink, and A. Groen, (2012). Strong Ties as Sources of New Knowledge: How Small Firms Innovate through Bridging Capabilities. *Journal of Small Business Management*. 50, 239- 256.

Lu, Y., L., Zhou, G., Bruton, and W. Li. (2010). Capabilities as a mediator linking resources and the international performance of entrepreneurial firms in an emerging economy. *Journal of international Business studies.* 41.3, 419-436.

Luo, Y., R.L. Tung. (2007), International expansion of emerging market enterprises: A springboard perspective, *Journal of International Business Studies*. Vol.38, No.4, pp.481–498.

De Melo, M., C. Denizer, and A. Gelb. (1996). Patterns of Transition from Plan to Market. *The World Bank Economic Review.* 10, 397–424

Ma, Y., B., Qu, and Y. Zhang. (2010). Judicial quality, contract intensity and trade: Firm-level evidence from developing and transition countries. *Journal of Comparative Economics.* 38.2, 146-159.

Mair, J., and I. Marti, (2009). Entrepreneurship in and around institutional voids: A case study from Bangladesh. *Journal of business venturing*. 24.5, 419-435.

Mair, J., I., Martí, and K. Ganly, (2007). Institutional voids as spaces of opportunity. *European Business Forum.* 31, 35-39.

Makhmadshoev, D., K., Ibeh, and M. Crone. (2015). Institutional influences on SME exporters under divergent transition paths: Comparative insights from Tajikistan and Kyrgyzstan. *International Business Review.* 24.6., 1025-1038.

Manolopoulos, D., E., Chatzopoulou, and C. Kottaridi. (2018). Resources, home institutional context and SMEs' exporting: Direct relationships and contingency effects. *International Business Review.* 27.5, 993-1006.

Manolova, T. S., I. M., Manev, and B. S. Gyoshev. (2010). In good company: The role of personal and inter-firm networks for new-venture internationalization in a transition economy. *Journal of World Business.* 45.3, 257-265.

Manolova, T. S., I. M., Manev, and B. S. Gyoshev. (2014). Friends with money? Owner's financial network and new venture internationalization in a transition economy. *International Small Business Journal.* 32.8, 944-966.

Mayring. P. (2000). Qualitative content analysis. *Qualitative Social Research*. [accessed online:23 December, 2017], doi: http://dx.doi.org/10.17169/fqs-1.2.1089.

McMillan, J., and B. Naughton. (1992). How to reform a planned economy: lessons from China. *Oxford Review of Economic Policy*. 8.1, 130-143.

McMillan, J., and C. Woodruff. (2002). The central role of entrepreneurs in transition economies. *Journal of Economic perspectives*. 16.3, 153-170.

Meyer, K.E. (2001). Institutions, transaction costs, and entry mode choice in Eastern Europe. *Journal of International Business Studies*. 32.2, 357-367

Mihailova, I., and A. Panibratov. (2012). Determinants of internationalization strategies of emerging market firms: A multilevel approach. *Journal of East-West Business*. 18.2, 157-184.

Mihailova, I., G., Shirokova, and I. Laine. (2015). New venture internationalization from an emergent market: Unexpected findings from Russia. *Journal of East-West Business.* 21.4, 257-291.

Monteiro, G. F., and A. Pianna. (2012). Institutional change and capability building: some remarks on the institution-based view of strategy. Int. J. *Strategic Change Management*. 4.1. 52-67

Musteen, M., D. K., Datta, and J. Francis. (2014). Early internationalization by firms in transition economies into developed markets: The role of international networks. *Global Strategy Journal.* 4.3, 221-237.

Musteen, M., D. K., Datta, and M. M. Butts. (2014). Do international networks and foreign market knowledge facilitate SME internationalization? Evidence from the Czech Republic. *Entrepreneurship theory and practice*. 38.4, 749-774.

Musteen, M., J., Francis, and D. K. Datta. (2010). The influence of international networks on internationalization speed and performance: A study of Czech SMEs. *Journal of World Business.* 45.3, 197-205.

Nahapiet, J., and S. Ghoshal. (1998). Social capital, intellectual capital, and the organizational advantage. *Academy of management review*. 23.2, 242-266.

Neupert, K. E., C. C., Baughn, and T. Thanh Lam Dao. (2006). SME exporting challenges in transitional and developed economies. *Journal of Small Business and Enterprise Development.* 13.4, 535-545.

Ngo, V. D., F., Janssen, L. C., Leonidou, and P. Christodoulides, (2016). Home institutional attributes as drivers of export performance in an emerging and transition economy. *Journal of Business Research.* 69.8, 2911-2922.

Nowell, S., J.M., Norris, D.E., White, N.J. Moules. (2017). Thematic Analysis: Striving to Meet the Trustworthiness Criteria. *International Journal of Qualitative Methods*. 16, 1-13.

Nowiński, W., and A. Rialp. (2013). Drivers and strategies of international new ventures from a Central European transition economy. *Journal for East European Management Studies*. 191-231.

Nowiński, W., and A. Rialp. (2016). The impact of social networks on perceptions of international opportunities. *Journal of Small Business Management*. 54.2, 445-461.

Nunn, N. (2007). Relationship-specificity, incomplete contracts, and the pattern of trade. *The Quarterly Journal of Economics*. 122.2, 569-600.

OECD (2008). Removing Barriers to SME Access to International Markets. *OECD Publishing*, Paris. https://doi.org/10.1787/9789264045866-en.

OECD (2014).Perspectives on Global Development 2014: Boosting Productivity to Meet the Middle-Income Challenge. *OECD Publishing*. Paris, https://doi.org/10.1787/persp_glob_dev-2014-en.

OECD (2017). Small, Medium, Strong Trends in SME Performance and Business Conditions**.** *OECD Publishing*. Paris.

OECD (2018). Strengthening SMEs and entrepreneurship for productivity and inclusive growth. *SME Ministerial Conference*. Mexico City. OECD Publishing, Paris.

Papageorgiadis, N., and A. Sharma. (2016). Intellectual property rights and innovation: A panel analysis. *Economics Letters*. 141, 70-72.

Peng, M. W. (2001). How entrepreneurs create wealth in transition economies. *Academy of Management Perspectives*. 15.1, 95-108.

Peng, M. W. (2001). The resource-based view and international business. *Journal of Management*. 27.6, 803-829.

Peng, M. W. (2003). Institutional transitions and strategic choices. *Academy of Management Review* 28. 2, 275-296.

Peng, M. W. and T. A. Khoury. (2008). Unbundling the institution-based view of international business strategy. *In The Oxford handbook of international business.*

Peng, M. W., and J. Q. Zhou. (2005). How network strategies and institutional transitions evolve in Asia. *Asia Pacific Journal of Management.* 22.4, 321-336.

Peng, M. W., and Y. Luo. (2000). Managerial ties and firm performance in a transition economy: The nature of a micro-macro link. *Academy of management journal.* 43.3, 486-501.

Peng, M.W. and P.S. Heath. (1996). The growth of the firm in planned economies in transition: Institutions, organizations, and strategic choice. *Academy of Management Review*.21.2, 492-528.

Piercy, N. F., A., Kaleka, and C. S. Katsikeas. (1998). Sources of competitive advantage in high performing exporting companies. *Journal of World Business*. 33.4, 378-393.

Potter, J. (2017). Public Policy and SME Internationalization. *Journal of Entrepreneurship and Innovation in Emerging Economies*. 3.2, 128-133.

Puffer, S. M., D. J., McCarthy, and M. Boisot. (2010). Entrepreneurship in Russia and China: The impact of formal institutional voids. *Entrepreneurship theory and practice*. 34.3, 441-467.

Redek, T., and A. Sušjan. (2005). The impact of institutions on economic growth: the case of transition economies. *Journal of Economic Issues*. 39.4, 995-1027.

Renko, M., and J. Tikkannen. (2002). Strategic orientations in networked high technology product development. *Turku School of Economics and Business Administrations.* 12.

Rialp, A., J., Rialp, D., Urbano, and Y. Vaillant. (2005). The born-global phenomenon: A comparative case study research. *Journal of International Entrepreneurship*. *3*.2, 133-171.

Ribau, C. P., A. C., Moreira, and M. Raposo. (2015). Internationalisation of the firm theories: a schematic synthesis. International Journal of Business and Globalisation, 15.4, 528-554.

Rodrik, D. (2008). Second-best institutions. *American economic review*. 98.2, 100-104.

Roolaht, T. (2003). Internationalisation of firms from small open transition economies: The intra-firm factors and inward-outward connections. *Journal of East-West Business*. 8.3-4, 123-144.

Sandberg, S. (2014). Experiential knowledge antecedents of the SME network node configuration in emerging market business networks. *International Business Review*. 23.1, 20-29.

Schweizer, R. (2013). SMEs and networks: Overcoming the liability of outsidership. *Journal of International Entrepreneurship*. 11.1, 80-103.

Sekliuckiene, J. (2017). Factors leading to early internationalization in emerging Central and Eastern European economies: Empirical evidence from new ventures in Lithuania. *European Business Review.* 29.2, 219-242.

Sharma, D. D., and A. Blomstermo. (2003). A critical review of time in the internationalization process of firms. *Journal of Global Marketing*. 16.4, 53-71.

Sharma, D. D., and A. Blomstermo. (2003). The internationalization process of born globals: a network view. *International business review.* 12.6, 739-753.

Shinkle, G. A., A. P., Kriauciunas, and G. Hundley. (2013). Why pure strategies may be wrong for transition economy firms. *Strategic Management Journal*. 34.10, 1244-1254.

Shinkle, G. A., and A. P. Kriauciunas. (2010). Institutions, size and age in transition economies: Implications for export growth. *Journal of International Business Studies.* 41.2, 267-286.

Shirokova, G., and T. Tsukanova. (2013). Impact of the home institutional environment on the degree of internationalization of SMEs in transition economies. *The International Journal of Entrepreneurship and Innovation.* 14.3, 193-204.

Shirokova, G., P. McDougall-Covin. (2012), The role of social networks and institutions in the internationalization of Russian entrepreneurial firms: Do they matter? *Journal of International Entrepreneurship.* Vol.10, No.3, pp.177-199.

Simsek, Z., M. H., Lubatkin, and S. W. Floyd. (2003). Inter-firm networks and entrepreneurial behavior: A structural embeddedness perspective. *Journal of Management*. 29.3., 427-442.

Skeith, L. and C. Gonsalves. (2017). Identifying the factors influencing practice variation in thrombosis medicine: A qualitative content analysis of published practice-pattern surveys. *Thrombosis Research.* 159.2017, 52-57.

Smallbone, D., and F. Welter. (2001). The distinctiveness of entrepreneurship in transition economies. *Small business economics*. 16.4, 249-262.

Sobel, R. S., and C. J. Coyne. (2011). Cointegrating institutions: the time-series properties of country institutional measures. *The Journal of Law and Economics*. 54.1, 111-134.

Soeng, R., and L. Cuyvers. (2018). Home institutions and export performance: Evidence for Cambodia. *The Journal of International Trade & Economic Development*, 27.4, 389-408.

Sonin, K. (2003). Why the rich may favor poor protection of property rights. *Journal of comparative economics.* 31.4, 715-731.

Stoian, M. C., A. Rialp, J., Rialp and R. Jarvis. (2016). Internationalisation of Central and Eastern European small firms: Institutions, resources and networks. *Journal of Small Business and Enterprise Development.* 23.1, 105-121.

Svejnar, J. (2002). Transition economies: Performance and challenges. *Journal of Economic perspectives.* 16.1, 3-28.

Tan, A., P., Brewer, and P. W. Liesch. (2007). Before the first export decision: Internationalisation readiness in the pre-export phase. *International Business Review*. 16.3, 294-309.

Thornton, J. (1997). Restructuring production without market infrastructure. *Transforming post-communist political economies.* 133-155.

Tiwana, A. (2008). Do bridging ties complement strong ties? An empirical examination of alliance ambidexterity. *Strategic management journal*. 29.3, 251-272.

Tobin, G.A, and C.M. Begley. 2004. Methodological rigour within a qualitative framework. *Journal of Advanced Nursing*. 48.4:388-396.

Uzzi, B. (1996). The sources and consequences of embeddedness for the economic performance of organizations: The network effect. *American sociological review*. 674-698.

Uzzi, B. (1997). Social structure and competition in interfirm networks: The paradox of embeddedness. *Administrative science quarterly*. 35-67.

Van Biesebroeck, J. (2005). Exporting raises productivity in sub-Saharan African manufacturing firms. *Journal of International economics.* 67.2, 373-391.

Verwaal, E., and B. Donkers. (2002). Firm size and export intensity: Solving an empirical puzzle. *Journal of International Business Studies*. 33.3, 603-613.

Wang, Y., Y., Wang, and K. Li. (2014). Judicial quality, contract intensity and exports: Firm-level evidence. *China Economic Review*. 31, 32-42.

Welter, F. and D. Smallbone. (2003). Entrepreneurship and enterprise strategies in transition economies: An institutional perspective. Small firms and economic development in developed and transition economies: *A reader*, 95-114.

Widén-Wulff, G., and M. Ginman. (2004). Explaining knowledge sharing in organizations through the dimensions of social capital. *Journal of information science*. 30.5, 448-458.

Wiggins, S. and Davis. J. (2006). Economic institutions. IPPG briefing paper no. three. University of Manchester, Manchester. (Avaliable online at http://www.ippg.org.uk/publications.html (Accessed October 9, 2018).

Williamson, C.R. (2009). Informal institutions rule: institutional arrangements and economic performance. *Public Choice.* 139 (3-4):371-387.

Woo, W. T. (1994). The art of reforming centrally planned economies: Comparing China, Poland, and Russia. *Journal of comparative economics.* 18.3, 276-308.

Wright, M., I., Filatotchev, R. E., Hoskisson, and M. W. Peng. (2005). Strategy research in emerging economies: Challenging the conventional wisdom. *Journal of management studies.* 42.1, 1-33.

Wright, M., P., Westhead, and D. Ucbasaran. (2007). Internationalization of small and medium-sized enterprises (SMEs) and international entrepreneurship: A critique and policy implications. *Regional Studies*. 41.7, 1013-1030.

Xheneti, M., and W. Bartlett. (2012). Institutional constraints and SME growth in post-communist Albania. *Journal of Small Business and Enterprise Development.* 19.4, 607-626.

Xin, K. K., and J. L. Pearce. (1996). Guanxi: Connections as substitutes for formal institutional support. *Academy of management journal.* 39.6, 1641-1658.

Yamakawa, Y., M. W., Peng, and D. L. Deeds. (2008). What drives new ventures to internationalize from emerging to developed economies?. *Entrepreneurship theory and practice.* 32.1, 59-82.

Yano, G., M., Shiraishi, and H. Hu. (2013). Property rights, trade credit and entrepreneurial activity in China. *Journal of the Asia Pacific Economy.* 18.1, 168-192.

Zain, M., and S. I. Ng. (2006). The impacts of network relationships on SMEs' internationalization process. *Thunderbird international business review.* 48.2, 183-205.

Zhang, Y. F., and M. Thomas. (2009). Regulatory reform and governance: a survey of selected developing and transition economies. Public Administration and Development: *The International Journal of Management Research and Practice.* 29.4, 330-339.

Zhao, M. (2006). Conducting R&D in countries with weak intellectual property rights protection. *Management Science*. 52.8, 1185-1199.

Zhu, H., M. A., Hitt, and L. Tihanyi. (2006). The Internationalization of SMES in Emerging Economies: Institutional Embeddedness and Absorptive Capacities. *Journal of Small Business Strategy.* 17.2, 1-26.

Sources from Internet

https://www.worldbank.org/en/country/kosovo (Accessed Online, November, 2018)

http://pubdocs.worldbank.org/en/222151539289515672/Kosovo-Snapshot-Oct2018.pdf (Accessed Online, November, 2018)

http://ask.rks-gov.net/en/kosovo-agency-of-statistics/add-news/international-trade-statistics-february-2019 (Accessed online, March 20, 2019).

APPENDIX

Table A1
Comparative position of Kosovo in selected macro variable amongst selected transition economies

Country/Variables	2013	2014	2015	2016	2017
Kosovo[∂]					
GDP p.c.[a]	3,877	4,054	3,574	3,697	3,893
FDI inflow[b] net	371	199	343	243	324
Export[c]	337	372	373	355	436
Unemployment[d] (%)	30,09	35,30	32,90	27,5	30,7
Transparency[e] ,Max. 100	33	33	33	36	39
Bosnia and Herzegovina					
GDP p.c.	5,042	5,204	4584	4,808	5,108
DFI inflow net	313	544	371	272	434
Export	5,687	5,982	5,099	5,327	6,366
Unemployment	27,45	27,52	27,69	25,06	25,56
Transparency	42	39	38	39	38
Hungary					
GDP p.c.	13,667	14,201	12,483	12,820	14,224
DFI inflow net	-3,772	12,886	-4,919	69,816	-14,834
Export	108,014	112,536	100,296	103,071	113,382
Unemployment	10,18	7,73	6,81	5,11	4,16
Transparency	54	51	51	48	45
Macedonia					
GDP p.c.	5,211	5,469	4,834	5,163	5,442
DFI inflow net	402	60	296	549	430
Export	4,298	4,964	4,489	4,784	5,670
Unemployment	29,0	28,03	26,07	23,72	22,38
Transparency	45	42	42	37	35
Albania					
GDP p.c.	4,413	4,578	3,952	4,131	4,537
DFI inflow net	1,254	1,150	989	1,044	1,033
Export	2,331	2,430	1,929	1,962	2,261
Unemployment	15,64	17,49	17,08	15,22	13,86
Transparency	31	33	36	38	39
Bulgaria					
GDP p.c.	7,674	7,853	6,993	7,469	8,031
DFI inflow net	1,989	2,068	2,707	1,656	1,656
Export	29,510	29,386	25,778	23,087	30,181
Unemployment	12,94	11,42	9,14	7,57	6,16
Transparency	41	43	41	41	43
Serbia					
GDP p.c.	6,353	6,200	5,237	5,426	5,900
DFI inflow net	2,060	2,000	2,345	2,355	2,879
Export	14,610	14,843	13,378	14,851	16,959
Unemployment	22,15	19,22	17,92	15,26	14,05
Transparency	42	41	40	42	41

[∂] Exports and Unemployment data for Kosovo collected from national sources, others international as indicated. [a]World Bank (000, USD); [b] World Bank (net annual inflow, 000,000 USD); [c] Trade Map-Int.

Trade Stats. (000,000 USD); [d]UN, [e]Transparency International.

Source Cited in (Kryeziu and Coskun, 2018:87)

Table A2
Kosovo Trade Balance

Period	Export	Import	Trade balance	The percentage of coverage
1	2	3	4=2-3	5=2/3
2005	56.283	1.157.492	-1.101.209	4,9
2006	110.774	1.305.879	-1.195.105	8,5
2007	165.112	1.576.186	-1.411.074	10,5
2008	198.463	1.928.236	-1.729.773	10,3
2009	165.328	1.935.541	-1.770.214	8,5
2010	295.957	2.157.725	-1.861.769	13,7
2011	319.165	2.492.348	-2.173.184	12,8
2012	276.100	2.507.609	-2.231.509	11,0
2013	293.842	2.449.064	-2.155.221	12,0
2014	324.543	2.538.337	-2.213.794	12,8
2015	325.294	2.634.693	-2.309.399	12,3
2016	309.627	2.789.491	-2.479.864	11.1
2017	378.010	3.047.018	-2.669.007	12.4
2018	367.255	3.339.264	-2.972.009	11.0

Source: Kosovo Agency of Statistics

Table A3: Number of Registered and Terminated Enterprises by Year 2007-2016

Source: Statistical Yearbook of the Republic of Kosovo 2017

Year\	New Enterprises	Terminated enterprises
2007	6.124	1.205
2008	7.557	943
2009	7.505	1.136
2010	7.729	1.363
2011	7.879	924
2012	9.592	1.081
2013	9.421	1.434
2014	9.405	1.669
2015	9.911	2.170

Table A4
Structural Business Statistics

Years	Mining and Quarrying			Manufacture			Supply with Electricity, Gas, Steam and Air Conditioning			Water supply, Sewerage, Waste Management and Land Revitalization Activities			Wholesale and Retail Trade, Repair of Vehicles, Motorcycles		
	Nr of businesses	Turnover	Expenditures	Nr of Businesses	Turnover	Expenditures	Nr of Businesses	Turnover	Expenditures	Nr of Businesses	Turnover	Expenditures	Nr of Businesses	Turnover	Expenditures
2008	206	3,1	1,8	4.065	11,6	12,2	46	4,5	4,8	1.414	1,1	0,9	20.815	55,6	59,2
2009	199	2,9	2,2	4.103	10,6	9,6	52	4,3	4,6	1.449	1,0	0,9	21.125	57,3	63,3
2010	204	2,8	2,6	4.112	10,7	12,8	63	4,9	4,7	1.874	1,1	1,0	19.775	57,1	57,8
2011	201	3,0	4,1	4.246	11,3	11,4	59	4,2	5,0	1.546	1,0	0,8	19.791	55,4	55,9
2012	229	0,8	0,7	4.598	12,4	10,2	68	4,2	3,9	1.685	1,1	0,7	20.509	56,9	62,0
2013	149	0,8	0,5	3.736	11,8	11,8	28	4,5	3,1	144	0,7	0,3	16.091	55,7	63,4
2014	149	0,8	0,5	4.052	12,6	11,2	28	5,6	3,8	139	1,7	0,3	16.142	59,0	69,6
2015	165	0,9	0,9	4.528	12,1	11,6	59	7,4	6,9	150	0,8	0,9	16.920	56,0	66,6

Source: Statistical Yearbook of the Republic of Kosovo 2017

Table A4

Continued

Years	Construction			Transportation and storage			Accommodation and food service activities			Information and communication			Other service activities		
	Nr of Businesses(000)	Turnover (%)	Expenditures (%)	Nr of Businesses (%)	Turnover (%)	Expenditures (%)	Nr of Business (000)	Turnover %	Expenditures (%)	Nr of Business (000)	Turnover %	Expenditures (%)	Nr of Business (000)	Turnover (%)	Expenditures(%)
2008	2.362	9,3	8,7	1.213	5,6	2,4	3.498	1,2	1,1	3.615	4,1	5,7	3.891	3,8	3,2
2009	2.456	9,9	8,8	1.228	5,1	2,0	3.559	1,1	0,9	3.706	3,8	4,8	4.209	4,0	2,8
2010	2.564	9,7	9,2	1.135	4,9	2,2	3.364	1,1	1,0	3.731	3,8	5,4	4.241	3,9	3,2
2011	2.702	12,7	12,8	1.168	4,2	2,2	3.459	1,0	0,5	3.696	3,4	5,0	4.558	3,8	2,3
2012	3.038	11,5	11,6	1.160	4,3	2,2	3.715	1,1	0,9	3.563	3,6	5,1	3.192	4,0	2,7
2013	2.094	10,5	8,1	1.166	2,7	2,4	3.126	1,3	0,8	626	4,7	2,1	1.897	7,3	7,5
2014	2.150	8,4	7,3	1.185	2,9	1,8	3.360	1,3	0,9	693	3,7	2,2	4.023	3,9	2,6
2015	2.629	10,1	6,3	1.219	3,6	1,8	3.713	1,8	1,0	881	3,9	2,1	3.201	3,4	2,0

Source: Statistical Yearbook of the Republic of Kosovo 2017

Table A5

Codes of Primary and Secondary Data	
Codes from secondary data	Codes from primary data
Property Rights, Intellectual Property Rights and Contractual Enforcement	
Weak; Poor; Unfair; Negative; Dysfunctional Obstacle; Delays	Brand; Image; Product; Networks; Strong ties International; Learning
Fiscal Policy and Legal Framework	
Costs; High; Low; Unfavorable; Inability Competition; Unfair; Procedures; Export Pressure; Reforms	Favorable; Taxes; Industry; Characteristics Quality; Product; Commitment; Export Shortage; Procedures
The Characteristic of Firm Internationalization	
Motives; Low; Buying ; Power; Small; Home Market; Growth	Process; Neighboring; Distant
The Impact of Home Networks	
Inexperience; Inability; Protecting; Product; Maintain; Home; Costs; Government Distributors; Image	
The Impact of International Networks	
Internet; Suppliers; Bridging ties; Client; Distributor; Visits; Fairs; Diaspora; Knowledge Experience; Performance; Image; Trust	

Interview Questions

General information

- ✓ Firm's Name,
- ✓ Foundation year,
- ✓ Sector
- ✓ Number of firm's employees
- ✓ Position held by the interviewee,
- ✓ Year of internationalization
- ✓ Total annual sales

Questions on the impact of the institutions on firm internationalization process

- ✓ Which are critical decisions of institutions that influenced your firm in the internationalization process? Please name them in terms of positive and negative impact that these institutions have had.
- ✓ Based on current institutional environment in Kosovo, what were the main barriers for your firm in internationalization process? Please give us examples from the barriers related to institutions.
- ✓ What was the position of your firm in national market before you engaged in exporting activities?
- ✓ Have you received any grant or subsidy from the government? How did these grants influence your firm?
- ✓ Is the motive of your firm to internationalize, despite the motive to get access to international market, related also to the negative impact of institutions?
- ✓ During the internationalization process, did the impact of institutions change over time and how did they change? Please state positive and negative impact examples.
- ✓ At early stage of internationalization, what was the role of institutions?

- ✓ Based on the importance of institution, which institutions had positive/negative impact on your firm internationalization process?
- ✓ Does the government have any programs to encourage exporting activities?
- ✓ Did your firm's exporting intensity influence the decision of institutions to propose programs that will encourage exporting activities?
- ✓ Did the export intensity increase the likelihood of receiving more grants or subsidies from the government?
- ✓ Overall, which institutions were the best and worst, preventing your export activities and doing business in Kosovo?

Interview questions for Government's officials

- ✓ Which critical decisions of institutions influenced positively business environment in Kosovo? Please name and order them.
- ✓ Based on current institutional environment in Kosovo, what were\are the main barriers for firm in internationalization process?
- ✓ What are the criteria to receive grants or subsidies from the Government?
- ✓ How institutions see the firms that export? Are any different policies that prioritize export oriented firms?
- ✓ How do you define the role of institutions on firm' internationalization process? Does the role and impact of institutions changed over the time?
- ✓ Which institutions had positive\negative impact on firm internationalize? What were the decisions taken from the government to improve the policies regarding to the business environment?

Questions on the impact of social networks on firm internationalization process

- ✓ Could you describe the image of your firm before the internationalization? Which factors and networks played more critical role to build image for the firm?

- ✓ Receiving the resources such as information, access to finances and other resources is critical for the firm. Dividing the importance of networks, which networks played a more critical role to receive the resources to start the business? Which one was the most important: family, friends, or government officials?
- ✓ What role the family and friends played at early years of foundations? Do they have the same role and impact as in the early years of start up? (Please indicate with examples).
- ✓ Do you have contacts with government officials? How do you maintain these contacts and why are or were these contacts important for your firm? Are you still in contact with the same individuals that you used as a network? What kind of relations have you had with these contacts?
- ✓ What were the criteria to receive the grants or subsidies from the government? Has your firm used ties with government officials and access to the information to receive these grants?
- ✓ At early stage of internationalization, which networks were important? Please state with examples.
- ✓ How did you establish contacts in foreign markets?
- ✓ What kind of experience did you have before the firm entered foreign market/markets? What was the role of social networks to gain experience in international market? Did you use the same network? Were the ties you used in the networks based on the needs of your firm?
- ✓ How did you make new contacts? How do you maintain these contacts?
- ✓ At early stage of internationalization, which networks were important? Please state with examples.
- ✓ How did you build contacts in foreign markets?
- ✓ What kind of experience did you have before the firm entered foreign market/markets? What was the role of social networks to gain experience in

international market? Were the ties you used in the networks based on the needs of the firm?

- ✓ How did you build new contacts? How do you maintain these contacts?
- ✓ Which networks were more critical for the firm internationalization? Home country networks or host country networks? Please indicate with examples.
- ✓ How networks helped you to overcome the liability of foreignness?
- ✓ When you enter in a new country, do you use current contacts as a source of information or you search for contacts in these host countries and then enter? How did you build these contacts?
- ✓ How did your networks change during internationalization process? By their importance, which were the networks that had fundamental impact on your firm internationalization? Could you give some positive and negative examples of your past experience related to the contacts?
- ✓ Do you think that changing social networks is advantage or disadvantage? Please indicate with examples.

Case Descriptions and Analysis

Case#1

This firm operates in the metal work industry by producing steel pipes of various dimensions, and is a family owned business established in the 1970s. During the 19999 war in Kosovo, the company was destroyed, and it restarted its business activities in the second half of 1999 and through 2000. After the war, the firm mainly based her activities in the home market, cooperating closely with the clients and consistently widening the clientele base. The quality of product and competitive prices were essential factors that the firm consistently entered into new projects. After establishing a stable position in the home market, the firm through their supplier firm succeeded to debut in international markets. The first exports were made to neighboring countries, then into other European countries. The connection with the clients in these markets was facilitated at early phase from the suppliers in Ukraine, then by conducting market research. During this process, the firm faced high costs due to regulatory institutions. The adoption of the second fiscal policy on the exemption of raw materials and technology from taxes on one hand, and the shortening of exporting procedures on the other hand, directly had a positive impact on the firm. The firms built stable and long-term relations with international networks, and in the process entered into a wide network structure. International networks played a crucial impact on the firms to increase knowledge, experience, and the image of these international networks. The firm focused on consistently improving the quality of the product and setting competitive prices and maintaining long term relations with international networks. When institutional quality is improved, it reflected positively on firm, but in cases when institutions presented a barrier, the firm's growth and performance in the home as well as international market was determined by the social networks. The firm currently exports to Serbia, Bosnia, Macedonia, Switzerland, and Germany.

Case#2

The firm operates in the food processing industry, was founded in 1994 and is a family owned business. In the early founding years, the firm was small and had only three workers. It was destroyed during the war. Based on family's investments, the firm grew gradually, most products that were manufactured in the beginning are replaced by new products and technology. In the year 2000, it started with carbonated drinks such as Cola and Schweppes. In the first half of 2006, it began producing energy drinks and grew fast due to higher quality of the products and competitive prices. After the firm gained a competitive advantage, it started to export. The first exports were made in 2007 to neighboring countries such as Albania, Macedonia, then it entered into the European market, the Middle East, Africa, and America, or a total of 23 countries (Albania, Macedonia, Bosnia, and Herzegovina, Montenegro, Serbia, Sweden, England, Germany, Slovenia, Italy, Bulgaria, Switzerland, Slovakia, Mauritania, Liberia, Senegal, Guinea Bissau, Guinea, Jordan, Iraq, Kuwait, Turkey). All this process was gradually carried out by careful planning and not simultaneously, followed by the motive to grow and increase the profit. The exposure to international markets and competition increased the firm's commitment, and as a result, in 2011 it started to produce fruit juice, and became successful as the first one in Kosovo. The firm currently experiences high competitive advantage as it controls 70% of the home market. The institutions had a negative impact on the firm, but this changed when institutional quality improved and this brought about more results to the firm. The firm was determined to focus on overcoming internal barriers such as, how to produce qualitative products and services, which have been facilitated by the social networks. The networks that played a determining role on the impact of internationalization success, were international. These networks are based on long term relations, and consistently sharing experience, knowledge, and information. The firm has strong long relations and is part of a wide network structure in various countries, and these factors decreased the determining impact of institutions. In 2017, the firm was chosen as the Kosovo's company of the year for her success in the home and international market.

Case#3

It is a family owned business that operates in textile industry and was founded in 1992. Its main activity during early founding years was selling shoes in Kosovo. Initially, the firm built the factory on the family property. In 1995, it started shoe manufacturing and at that time was the first private shoe manufacturer in Kosovo. Over the last two decades, it experienced continuous growth. The firm suffered substantial damages during the 1999 war since the factory was destroyed. After the war, the factory was rebuilt, and by November 1999 it restarted shoe manufacturing. In 2012 it expanded by a new factory in the industrial zone, and continuously increased manufacturing capacity. The annual capacity in 2009 was 245,000 pair of shoes, followed by an increase in 2012 to 400,000 pairs of shoes. The firm in 2008 had 100 employees, and this number grew to 150 in 2010, a further to 200 by 2014, and currently it reached 250. During the growing process, the institutions played a consistent negative impact on the firm, which was shown in several ways. The first fiscal policy as in the cases of other firms, had a negative effect on the firm costs due to the lack of exemption on raw materials, technology used, and long exporting procedures. The reform of fiscal policy partly reflected in a positive way on firm, mainly on exporting procedures.

The firm substituted the negative impacts of institutions by building her own networks to improve the products, set competitive prices, and the plans to enter into new countries. Internationalization process was gradual, first into neighboring countries, then into more geographically distant ones. Currently, the firm is the largest shoe manufacturer in Kosovo and among the largest ones in the region. The countries to which the firm exports, include: Albania, Montenegro, Serbia, France, Germany and Finland, Italy, Romania, Switzerland, Spain, Slovenia, Greece, and South Africa.

Case#4

The firm operates in construction material industry, and is newly established with domestic and German owners. The German co-founders have their factories in Poland, Russia, and Mongolia. They invested in Kosovo due to favorable fiscal policy and cheap labor force. The aim of the firm since its founding year was to export. However, during this process, the firm faced entry barriers to entry in Bosnia and Herzegovina, causing a loss of over three million euros per year. The firm still has a fragile position in the home market and has attempted to increase its network structure. In the international market, the firm has a wide network structure with partners that have been in business for many years. The firm currently exports to Albania, Hungary, and China.

Case#5

This firm is also a family owned business and operates in the textile industry. In the early start, it was importing textile from Turkey. The production started in 2012 by producing "Sports Garments." The firm’s position in the home market was not well-consolidated, and the speed of growth has been gradual. This is related to institutional factors and the lack of ability to maximize from the social networks, mainly international ones. The negative impact of institutional related factors was addressed to unfair competition derived from imported products, mostly from Turkey. The firm facing the challenge to manufacture unique products, focused on developing internal capabilities, and overcome internal barriers. It has established long term relations with the distributors in the home market and continuously widened its network structure. So far, it has entered into three countries: Switzerland, France, and Sweden. However, it still faces the challenge in innovation where the network relations with international networks are still in developing process. To fill this gap, the firm attempted to widen its network by exploring new opportunities in international markets, with the aim to enter into western markets with higher purchasing power and a large number of clients.

Case#6

Like in Case#5, this firm is a family owned business that operates in the textile industry and was established in 1994. It produces uniforms and textile related products. The position in the home market is stable and the main clients are construction companies and the government. Due to weak public procurement system, the firm faced the challenge to become the supplier of government institutions with uniforms and other textile products. The impact of institutions has been consistently negative, such as fiscal policy and as mentioned, weak public procurement system. New fiscal policy continued to have a negative impact on costs, except for exporting procedures. Inadequate protection of property rights did not reflect negatively on the firm, which the firm overcame by unique quality of the products that are difficult to be copied by the competitors. Although the firm started exporting in 2009, the success in the international market has not been as expected. The ties with the diaspora have been crucial for the firm to enter into the European market, where it helped the firm to enter into wider network structure and supply other construction firms with her products. The characteristic of these ties is long term and based on trust. Despite low prices and the quality of the products, the firm faces competitive pressure in the international market. The motive behind internationalization has been profit and growth, and this process went gradually.

Case#7

Operates in in the metal work sector since 2008 and has 27 products. It started operating in the home market and engaged in small projects with construction companies. The commitment to produce unique products based on favorable prices and consistent learning, resulted in firm continuous growth. The projects were based on a recommendation of former clients in home market. The entrepreneur's aim has been to export in the European market with higher purchasing power. The firm contacted the first possible client through internet, who then became the firm’s first international network. The first export was made to Switzerland. Higher profit derived from export encouraged the firm to be more committed towards the international markets. The firm has been negatively influenced by the initial fiscal policy, but the reforms that followed where exporting procedures were shortened and customs tariffs removed, had a direct positive impact on firm performance and growth. The barriers to build international networks emerged mainly from the lack of visa liberalization, where many possible clients were lost. Despite this, the firm currently exports to Switzerland, Germany, Slovenia, Montenegro, Serbia, and Albania, and 90% of the firm incomes come from exports.

Case#8

Is a family run business founded in 2002. It is the leading company in Kosovo for collecting, processing, and exporting wild herbs for pharmaceutical, cosmetic and food industry. Its annual production per year is 500 tons with 70 species of herbs and berries. To produce high quality of products, the firm relied on quality standards for organic products, flexibility by collaborating with pharmaceutical and food industries in the home market, but focused mainly on international collaborations. During the growth process, the firms' knowledge and experience increased which lead it to apply the highest international standards, and was certified with different 104 certificates. The main target is in international markets, mainly neighboring countries, with the European counties such as Austria, Germany, Switzerland, and Canada being a priority. The firm has been negatively influenced by the institutions, mainly by the initial fiscal policy, where the changes the followed increased the firm's costs, except for shortening of exporting procedures. The success in the international market has been growing over the years, thanks to the long-term network relations with the distributors. The image of these distributors was the source for the firm to enter into a wider network structure, and build the image. The networks knowledge and experience have been crucial for the firm how to proceed and grow in compliance with international standards.

RESUME

The author, Liridon Kryeziu, was born on 12.08.1986 in Bubavec, Malisheva municipality in central Kosovo. He completed primary education at “Ali Hadri“ School of Economics in Peja. Bachelor degree at Prishtina University, Faculty of Applied Science in Business, Business Administration Department, 2005 -2008. He got his master’s degree from the Prishtina University, Faculty of Economics in the Management and Informatics Department, 2009-2011. Started his PhD in 2012 at Sakarya University, in the Management and Organization Department.