



Tomas Bata University in Zlín
Faculty of Management and Economics

Doctoral Thesis

**The Effects of Institutions, Internal Resources
and External Knowledge Acquisition
on Competitive Advantage**

Vliv institucí, interních zdrojů a externího získávání znalostí na
konkurenční výhodu

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ABSTRACT

The level of activity in an economy is conditioned by the institutional settings where the activity is taking place. However, institutional theory does not provide a comprehensive view over the competitive advantage's predictors since it informs only from an institutional angle. Likewise, the resource-based view covers only organisational resources that highlights their successful utilisation for competitive advantage. In addition, knowledge-based view, fails to explain only by itself the firm's competitive advantage. However, the three theories jointly offer a comprehensive view of the competitive advantage's determinants. Therefore, in contemporary time, there is a need to study deep-rooted institutions and the utilization of resources and knowledge to obtain competitive advantage. By integrating these three perspectives, this thesis seeks to fill in such research gaps via examining an improved conceptual framework, which sheds light on the direct and moderating effects of institutions and resources (internal resources and external knowledge acquisition) on firms' competitive advantage.

The research strategy that is used in this thesis is survey. The sample frame for this study consists of enterprises operating in three countries in Western Balkans: Albania, Kosovo, and North Macedonia. A quantitative approach is used to test the formulated hypothesis. 819 questionnaires are collected and after the data cleaning, only 651 records (above 200 respondents per each country) are used in the data analysis and hypothesis testing. Three data processing and analysis computer software: Microsoft Excel, SPSS 23 and SmartPLS 3.0. Partial least square (PLS) structural equation modelling (SEM) method is performed to examine and test the formulated research model.

The main findings suggest that: (i) informal and economic institutional obstacles constraint the firm's competitive advantage; (ii) the institutional interplay is important in exploring the formal institutions' role in moderating the effects of informal and economic institutions on competitive advantage in transition economies; (iii) internal resources and external knowledge acquisition are significant determinants for competitive advantage. Nevertheless, contrary to the expectations, the direct effect of formal institutions on competitive advantage is not significant, which emphasises its moderating role in the above linkages.

The work contributes to the entrepreneurship literature by combining in an improved research model three perspectives: institutional theory, resource-based and knowledge-based views, and enriching the existing literature by filling in the identified research gaps. The research implications, limitation, and future research are highlighted.

ABSTRAKT

Stav činnosti v ekonomice je určován institucionálním prostředím, v němž je činnost vykonávána. Institucionální teorie však neposkytuje komplexní pohled na prediktory konkurenční výhody, protože informuje pouze z institucionálního hlediska. Stejně tak pohled založený na zdrojích zahrnuje pouze organizační zdroje, které zdůrazňují jejich úspěšné využití pro konkurenční výhodu. Kromě toho pohled založený na znalostech nedokáže vysvětlit konkurenční výhodu firmy pouze sám o sobě. Tyto tři teorie však společně nabízejí komplexní pohled na determinanty konkurenční výhody. Proto je v současné době potřeba studovat tradiční instituce a využití zdrojů a znalostí k získání konkurenční výhody. Integrací těchto tří perspektiv se tato práce snaží zaplnit tyto mezery ve výzkumu prostřednictvím zkoumání zdokonaleného koncepčního rámce, který osvětluje přímé a moderující účinky institucí a zdrojů (interních zdrojů a externího získávání znalostí) na konkurenční výhodu firem.

Výzkumnou strategií, která je v této práci použita, je průzkum. Výběrový soubor pro tuto studii tvoří podniky působící ve třech zemích západního Balkánu: Albánii, Kosovu a Severní Makedonii. K ověření formulované hypotézy je použit kvantitativní přístup. Bylo shromážděno 819 dotazníků a po vyčištění dat bylo pro analýzu a testování hypotéz použito pouze 651 záznamů (nad 200 respondentů v každé zemi). Využity byly tři počítačové programy pro zpracování a analýzu dat: Microsoft Excel, SPSS 23 a SmartPLS 3.0. Zkoumání a testování formulovaného výzkumného modelu bylo provedeno metodou modelování strukturálních rovnic (SEM) metodou parciálních nejmenších čtverců (PLS).

Hlavní zjištění naznačují, že: (i) neformální a ekonomické institucionální překážky omezují konkurenční výhodu firmy; (ii) institucionální interakce je důležitá při zkoumání role formálních institucí při zmírňování účinků neformálních a ekonomických institucí na konkurenční výhodu v tranzitivních ekonomikách; (iii) interní zdroje a externí získávání znalostí jsou významnými determinanty konkurenční výhody. Nicméně v rozporu s očekáváním není přímý vliv formálních institucí na konkurenční výhodu významný, což zdůrazňuje jejich moderující roli ve výše uvedených vazbách.

Práce přispívá k novým poznatkům tím, že ve vylepšeném výzkumném modelu kombinuje tři perspektivy: institucionální teorii, pohled založený na zdrojích a pohled založený na znalostech, a obohacuje tak stávající literaturu tím, že zaplňuje zjištěné mezery ve výzkumu. Jsou zdůrazněny důsledky výzkumu, omezení a budoucí výzkum.

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1 INTRODUCTION

1.1 Research background

Both enablers and constraints of entrepreneurship, can be seen as part of the environment where the activity take place. Business activity does not occur in a void, but it includes exchanges between different actors in an economy. In Eastern Europe, people from the same cultures have a different achievement orientation than people from advanced economies (Ramadani & Dana, 2013). This is supported even by the view of Hofstede (2011), as he has developed a model based on cultural dimensions.

At a global level, various entrepreneurial types have emerged, leading to a diversity of economic, social, and technical nuances. For instance, in United States of America and Canada, entrepreneurship begins and grow up in an affluent setting that characterizes both political and economic stability, while technological advancement is boosted. In developed economies, individuals who wants to involve in start-up activity (formal business) face few obstacles; whereas, in other contexts, external factors are not similar at all and influence people to involve in different forms of doing business (including informal one) (Ramadani & Schneider, 2013).

The state of activity, which could be destructive, unproductive or productive (Baumol, 1990), is influenced by the institutional setting where business operate (Douhan & Henrekson, 2010). The above linkage leads to the fact that business activity carried out in a place is conditioned by the changes in the institutional environment (Chowdhury et al., 2019; Manolova et al., 2007; Stenholm et al., 2013). Therefore, as suggested in the literature (Dethier et al., 2011; Ghura et al., 2017), certain interconnections of institutions, including the internal resources and firm performance (and competitive advantage) are foreseen. Nevertheless, the ways in which variations of such institutions and resources (internal resources and external knowledge acquisition) affect competitive advantage have not received sufficient attention from scholars (Dorado & Ventresca, 2013; Sobel, 2008) especially for post-communist transition countries. To shed light on this research gap identified in the entrepreneurship literature, this thesis aims to examine the linkages and effects of institutional constraints and resources on competitive advantage in the context of transition economies such as countries in Western Balkans, specifically Albania, Kosovo, and North Macedonia.

The enrichment of the entrepreneurship literature by prior studies, where the institutional theory is presented (Baumol, 1990; North, 1990; Williamson, 2000), can help to create a suitable framework and link institutional factors to business activity. An institution could be either informal or formal. Generally, it is

accepted among scholars that such institutions have the capability to affect attitude or behaviour of the individuals by deterring or enabling it to be materialised (North, 1990). The group of institutions known as formal is recognized as vital for entrepreneurship – if they are formulated in such a way that feature stability and efficiency, they possess the capacity to decrease risk and uncertainty for business (Smallbone & Welter, 2012; Welter & Smallbone, 2011). Some of the formal institutions can be written rules such as regulations or procedures to be followed, and tax rates and the way how they are administrated. Regarding examples of informal institutions, one can mentioned aspects that are linked to the legacy of the past events, a typical way of doing business and traditional social behaviour which can put additional pressure on entrepreneurs (Aparicio et al., 2016; Estrin et al., 2013; Xheneti & Kitching, 2011). For instance, informal business and corruption are among two most mentioned as informal institutions. The competition that is characterised as informal or unfair can be also linked to political connections. Benefits are foreseen by having such connections because by doing so entrepreneurs can avoid official procedures (Krasniqi & Desai, 2016; Rajwani & Liedong, 2015). Based on prior evidence, corruption, unfair competition, electricity, and tax administration are reported to be among the most selected constraints by entrepreneurs in Albania, Kosovo, and North Macedonia (Bitzenis & Nito, 2005; EBRD, 2017; Xheneti & Bartlett, 2012).

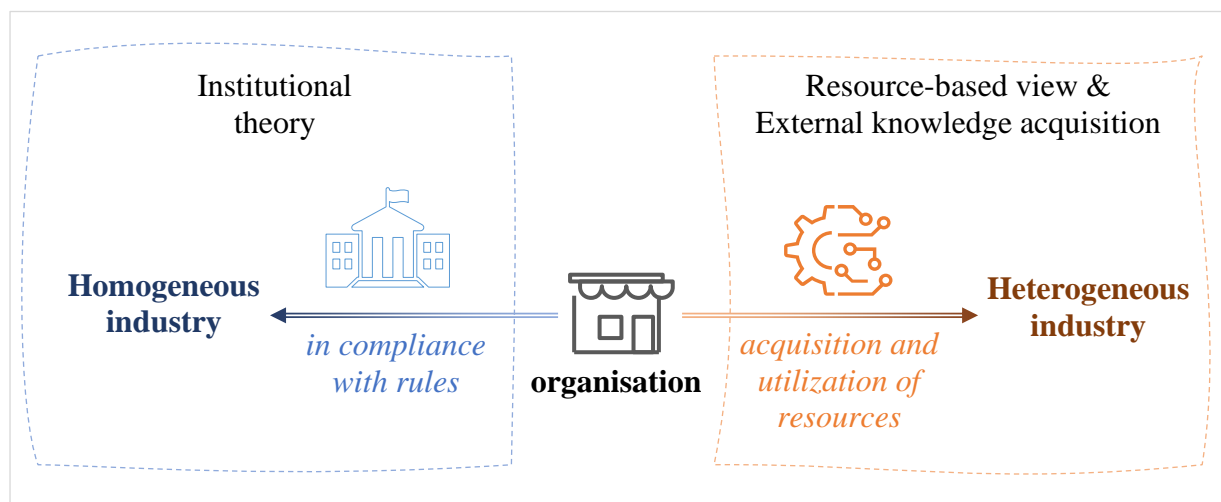
Formal institutions that facilitate and support economic activity are strengthened when there is an acceptable degree of governance. On the other hand, such governance can create the conditions that weaken some informal institutions that constraints business activity. Utilising the eclectic theory of entrepreneurship, Verheul et al. (2002) demonstrated that government can affect both the supply and demand sides of entrepreneurship. Another study which applied the same theoretical perspective, Thai and Turkina's (2014) study found that governance positively influences formal institutions and negatively informal institutions. This thesis seeks to provide additional insights on these linkages including competitive advantage in the context of post-communist and transition economies. Furthermore, it is known that entrepreneurship is not influenced in the same manner by neither formal, nor informal institutions. There is another stream of literature that claims that the impact of institutions in post-communist and emerging economies contrast with the impact that can be observed in advanced economies. Such differences are found to be more evident in cases of informal institutions, than formal ones. For example, corruption and business growth reflect a positive relationship (Hashi & Krasniqi, 2011), or corruption and innovative activities (Tomaszewski, 2018) in developing countries.

1.2 Research problem

A major challenge for firms is the way how to find an optimal strategic response that enables firms to adjust to external environmental conditions. As Oliver (1997) argues, a strategic response could be the one that balances (i) the need to acquire and exploit the resource in order to obtain competitive advantage, and (ii) the need to achieve legitimacy in the sector where the firm is operating. The first need leads to a diverse (heterogeneity) within an industry, whereas the second one leads to a homogeneity within an industry.

Two different theories of the firm (institutional theory (North, 1990) and resource-based view (Barney, 1991)) are used by scholars to better understand the abovementioned needs. Institutional theory aims to explain how being in compliance with formal and informal rules affects firm behaviour, which leads to an industry characterized as a more homogeneous one. By way of an alternative, resource-based view goal is to explain the firm need to environmental uncertainty by acquisition and utilization of possessed resources. Different from the first theory, this view aims to explain the heterogeneity within an industry.

External knowledge acquisition is an extension of resource-based view, which is defined as the organisational capability to gain from the knowledge that exists in the environment and apply in the organisation activity (Kraaijenbrink & Wijnhoven, 2008). External knowledge acquisition is a direction of knowledge management. Knowledge management is used by scholars to explain how businesses obtain competitive advantage (Coff, 2003; Tallman et al., 2004), including the case of SMEs (Edvardsson & Durst, 2013).



Source: own research

Figure 1. Homogeneity and heterogeneity within industry and theories

Following Oliver's (1997) suggestion, this thesis combines or integrates the institutional theory and resource-based view, along with external knowledge acquisition, with the aim to provide a better understating of firm behaviour, in general, and competitive advantage, in particular, as illustrated in Figure 1.

Barney et al. (2001) suggest that fusing institutional and resource-based perspectives and knowledge management will create room for more advancement in resource-based view. In the latter study, it is stated that the jointed institutional and resource-based theories may offer an additional understanding of the development of local enterprise's resources which are seen more attractive and valuable to nonlocal enterprises (Bu et al., 2021).

The knowledge-based view of an enterprise was introduced as a development of the resource-based view (Alavi & Leidner, 2001; Sun & Yoon, 2016). Consequently, by utilizing resources, including managerial aspects, a firm can optimize its value and build an infrastructure that it needs to maintain its competitive advantage. Since changes in knowledge resource affect the enterprise's performance in the long-run, and an enterprise may take care of the core competencies by making it not possible for its rivals to easily replicate the way how resources and capabilities are managed, the role of external knowledge acquisition that an enterprise has, is highlighted, in particular.

Current knowledge in the field of institutional environment provides evidence on how institutions shape the entrepreneur's behaviour and business activity (Chowdhury et al., 2019). However, in contemporary times, there is a need on examining deep-rooted institutions that constrain and foster firms' competitive advantage. This is a constant concern of policymakers, since a better performance of entrepreneurship in start-ups and in their activity leads to the decreasing of unemployment and to the economic growth. Throughout this thesis, it is intended to have a better understanding of the situation by finding the joint effects of institutions, resources and external knowledge acquisition on competitive advantage, and to give some useful recommendations mostly for policymakers and managers.

Generally, institutions are out of control of the entrepreneurs. However, they can manipulate the level of their firm by focusing on the possessed resources. Internal resources are possessed by organisations and comprise organisational procedures, assets, capabilities, attributes, expertise, and so on. They can be harmonised or combined using techniques aimed at increasing company effectiveness and efficiency. Consequently, limited assets and ineffective management limits the possibilities of obtaining competitive advantage. Human resources, as an engine of company activity, can play a specific role in this regard (Stacho et al., 2017). Thus, besides institutional constraints, internal resources can influence business activity and competitive advantage.

Therefore, this research seeks to study the role of institutional constraints and internal resources on competitive advantage in case of transition countries like those in Western Balkans. Significant evidence of the links being studied were not identified throughout the course of this research, particularly in the setting of transition economies. The findings of this thesis can be of particular interest to decision-takers and policymakers which seek to make the business environment more friendly and to boost start-ups. It is critical for policymakers to understand which institutions are most essential to entrepreneurs and what their influence on business activity is (Fereidouni & Masron, 2012). Moreover, from the managers' viewpoint, it is vital to explore which resources influence on achieving competitive advantage.

Based on the above discussion, one can conclude that institutional theory does not offer a full picture of the determinants of the competitive advantage, since it informs only from an institutional perspective (Peng et al., 2008). Similarly, the resource-based view only covers resources that emphasises successful acquisitions and alliances. In addition, knowledge-based view, fails to explain only by itself firm's competitive advantage. However, the three perspectives jointly can provide a better picture of the competitive advantage's predictors. This integration of the three theories offers far better explanation of competitive advantage.

By combining these theories (institutional, resource-based, and knowledge-based views), it is presumed that a better understanding of how enterprises behave when they face institutional constraints and have the capacity to utilize the possessed resources and external knowledge acquisition (Fernández-Alles & Valle-Cabrera, 2006; Kraaijenbrink & Wijnhoven, 2008). The combination of these theoretical perspectives can create a suitable conceptual framework which is expected to have more sound results, since it is assumed that covers technical (resources and knowledge) and institutional contexts.

1.3 Research questions and objectives

The **main goal** of the current study is to develop a comprehensive model to investigate effects of institutional environment, internal resources, and external knowledge acquisition on competitive advantage. The identification of these constraints will lead to the possibility of improving the quality of business environment in these countries. Research problem and aim can be formulated as follow:

Research problem: Investigating the effects of institution constraints, internal resources, and external knowledge acquisition on competitive advantage of the firms operating in transition countries.

Considering the policymakers' perspective, this study is beneficial because identifies the institutions (institutional environment: formal, informal and economic) and resources (internal resources and external knowledge acquisition) which affect competitive advantage. This process may lead to a friendlier regulatory framework that policymakers can design. Therefore, the main question is the following below:

Research question (RQ): How institutional constrains, internal resources, and external knowledge acquisition influence competitive advantage of firms operating in transition countries?

The partial research questions and objectives (RO) are given as follows:

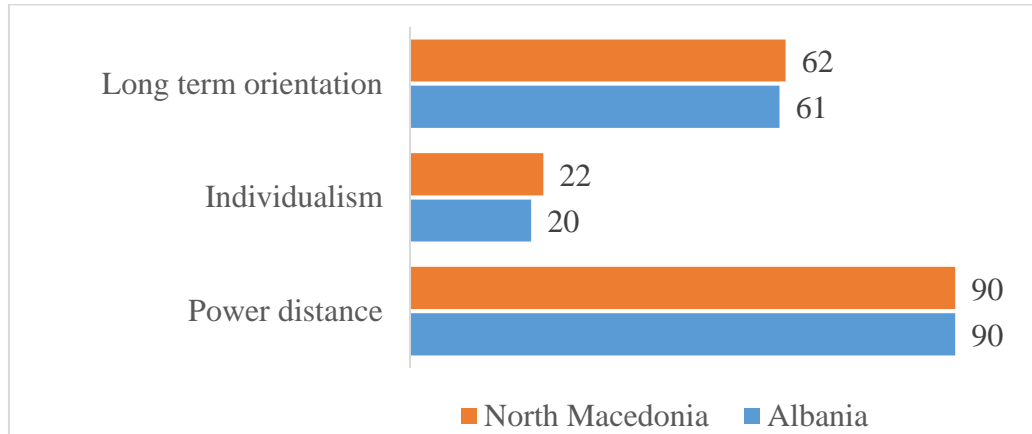
Research question/ objective	
RQ1	To what extent do formal institutional constraints affect competitive advantage?
RO1	<i>To identify how formal institutional constraints influence competitive advantage.</i>
RQ2	To what extent do informal institutional constraints impact competitive advantage?
RO2	<i>To identify how informal institutional constraints impact competitive advantage.</i>
RQ3	To what extent the competitive advantage is influenced by economic institutions?
RO3	<i>To identify how economic institutional constraints affect firm performance.</i>
RQ4	Do formal institutional constraints moderate the relationships between informal and economic institutions and competitive advantage?
RO4	<i>To investigate the role of formal institutions in moderating the relationships between informal and economic institutional constraints and competitive advantage.</i>
RQ5	Do internal resources influence competitive advantage?
RO5	<i>To investigate the effect of internal resources on competitive advantage.</i>
RQ6	Does external knowledge acquisition influence competitive advantage?
RO6	<i>To investigate the effect of external knowledge acquisition on competitive advantage.</i>

1.4 Entrepreneurship in Western Balkans

This thesis research is done in three countries in the Western Balkans, which are Albania, Kosovo, and North Macedonia. In this sub-section is given a background of entrepreneurship in these economies. The three economies share almost the same values, history, heritage, and level of economic development. They were communist countries and now they are putting efforts towards market-oriented economy through fundamental transformations and reforms in many aspects, including entrepreneurship.

Regarding the aspect that the selected countries share similar culture, Hofstede's culture (Hofstede, 2011) provides sufficient evidence. Three Hofstede's culture dimensions are power distance,¹ individualism², and long term orientation.³

Figure 2 informs on the values of the Hofstede's culture dimensions for Albania and North Macedonia. Unfortunately, there is no report for Kosovo. However, Kosovo is inhabited by Albanians and have many things in common not only with Albania but also with North Macedonia. As the graph depicts, there are not many differences between Albania and North Macedonia. Therefore, they share similar cultural values among them.



Source: Hofstede Insights: <https://www.hofstede-insights.com/>

Figure 2. Hofstede's culture dimensions for Albania and North Macedonia

¹ Power distance is defined as: defined as the degree to which less powerful members of a country's institutions and organisations expect and tolerate unequal power distribution.

² It refers to the degree of dependency that a society's members have.

³ It refers to the case of how every community must keep some ties to its own past while confronting present and future issues.

1.4.1 Transition – new challenges for entrepreneurship

Countries that are in the transition stage of their economy offer an interesting setting for the development of entrepreneurship. In these countries, two main views have “supplied” two types of public policy (Ramadani & Dana, 2013). The first one claims that the reform must be implemented gradually to avoid any possible side-effects. On the other hand, the second view suggests shutting of state-owned organisations since they lose money and claims an instant transition to capitalism.

Numerous states, including those in the Western Balkans, chose to liberalize the prices and privatise state-owned organisations, hoping that this move would lead to a quick transition to an economy characterized by a free market. The belief is that, while private-owned organisation is not enough to guarantee the effective running of a market economy, it is a necessary condition (Ramadani & Dana, 2013).

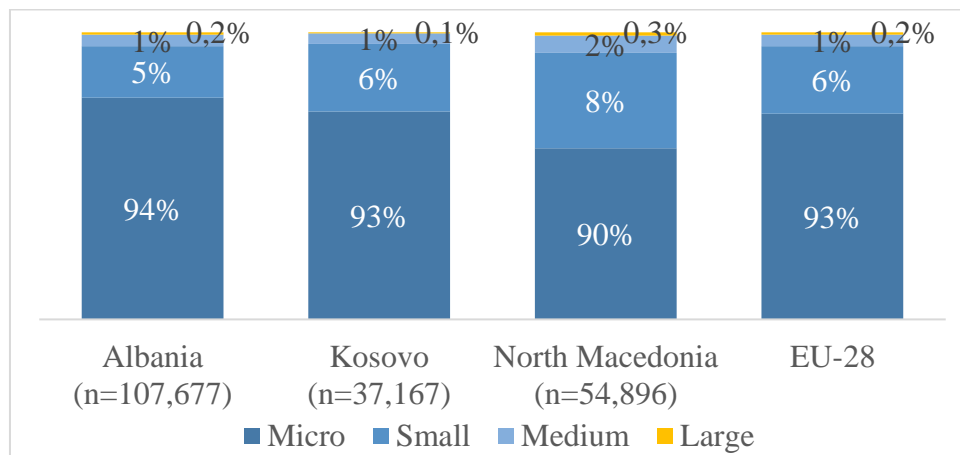
There is different evidence in this context, that provides insights. Many people have been forced into self-employment in those cases when rapid privatisation took place. In cases when state-owned firms are privatised or downsized, there is a disbalance between the demand for workers and skills available in the labour force. Therefore, there is a need for retraining of workers for skills that are demanded in the market. Particular skills, which are not demanded essential in the developed countries, can be extremely beneficial in a post-communist setting. Since the Western Balkans works under such settings, these countries cannot be out of this need (Ramadani & Schneider, 2013). As the privatisation of state-owned enterprises created new possibilities, the unemployment rate raised and as a response to this new environment, some individuals were compelled to become self-employed; this was because of the limited alternatives.

1.4.2 Role of SMEs in the Wester Balkans

The role of entrepreneurship in the selected economies is vital. In the following paragraphs it is shown this role in figures. In particular, indicators like the share of micro-, small-, and medium-sized enterprises to the total of firms in each country, the share of employees working for SMEs to the total of firms, and the share of value added to the total of value added by country. These indicators are compared to the EU-28 figures.

Figure 3 illustrates the share of enterprises operating in Albania, Kosovo and North Macedonia. The number of SMEs that operate in Albania, Kosovo, and North Macedonia are 107,511, 37,115, and 54,745 firms, respectively (European Commission, 2019), while the SMEs share to the total of firms as illustrated in

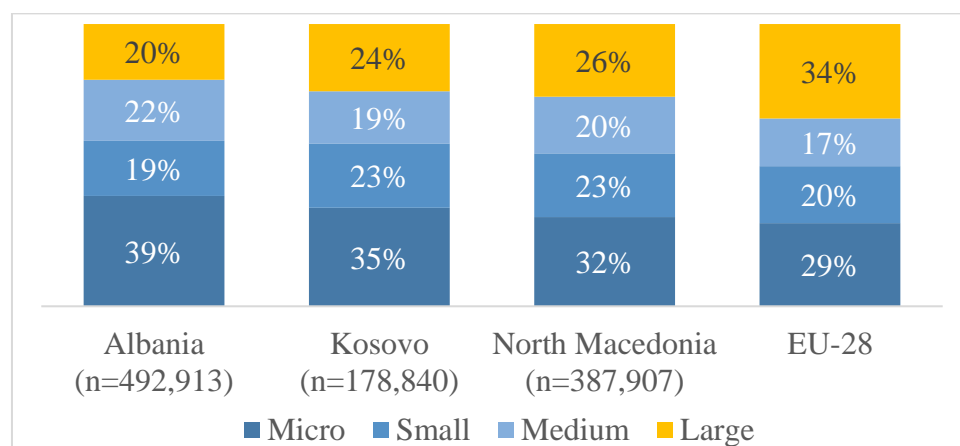
the figure. These shares of sub-sectors of SMEs in the EU case are 92.8%, 5.9%, and 1.4% for micro-, small-, and medium-sized enterprises, respectively.



Source: (European Commission, 2019)

Figure 3. Share of enterprises in Albania, Kosovo and North Macedonia

Figure 4 illustrates the number and share of people employed in SMEs sector in three Western Balkan countries. Among the three countries reported here, Albanian SMEs have the highest share of the workforce in the private sector (80%) and the lowest share is reported in North Macedonia (almost 75%). The shares of subsectors of SMEs in the EU case are 29%, 20%, and 17% for micro-, small-, and medium-sized enterprises, respectively (European Commission, 2017).

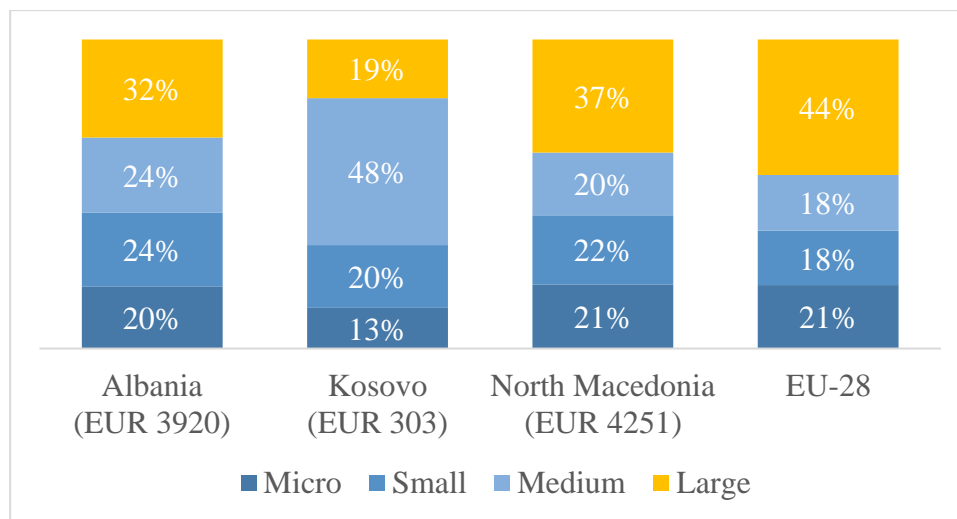


Source: (European Commission, 2019)

Figure 4. Share of people employed in SME sector by country

Small and medium-sized firms (SMEs), contributes significantly to the Western Balkans' economic development. SMEs contribute about 68%, 81% and 63%% of

the value added in Albania, Kosovo, and North Macedonia, respectively. Moreover, the value added of each subsector of SMEs contributes evenly to the economy, approximately 23% each (see Figure 5). Almost similar figures are reported even for the North Macedonia case. In terms of percentages, North Macedonia reflected the lowest contribution of SMEs to the value added (around 60%). Compare to Albania and North Macedonia cases, the Kosovo structure of subsectors of SMEs is different, where the contribution of micro-, small- and medium-sized enterprises were 13%, 20% and 48% (European Commission, 2019).



Source: Millions of euro (European Commission, 2019)

Figure 5. Value added of SMEs to the economy by country

Given the above data, governments in these countries should be particularly interested in fostering entrepreneurship. Furthermore, creating favourable business environment, in these economies, particularly, may contribute to the attraction of foreign direct investments and the development of market economy (Kittova & Steinhauser, 2018; Osmani, 2016).

1.5 Thesis structure

This thesis is breakdown into seven chapters and Annex. The first chapter is dedicated to introduction. It defines the research gap and provides the motivation for this research in the context of three transition countries: Albania, Kosovo, and North Macedonia. The second chapter covers the literature review, including the theories where this thesis is based on and the development of the hypothesis. This chapter ends with a formulation of a conceptual framework, which forms the base of the research model. The third chapter is dedicated to the research design and

methodology that is applied in this thesis. Besides the research design, here are describe the research instrument, sampling, measurement development, data analysis and assumption check of the method. Results of the thesis are written in the fourth chapter, which consists of bivariate analysis, hypothesis testing and moderation effect. The discussion of the thesis' findings is done in a separate chapter. The sixth chapter is dedicated to the contributions of the research, which is followed by the last chapter titled *Conclusion*. Part of the thesis are also annexes, which are located after the list of the references cited in the main text, list of publications and a brief of the curriculum vitae of the author.

2 LITERATURE REVIEW

2.1 Theoretical perspectives

2.1.1 Evolution of the theory of the firm

Scholars paid special attention to competitiveness regarding the business environment. As the most mentioned author regarding competitiveness, Michael Porter (2008), in his book "On competition", has elaborated firm competition issues.

The entrepreneur is central to microeconomic analysis in the general theory of the firm. The entrepreneur engages in transactions that are required for the establishment of businesses. Markets and organisations are used by entrepreneurs to conduct transactions, resulting in equilibrium pricing and resource distribution/allocation. Consequently, the entrepreneur's behaviour is a critical driving factor for the economy by pushing it towards equilibrium (Spulber, 2009). The activities of these peoples result in the establishment of the majority of economic institutions.

The classical theory of the firm presents interesting theoretical views in the academic community that is evolved over the course of more than two centuries. Richard Cantillon, Jean-Baptiste Say, Frank Knight, and Joseph Schumpeter were major contributors to classical theory.

The establishment is associated with the entrepreneur in classical economics. The firm and the entrepreneur, based on this view, are seen as the same thing. Because the entrepreneur's goals are similar to those of the establishment, this view is relevant. The entrepreneur, on the other hand, and the firm are two separate economic players. When a company is founded (when a person becomes an entrepreneur), the company has its goals that are distinct from those of the entrepreneur. The lack of a clear difference between the entrepreneur and the company is considered as a lack of the classical theory (Spulber, 2009).

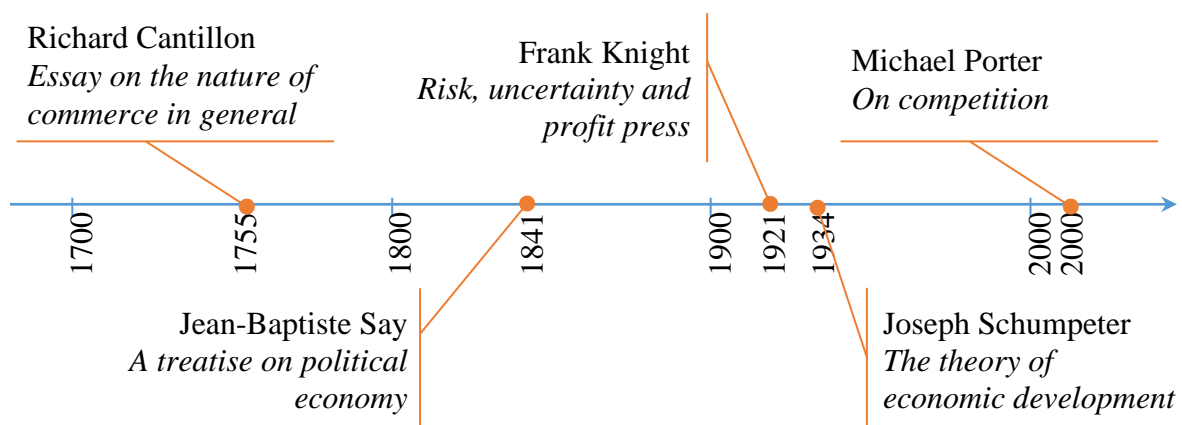
In 1732, Richard Cantillon introduced the term "entrepreneur." In 1841, Jean-Baptiste Say offered the first complete examination of the entrepreneur in an economic context, stressing out the role of risk-taking, judgment, and reputation on firm profit. Almost one century later, in 1921, Frank Knight introduced risk, uncertainty, and profit as key factors when dealing with entrepreneurship' supply and demand. Knight adopts the premise that the entrepreneur gains profit based on uncertainty as the main principal of his theory. According to Joseph Schumpeter (1934), entrepreneurship is "the fundamental phenomena of economic development."

Cantillon (1755) comprehends the role of the establishment in executing practically all economic transactions. He emphasizes the firm's operations in carrying out the circulation of products, pointing out to its intermediary role. Say (1841) makes a point of distinguishing between the income of the business owner and that of a capitalist. This is due to the fact that the entrepreneur's income is because of his endeavours, knowhow, and risk-bearing.

Schumpeter (1934) was the first to speak about the possibility to model the economic activity of the entrepreneur. According to Schumpeter, the entrepreneur disrupts the classical economic equilibrium model since the entrepreneur brings innovation into the model. This is referred to as the process of creative destruction by Schumpeter.

As Spulber (2009) points out, the entrepreneur has had no role in the classical economics. There are at least two reasons for this fact. Firstly, enterprises are treated exogenously. Secondly, entrepreneurs are ignored in neoclassical economics because they serve no function because enterprises are limited to output.

Figure 6 illustrates the evolution of the general theory of the firm, starting with Cantillon in 1755 to nowadays with Porter. There are scholars that integrate strategy, institutions and resources in the general theory of the firm (Young et al., 2014).



Source: own research

Figure 6. Key moments of the theory development over the three centuries

2.1.2 Institutional theory

Entrepreneurship occurs in a controlled and moulded market by the institutional environment. As a result, common mental models or institutions create the environment for entrepreneurship to happen. Institutions are defined as “humanly devised constraints that shape human interaction” (North, 1990, p. 3). Numerous institutions represent formal rules that clarify which action and responsible is foreseen by the law or written regulations. On the other hand, institutions that are linked to ideology and cultural norms are classified as informal institutions.

Individuals engaged in entrepreneurship view the existing situation of the market as it is given and organise their actions in accordance with the best approach to meet their goals, which may result in a profitable activity. The institutional order of society influences entrepreneurship, particularly in terms of entrepreneurs’ decisions on where to spend their energy (Bylund & McCaffrey, 2017; Williams & Vorley, 2015). As a result, institutions influence both entrepreneurship and the way how resource are allocated in an economy: productive, unproductive, or destructive (Baumol, 1990; Sobel, 2008).

As indicated earlier, an economy’s institutional environment consists of informal and formal institutions (North, 1990; Williamson, 2000). Hence, institutions form the business environment and, as a result, determine the conditions under which entrepreneurship occurs in the economy.

2.1.3 Resources-based view

The resources-based perspective is the second theory which is used in this thesis. It encompasses a diverse set of linked theoretical tools for analysing competitive advantage sources at the enterprise level (Barney, 1991). Thus, scholars use the resources-based view to study and understand the differences in competitive advantage among enterprises (Mugera, 2012; Sachitra & Chong, 2018). Consequently, “valuable, rare, imperfectly imitable (history dependent, causal ambiguity, social complexity) and non-substitutable” (Barney, 1991, p. 112) are considered to be the sources of competitive advantage. The principle of this theory is that the performance variations among enterprises are explained by a firm’s resource heterogeneity (Wong & Wong, 2011). In short, it stresses out that what an enterprise owns and how it controls them lead to long-term competitive advantage (Ismail et al., 2012).

2.1.4 Knowledge-based view

The knowledge-based perspective is a theory that emphasizes the knowledge's role in framing the enterprise's strategic opportunities, which leads to new sources of income (Denrell et al., 2003; Zahra & George, 2002). It is part of knowledge management, which, in turn, refers to a process for gathering, managing, and communicating tacit and explicit knowledge of the staff with the aim that others may use it to achieve better results in terms of effectivity and productivity (Alavi & Leidner, 2001; Sun & Yoon, 2016).

The knowledge-based perspective is seen as an extension of the dynamic theory of organizational knowledge introduced by Nonaka (1994), which is known as one of the key contributors in the literature regarding knowledge management. The knowledge-based view consists of two categories of knowledge: explicit and tacit. Tacit knowledge is the knowledge that each employee has like one's working experience for the firm and/or one's nexus with his clients. On the other hand, "explicit knowledge is articulated, codified, and communicated in symbolic form and/or natural language" (Nonaka, 1994). An example of explicit knowledge can be business and technical guidance manuals. Tacit knowledge, which is entrenched in individuals, must be translated into explicit knowledge, from which other employees can make use of it and by doing so the whole organisation can benefit. According to Nonak (1994), in an organisation, knowledge is created through a transformation process with four steps: socialization, externalization, combination and internalization. This model of knowledge creation is seen as a spiral process of the interplay between both categories of knowledge: explicit and tacit.

The knowledge-based view is used by scholars in studying the determinants of competitive advantage of the organization (Azeem et al., 2021; Coff, 2003; Gassmann & Keupp, 2007). As mentioned above, knowledge-based view is linked to resources-based view, and they together influence the competitive advantage of the firm. This is the reason why the knowledge-based view is considered in this thesis.

2.2 Integration of the three theories

The institutional theory, resource-based and knowledge-based views are used separately by scholars in different contexts. Nevertheless, the latest developments in the academic literature, in particular, that of the organisation and management literature have pointed to a combination of the above theories in studying the determinants of competitive advantage.

Oliver (1997) is among the first authors that emphasises the need of combining institutional theory and resource-based perspective in having a wider

understanding of the determinants that influence competitive advantage. Oliver (1997) stated that even though resource-based view offers critical information on business activity and competitive advantage, yet it lacks of the capacity to the effects of other factors beyond resources and resource markets. Merging the two perspectives offers a wider view over the determinants of competitive advantage originated from the possessed resources and institutional contexts where a firm is operating.

The two perspectives manifest some differences, which are related to the perception of the enterprise outcome and the logic of taking decisions – behaviour (Taha, 2014). As Oliver (1997) argue, institutional theory claims that entrepreneurs make irrational choices constrained by historical boundaries, social influence and habit, whereas resource-based view presumes that entrepreneurs make rational decisions restricted by uncertainty, heuristic bias and the availability of information.

It is important to mention that Oliver (1997) is the one who accommodated Barney and Zajac's (1994) call on forming an organizationally-based theory in order to better study competitive advantage, by introducing a conceptual framework which merges social aspects (based on institutional theory) with firm resources into one research model.

The idea of merging or combining institutional and resource-based perspectives creates a favourable environment for theoretical debates focused on the capacity that one theory can complement the other one in explaining competitive advantage. Indeed, numerous attempts are done in this context by scholars (Taha, 2014).

Ten years after the introduction of the resource-based view (Barney, 1991), Barney et al. (2001) published a new work suggesting that fusing institutional and resource-based perspectives will create room for more advancement in resource-based view. In the latter study, it is stated that the jointed two theories may offer additional understanding of the development of local enterprise's resources which are seen more attractive and valuable to nonlocal ones (Bu et al., 2021).

The knowledge-based view of an organization/ establishment/ enterprise was introduced as a development of the resource-based view, which represents the most fundamental base of the resource-based view (Alavi & Leidner, 2001; Sun & Yoon, 2016). Consequently, by utilizing resources and capabilities (managerial aspects), an enterprise may optimize its value and build an infrastructure that it needs to maintain its competitive advantage. Considering the fact that changes in knowledge resources affect enterprise's performance in the long-run, and an enterprise may take care of the core competencies by making it not possible for

its rivals to easily replicate the way how resources and capabilities are managed, the role of knowledge resource that an enterprise has is underlined, in particular.

According to the resource-based view, which originates from knowledge management, claims that organizations have the capacity to distinguish themselves based on their level of resource linked to knowledge (Chuang, 2004). Based on this principle, the resource-based perspective, which highlights knowledge as a fundamental competency and cumulative resource in the long-term, is helpful in understanding why companies undertake knowledge management as part of their business strategy. Thus, it is logical to link both knowledge-based and resource-based perspectives to competitive advantage.

According to the discussion elaborated above, one can say that institutional theory does not offer a full picture of the determinants of the competitive advantage, since it informs only from an institutional perspective (Peng et al., 2008). Similarly, the resource-based view only covers resources that emphasise successful acquisitions and alliances. In addition, knowledge-based view, fails to explain only by itself the firm's competitive advantage, considering the fact that it is an extension of resource-based view. However, the three perspectives jointly can provide a better picture of the competitive advantage's predictors. This integration of the three theories offers a far better explanation on how entrepreneurs construct learning tools and mechanisms to get over institutional constraints (Wright et al., 2005).

By integrating the three theories (institutional, resource-based, and knowledge-based views) it is assumed to get a better understanding of how enterprises behave when they face institutional constraints and have the capacity to utilize the possessed resources and external knowledge acquisition (Fernández-Alles & Valle-Cabrera, 2006; Taha, 2014). The combination of these theoretical perspectives can create a suitable conceptual framework which is expected to have more sound results, since it is assumed that covers technical (resources and knowledge) and institutional contexts.

2.3 Hypotheses development

2.3.1 Formal, informal, and economic institutions

Written rules that use official channels to be communicated are known as formal institutions. Among others, they form the policy and regulatory setting of a country. Thus, the level of complexity and enforcement of regulations is shaped by such institutions. Complicated regulatory frameworks and not friendly business regulations can stymie entrepreneurial activity and deter people from taking the steps necessary to become entrepreneurs (Belás et al., 2015;

Chowdhury et al., 2019). Thus, formal institutions, like those dealing with business impeding or enabling policies and tax rates and administration impact entrepreneurship by impeding or stimulating business activity and competitive advantage (Duran et al., 2019).

Policymakers should examine such policies aimed at improving the business environment to boost market entrance and entrepreneurial activity (Brixiova & Égert, 2017; Brixiová & Égert, 2012; Fereidouni & Masron, 2012). In general, it is known that interventions done by government in the market may impede or stimulate business activity. Bjørnskov and Foss (2013) claim that as governmental role is more present in the economy, the influence of entrepreneurship on productivity increases. Similar results were explored also by Fereidouni and Masron (2012). In addition, Surfield and Reddy (2016) demonstrated empirically that business climate correlates with the rate of lost jobs. Moreover, Blume's (2006) found that the policies focused on local economy can be linked to business environment. As a result, the level an organisation is satisfied with economic policy setting is linked to a set of the business environment characteristics. Other researchers and academics, however, claim that policymakers and government is not able to do much changes on an industry during a short period of time (short-run), but the involvement of the government in public projects such as public infrastructure can influence the overall economy in the long-run by shifting the economy's focus new industry or industries (Kolko et al., 2013). Hence, business activity, entrepreneurship in general, or competitive advantage can be stimulated or impeded by government (Cepel et al., 2018; Cumming et al., 2017; Duran et al., 2019; Kljucnikov et al., 2016; Xheneti & Smallbone, 2008). Countries characterized by a sound program aimed at aiding entrepreneurship is associated positively with the quality of entrepreneurship (Chowdhury et al., 2019). On the other hand, Xheneti and Bartlett's (2012) work showed that obstacles related to entrepreneurship support are not significant for firm growth in Albania. Likewise, Čadil et al.'s (2017) research focused on the cohesion policy support for entrepreneurship introduced by European Commission in the case of the Czechia, demonstrated that value added per labor cost of SMEs and value added in general are not influenced by such policy.

Tax administration may affect the doing business. In middle-income countries is found that tax administration to be a serious concern for entrepreneurship, as compared to high-income economies. (Dethier et al., 2011; La Porta & Shleifer, 2014). Similarly, entrepreneurs operating in South East and Central European economies regard taxation, particularly tax administration, as one of the primary barriers to firm growth (Batsakis, 2014; Hashi & Krasniqi, 2011; Hashi & Mladek, 2001). Albanian enterprises have recognized changes in tax policy and administration as one of the most significant obstacles (Bitzenis & Nito, 2005;

Xheneti & Bartlett, 2012). In empirical study on the relationship between taxation and entrepreneurship, there is no unanimity (Belitski et al., 2016). According to Stallmann and Deller (2011), tax limitations are linked to a weaker business environment and lower performance. Moreover, Braunerhjelm and Eklund (2014) studied the tax administration and entrepreneurship and concluded by indicating a negative association of start-ups and tax administrative burden. According to Chowdhury et al.'s (2019) work, based on Sobel's (2008) research, tax rates should be considered as one of main formal institution which impedes entrepreneurship quality. These factors create a negative important association among each-other. Low start-up rates are seen in those countries with complex legislation (Aidis et al., 2012; Verheul et al., 2006). In this line, others have demonstrated that such cumbersome regulations do not stimulate business growth (Estrin et al., 2013) and do not encourage competitive advantage (Duran et al., 2019). Complicated tax rules, for example, may lead to the situation where entrepreneurs seek outside of the business for experts to handle tax regulations and administration, which lead in an increase of their expenses, thus influencing business performance, including competitive advantage.

Government bureaucracy is one of the most discussed topics in the literature regarding business environment. Bartlett and Bukvič (2001), by using regression analysis, identified that as a key barrier to small business growth and development in Slovenia. According to McMillan and Woodruff (2002), the government may play a role in providing a solid foundation for entrepreneurs, including the economies moving from controlled economy to a market oriented one. According to Viturka et al. (2013) and Nicolescu and Nicolescu (2013), public administration should be included in the analysis when assessing the entrepreneurship quality. The role or effect of government in entrepreneurship quality is demonstrated by Thai and Turkina (2014), using partial least square estimation. Aristovnik and Obadić (2015) studied the influence and role of bureaucracy (seen as a proxy of public administration) in stimulating entrepreneurs across the EU economies, by using an analysis known as data envelopment analysis. Based on the latter study, for the vast majority of EU countries, the fundamental priority is more reduction of the bureaucracy, which might help improve the regulatory environment for entrepreneurship. Furthermore, Virglerová et al. (2017) tested a research model of the entrepreneurship quality, and concluded that state and public perception is one of their four key important factors for business activity. Thus, a hypothesis is developed based on the foregoing discussion:

Hypothesis 1 (H1) Formal institutional constraints negatively influence the firm's competitive advantage.

Informal institutions are unofficially conveyed socially agreed rules that are typically not documented (North, 1990). An individual behaviour can be influenced by deeply ingrained beliefs and traditions. Informal institutions are considered to be major drivers of start-ups, entrepreneurial activity, and competitive advantage in transition countries. The explanation for this might be the fact that the communist regime left behind weak formal structures, as well as insufficient institutional changes during the time of transition (Krasniqi & Desai, 2016; Xheneti & Bartlett, 2012). According to Belitski et al. (2016), a nation with a weak formal institutional framework may put more pressure on informal institutions to determine business behavior.

Corruption is seen as a traditional informal institution (Estrin et al., 2013) particularly in transition countries (Krasniqi & Desai, 2016). Corruption can shift resources towards those activities that are considered more corruptible ones because entrepreneurs would like to gain or benefit from these conditions (Boudreaux et al., 2018). Corruption is mentioned by several scholars as a factor that influences economic activity (Fereidouni & Masron, 2012; Tonoyan et al., 2010), however, in researchers disagree over the direction on entrepreneurship (Boudreaux et al., 2018; Khyareh, 2017; Tomaszewski, 2018). Controlling corruption, according to Grosanu and Bota-Avram's (2015) work, is a critical component in the business environment, particularly for new business start-ups and competitive advantage. However, other research has revealed evidence that corruption harms entrepreneurship (Bu et al., 2021; Dempster & Isaacs, 2017; Mohamadi et al., 2017). When the business climate is not corruption-friendly, the corruption consequences remain unfavorable, but they become less, according to Dutta and Sobel (2016). However, another line of evidence suggests that corruption might aid a business start-up and entrepreneurial activity (Aparicio et al., 2016). For firms operating in South-Eastern Europe economies, their growth is positively affected by corruption, but the reverse effect is demonstrated for those operating in Central-East Europe economies (Hashi & Krasniqi, 2011). The justification of this finding might be searched into the fact that countries with weak formal institutions are known as societies which accept corruption (Traikova et al., 2017). Moreover, entrepreneurs operating in Western Balkans excuse corruption in their countries since it is seen as "greasing the wheels" of doing business (Budak & Rajh, 2014).

The business's political ties can determine whether corruption is harmful or beneficial to entrepreneurship. Hence, another informal institution that can impact doing business can be political connections. Political connections (at the municipal or national level) can assist company owners in facilitating transactions and gaining benefits to better their operations (Guo et al., 2014). Entrepreneurs prefer to engage in political ties in nations with weak institutions, particularly

post-communist countries (Krasniqi & Desai, 2016; Rajwani & Liedong, 2015). Such participation leads to the possibility of future advantages from government officials, resulting in informal competition. In various European economies and Central Asia, businesses have identified informal competition as one of the main barrier in doing business (Dethier et al., 2011). This is consistent with what academics have found in the Albanian business environment: firms see unfair competition as a barrier (Bitzenis & Nito, 2005). Furthermore, having less experience in the market and less possibly political and social ties, younger business owners are less active in connecting with government officials (Xheneti & Bartlett, 2012).

Political ties, on the other hand, are impacted by the national institutional and political context, as well as corporate features (Boubakri et al., 2012), including economic environment (Jackowicz et al., 2014) where the activity take place. Consequently, the association between political ties and competitive advantage is conditioned by economic, political and institutional setting (Jackowicz et al., 2014). In general, it is believed that firms that have connections with government officials might achieve better results (Ang et al., 2013; Dicko, 2017). In addition, these firms face with a lower risk than those businesses with no political connections (Boudreaux et al., 2018). According to another study, conducting business with the government is a key avenue for transferring rent to related enterprises, increasing their profitability (Amore & Bennedsen, 2013). In contrast to these empirical findings, several researchers have discovered the exact opposite: political ties have a negative impact on firm performance (Jackowicz et al., 2014). The latter finding is explained by the fact that instability of the political situation leads to frequent changes in governmental officials, which in turn, lead to the exposure of businesses to a risky and unstable political connection. Taking into consideration the above discussion about the role of informal institutional constraints for business activity and competitive advantage, a hypothesis is developed as below:

Hypothesis 2 (H2) Competitive advantage is negatively associated with informal institutional constraints.

Besides formal and informal institutional constraints, there are other institutions that can constrain or enable entrepreneurship. Economic institutions are frequently viewed as a distinct collection of institutions that have the potential to impact business activity (Boudreaux et al., 2019; Wennekers et al., 2005). The macroeconomic climate, access to financing, technology, and population and consumption are all part of this institutional component. Their implications on business activity are explored in the following paragraphs.

The domestic economic environment is seen as one of the main factor that affects the doing business (Kadocsa & Francsovcics, 2011). More recently, Ipinnaiye et al. (2017) investigated the factors of SME success and discovered that the macroeconomic environment influences business growth both directly and indirectly. Thai and Turkina (2014) did a research following the principles of the eclectic theory of entrepreneurship and found that informal entrepreneurship is negatively affected by abilities and resources (among others GDP per capita). Furthermore, they failed to demonstrate the significant relationship between abilities and resources and entrepreneurship, which is consistent with the findings of Rusu and Roman's (2017) research. Following this idea, Autio and Fu (2015) investigated the relationship between economic institutions and business entrance into formal and informal entrepreneurship in great detail. Their findings support the negative effect of economic institutions on informal entrepreneurship, but a positive influence on formal ones. Likewise, Grilli et al. (2018) that GDP growth has a favorable influence on venture capital activities. Consequently, GDP growth can be seen as a booster for venture capital activity, as a result, entrepreneurship. These results are supported by Dvoulet's (2017) work, which highlight the positive impact of GDP per capita on business activity. These findings are consistent with Dvouletý's (2017) research, which emphasizes the positive effect of GDP per capita on entrepreneurial activity. However, on the other hand, Bosma et al. (2018) examined the opposite relationship (effect of entrepreneurship on growth of the economy). Entrepreneurship, as predicted, has a favorable impact on economic growth, according to their findings. These findings are in line with those of Acs et al. (2018). As a result, economic conditions, particularly macroeconomic components, have an impact on entrepreneurship.

Access to finance is generally seen as an important factor for entrepreneurship and competitive advantage. According to Ardic et al. (2012), access to finance is a barrier for entrepreneurship. Krejčí et al. (2015) investigated the elements that determine SMEs' performance in Czechia, and found that access to financial resources have a importance for their success. Nevertheless, according Rusu and Roman's (2017) work, these factors manifest a negative association, which contradicts what was expected. Chowdhury et al. (2019) studied the associations between quality entrepreneurship and different institutions for developed and developing countries throughout the globe. According to the latter mentioned research, credit in an economy (defined as domestic loans from banks to private sector) manifest a positive influence on entrepreneurship quality.

In their analysis, Autio and Fu (2015) looked at population increase as a prospective predictor of start-ups. Their study demonstrates a positive effect of population increase on market entry. As a result, as the population grows, so does

the number of new businesses entering the market. Moreover, their research shows that purchasing power parity has a negative relationship with formal entrepreneurship and a positive association with informal entrepreneurship. As a result, a linkage between entrepreneurship and purchasing power parity might be envisaged. In this context, Chowdhury et al. (2019) used country population as an explanatory factor of both quality and quantity of entrepreneurship throughout the advanced and emerging economies. The latter study shows a negative relationship between population and quality of entrepreneurship.

Academic literature on this field strongly suggests incorporating technological and infrastructure aspects when studying business activity and competitive advantage. Changes in rates of entrepreneurship appear to be determined by advances in technology (Shane, 1996). Human capital and infrastructure in the sphere of research and development are examples of technological factors. A study found that the number of a city's workforce grows as the quality of the business environment improves (Gabriel & Rosenthal, 2004). Business productivity is linked to an integration of technology and human resources (Siqueira & Fleury, 2011). According to Krejčí et al. (2015), The earnings-to-employee ratio and investment in internal R&D are the most essential factors in Czech SMEs' success. The attractiveness of a region's residential as well as investment attractiveness is reduced when the social environment is poor (Bu et al., 2021; Viturka et al., 2013).

In the literature review can be found a discussion about the influence of collaboration between private and public sector on business climate. A study argue that business owners build trust with each other depending on the way how they may experience behaviour changes by been part of a network, bringing consequences for their exploiting opportunities (Bergh et al., 2011). Furthermore, Schoonjans et al. (2013) examined whether involvement in a government-supported program lead to firm growth, and provided sufficient evidence in support of the on influence of business networking on their growth. Also, current competitive pressures are driving firms to establish technology collaboration networks (Fernández-Olmos & Ramírez-Alesón, 2017). Based on the above discussion of the role of economic institutions has on competitive advantage, a hypothesis can be raised:

Hypothesis 3 (H3) Economic institutional constraints negatively affects firms' competitive advantage.

2.3.2 Institutional interplay – Moderating effects

From the policymakers' perspective, it is of interest to investigate whether formal institutions govern the effect of informal and economic institutions or not. Different scholars have tried to shed light in this regard (Dilli & Westerhuis,

2018; Ghura et al., 2017; Grilli et al., 2018; Lim et al., 2016). Hence, a study investigated the moderating effects of formal and informal institutions on the relationship between opportunity entrepreneurship and economic development (Ghura et al., 2017). According to the latter research, institutions govern the linkage between opportunity entrepreneurship and economic development. Through the creation and promotion of institutions that encourage opportunity entrepreneurship, governments may change their economies toward a more sustainable and diverse model.

By analysing longitudinal country-level data on some European economies, Grilli et al. (2018) explored whether the “usual suspects,” typically seen within “reformable formal institutions”, manifest a key role for businesses operating in these countries. The above study also examined whether informal institutions, and particularly social capital, had a significant impact for entrepreneurship or not. This research shows that venture capital activity is indirectly influenced by social capital, by defining the structural formal institutions that have a considerable impact of venture capital activity. Another study conducted by Dilli and Westerhuis (2018) utilizing data of the Global Entrepreneurship Monitor from almost 20 European countries and the USA, paid special attention to the moderating effect of institutional context on the relationship between gender and entrepreneurial activity. Their study concludes by demonstrating the importance of this moderation.

The research done by Lim et al. (2016) specifically focused on the moderating effect of institutional conditions such as regulatory, cognitive, and normative dimensions on the effect of individual resources (human capital and financial capital) on engagement in entrepreneurship. Using a multilevel analytic approach, these hypotheses were tested on a multi-source dataset from 22 developing countries. The findings revealed that the direct effect of an individual's household income on their entrepreneurial participation persists independent of institutional settings; however, the impact of education level changes depending on institutional conditions. Similarly, Raza, Muffatto, and Saeed (2019), found that formal institutions do moderate the relationship between entrepreneurial readiness and entrepreneurial behaviour.

Based on the above discussion, it is not only about effects of institutions on firm performance, but who moderates them as well. Therefore, the level of institutional conditions where the activity takes place is important for the influences of informal and economic institutions on firm performance. Considering all together, it is expected that formal institutions govern the latter relationships. Thus, two hypotheses can be framed, which are:

Hypothesis 4 (H4) The influence of informal institutional constraints on competitive advantage is moderated by formal institutions, such that the relationship is stronger when formal constraints are more present.

Hypothesis 5 (H5) The effect of economic institutional constraints on competitive advantage is moderated by formal institutions, such that the relationship is stronger when formal constraints are more present.

2.3.3 Resource-based view

Newbert (2007) emphasises that enterprises' resources must be utilized in such a way to generate competitive advantage and therefore they have to gain benefits from their valuable, rare and inimitable resources. Likewise, Hinterhuber (2013) suggests that in order to reach competitive advantage, the enterprise' capabilities and resources should have attributes that make them valuable, rare and inimitable, and that the enterprise is structured in such a way that it can deploy resources to fund its fixed costs and being there to cover the consumers' unmet needs. This perspective provides a solid basis in having a better view of valuable resources and capabilities and offers the possibility to predict competitive advantage.

Hence, the resources-based perspective claims that by harmonizing and utilizing internal resources businesses can achieve a higher performance (Barney, 1991). "Internal resources include organizational processes, assets, firm attributes, capabilities, knowledge, etc., which are controlled by an organisation that gives the opportunity to harmonize or combine them by implementing strategies aiming its effectiveness and efficiency". Thus, the ability to achieve greater performance is constrained by limited assets and ineffective asset management. In this line, human resources, as an engine of organisational activity, may play a particular role (Stacho et al., 2017). In addition, the manner how procedures and activities within an organisation influences all business aspects. Organizational practices that are difficult to follow may have a negative impact on the firm's performance or competitive advantage. When such resources are well-aligned, they produce superior results; otherwise, they may impede business activity and may cause its failure. As a result, an association between competitive advantage and internal resources is hypothesized as below:

Hypothesis 6 (H6) The way how internal resources and capabilities are utilized influences competitive advantage, in such a way that their optimization leads to higher competitive advantage.

2.3.4 External knowledge acquisition

As indicated in previous sections, knowledge management is important for enterprises in obtaining competitive advantage (Coff, 2003; Tallman et al., 2004), including in case of SMEs (Edvardsson & Durst, 2013). In this context, Baporikar (2015, 2020) published two chapters focusing on the role of knowledge management for SMEs, emphasising its importance for business growth and obtaining competitive advantage. More specifically, knowledge management consists of different aspects of knowledge, including external knowledge acquisition (Foss et al., 2013; Kraaijenbrink & Wijnhoven, 2008). According to Tzortzaki and Mihiotis (2014, p. 38), part of knowledge management is also “knowledge embedded into formal processes and organizational functions” and “knowledge embedded in informal processes and chance encounters”. Hence, technical knowledge is crucial for utilizing the possessed resources.

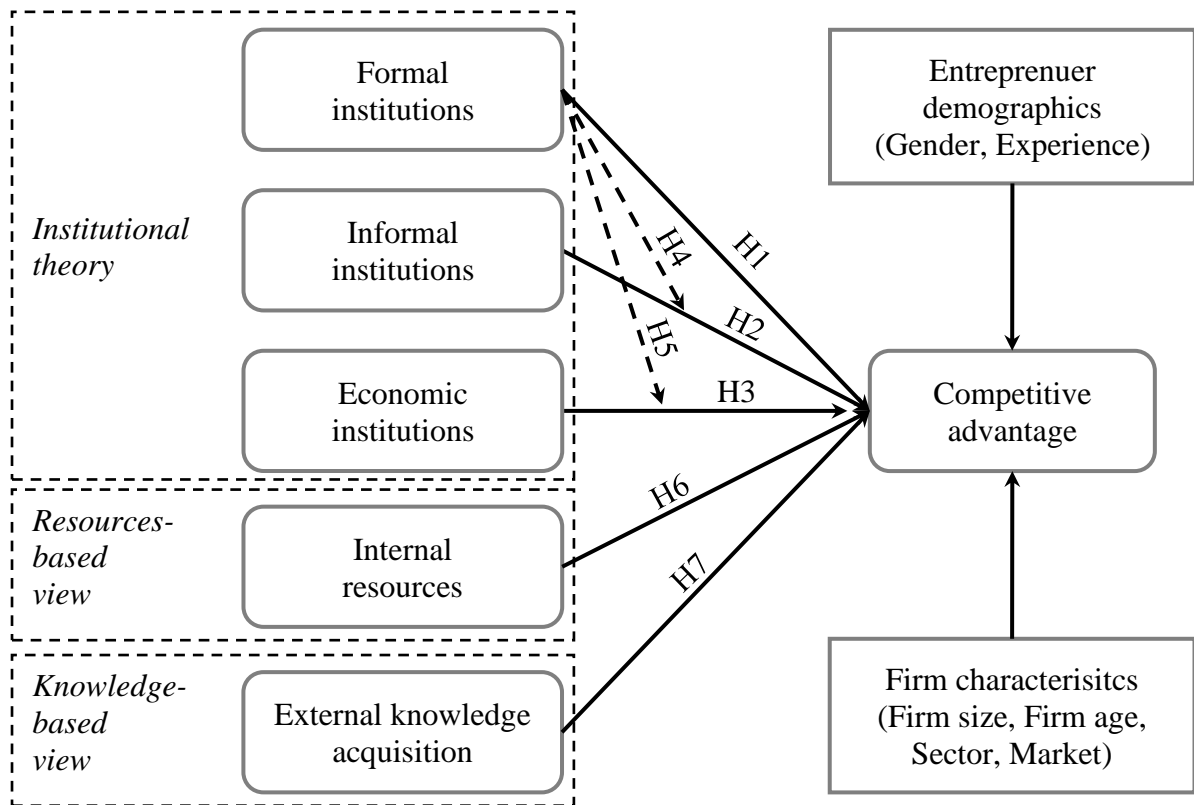
In entrepreneurship, external knowledge consists of the process of identification, acquisition, and utilisation of knowledge that are linked to business activities (Antonelli & Colombelli, 2015). “External knowledge is often embedded and contextualised in individuals or organisations that differ on aspects such as location, language, culture, and technological platform” (Kraaijenbrink & Wijnhoven, 2008, p. 277). Knowledge acquisition is seen as an important aspect of general potential resources that a business can gain advantage by filling the gap between knowledge in the environment and knowledge in the enterprise.

Scholars have call for more focus on the linkage between competitive advantage and external knowledge acquisition, even though there are studies covering the role of knowledge management in business performance or growth (Abu Bakar et al., 2016; Bibi et al., 2021). In the literature, there are studies that found evidence in support of the above relationship, for example Salojärvi et al. (2005) and Verma and Verma (2013). According to Abu Bakar et al. (2016), knowledge acquisition, along with knowledge conversion, application and protection, are important determinants of growth performance. Based on the above discussion, a hypothesis can be raised as below:

Hypothesis 7 (H7) Competitive advantage is positively influenced by external knowledge acquisition relevant for the organisation.

2.4 Conceptual framework

Motivated by the consulted theories and literature review, this thesis presents a research model as shown in Figure 7. It illustrates the joint influence of three theories on competitive advantage along with entrepreneur demographics and firm characteristics. In addition, the moderating effect is illustrated in the figure by dash lines.



Source: Own research

Figure 7. The conceptual model

3 RESEARCH DESIGN AND METHODOLOGY

3.1 Research design

The research objective of this thesis is to explore the influences of institutional constraints, internal resources, and external knowledge acquisition on competitive advantage of SMEs. From this objective, one can identify the need to apply a quantitative method in order to examine the abovementioned effects. Additionally, this thesis used a quantitative method because it has the capacity to infer the population's attributes, attitude and/or behaviour from a sample of that population (Creswell & Creswell, 2017).

The research strategy that is used in this thesis is survey. According to Saunders et al. (2009), this type of research strategy is adequate for quantitative data collection, and then to examine the linkages between variables and propose the model of relationships. In addition, this strategy has the capacity to generalize the findings of the sample to the whole population, since it offers the possibility to control research processes.

This thesis firstly consulted relevant theories and existing literature about the institutional constraints, internal resources, external knowledge acquisition and competitive advantage. Mainly, journal articles published in academic journals which are indexed in Web of Science and Scopus databases are reviewed in the phase of literature review. This literature leads to research gaps identification related to the topic under study. Moreover, this process provides the researcher with motivation and objective for doing the study. The review on the relationships is shown alongside with additional relevant research. By reviewing prior research, a conceptual framework or model is developed which integrate the three categories of institutional constraints (formal, informal, and economic), internal resources, external knowledge acquisition and their effects on competitive advantage.

3.2 Unit of analysis and self-reporting

The unit of the analysis for this thesis is SMEs. A member of each firm's executive team is interviewed face to face in a structured interview. As suggested by Jolley et al. (2015), the right person that can represent firm's point of views is the "owner, co-owner, financial manager, director, deputy director or manager". So, responses are assumed to be collected by individuals within the firm which possess enough knowledge of organisational strategic activities, competitive advantages-related aspects and business environment. There are some scholars which claim that using only one responder is (Bowman & Ambrosini, 1997). While this is an important aspect to be consider, other authors have stated that

using one responder per organisation may not be a concern in some situations (Katsikeas & Piercy, 1993), while others have stated that using several respondents per organisation can have a negative impact on successful finalisation of a survey (Slater, 1995). In this context, Day and Nedungadi (1994) suggest that, for self-reporting types of studies, using one responder per organisation allows for the collecting and analysis of data from vast and different samples while guaranteeing consistency in respondents' frames of reference. Consequently, as with Harris (2001), considering the challenges in using multi-respondent approach and the advantages of one-respondent design, a single-respondent approach was chosen in this thesis.

With the aim to “improve content validity, response reliability and response rates, the survey is be conducted in a manner which closely followed the administration and design” recommendations of Churchill and Iacobucci (2002). Among others, such recommendations encompass questionnaire design and layout, and follow-up reminders.

3.3 Questionnaire

As indicated earlier, the research strategy of this thesis is to do a survey. The survey is based on a questionnaire which is designed upon the finalization of the literature review. Initially, the questionnaire was initially formulated in English language and then translated into the local languages (Albanian in Albania and Kosovo, and Macedonian in North Macedonia). When the translation was completed, to verify that individuals understand all questions, a focus group and a pilot test are conducted.

Two focus groups are held in the study to assess the appropriateness of the suggested model constructs and their relationships. This stage examines the model to see if any key variables or connections are missing. Two professors who have extensive know-how about entrepreneurship, four businessmen and one representative from a business chamber.

The survey items are refined through two rounds of pilot tests. In the first round, the questionnaire is reviewed by two academics as expert in the field of entrepreneurship, two businessmen and one representative from business chamber to assess the items' accuracy in representing corresponding constructs. A detailed description of the focal constructs along with the representative items was provided. Respondents were asked to circle words or phrase in the questions or items making them confusing, reword statements in their own words, and make any other general comments about the statements. In the second round, a pilot test of 38 firms, which are not involved in the final phase, was conducted to evaluate the quality of content and reliability of measures. A small-scale pilot survey

enables author to observe patterns in respondents' answers and any issues with the questionnaire in order to ensure the quality of content and reliability of measures.⁴

Respondents are informed for their rights: to participate in or withdraw from the data collection at any moment throughout the questionnaire. There was no monetary or in-kind compensation granted. Meanwhile, an ethical approval is obtained prior filling in the form.

3.4 Sampling

The survey is done in three countries in the Western Balkans: Albania, Kosovo, and North Macedonia. The aim was to include Serbia too, but the COVID-19 pandemic circumstances made it impossible. As can be understood, in alignment with the overall research objective, the sample frame for this thesis consists of SMEs operating in the abovementioned countries.

The minimum sample size of 10 observations for each independent variable is suggested by Hair et al. (2010). In this research, 11 variables are used as independent ones. The size of minimum 200 responses per country is the target set for this research taking into account the model complexity and the possibility to do a disaggregated analysis by firm characteristics as well. For this study data is collected in three countries, thereby, the sample size is be more than 600 (= 3 x 200) SMEs.

Since the size of the target population is known, respondents (SMEs) are selected randomly form a spreadsheet in Microsoft Excel using first Randbetween function and then sort command. The selection of the units is subject to the stratification in terms of business sector, business size and region where SMEs operate. In case of Albania, the business database of the General Directorate of Taxation is accessed. In case of Kosovo and North Macedonia, a consultant company has been contacted to do the field work. The time span for data collection were August – November 2021 in Albania; October – December 2021 in Kosovo; December 2021 – February 2022 in North Macedonia.

The final number of the respondents was 819 SMEs across the three countries. It was managed to collect 278 respondents from Albania, 274 SMEs from Kosovo, and 267 SMEs from North Macedonia. Table 1 represents the sample profile of SMEs according to the type of business activity, business size (number of employees), business tenure, and main activity and region where they operate. The distribution of the respondents by different firm characteristics shares

⁴ To see the final questionnaire, refer to **A1. Questionnaire** and **A2. Online form of the questionnaire – in Albanian language** in the Annex.

similarities across the three countries. It is important mentioning that the sample profiles of the data showed in Table 1 is before the data cleaning took place.

Table 1. Sample profile before data cleaning

		AL (n=278)	XK (n=274)	NM (n=267)	Total	
					N	%
Business main activity	Agriculture, forestry, & fishing	2%	9%	2%	36	4%
	Manufacturing	17%	13%	18%	132	16%
	Construction	8%	10%	12%	81	10%
	Wholesale & retail trade	24%	20%	16%	167	20%
	Transportation & storage	2%	7%	5%	36	4%
	Accommodation & food service activities	6%	8%	7%	58	7%
	Information & communication	3%	3%	1%	20	2%
	Professional activities	15%	9%	10%	94	11%
	Other	22%	21%	29%	195	24%
Business size	5 employees or less	63%	33%	51%	402	49%
	6 to 9 employees	9%	19%	9%	99	12%
	10 to 20 employees	13%	20%	12%	124	15%
	21 to 50 employees	9%	21%	15%	123	15%
	More than 50 employees	6%	7%	13%	71	9%
Business tenure	1 year or less	11%	9%	6%	71	9%
	2 to 5 years	25%	31%	18%	204	25%
	6 to 10 years	20%	22%	18%	166	20%
	10 to 20 years	23%	26%	23%	195	24%
	More than 20 years	21%	12%	34%	183	22%
Main market	Local	44%	54%	54%	413	50%
	National	41%	31%	31%	283	35%
	International	15%	15%	15%	123	15%
Total		100%	100%	100%	819	100%

Note: AL, Albania; XK, Kosovo; NM, North Macedonia. Source: own research

As mentioned earlier,⁵ only the responds coming from owner or managers of the business are considered valid to be analyzed and used in testing the research model. Only these categories are meant to know better the business aspects and can answer to the questionnaire, which is in line with other studies (Jolley et al., 2015).

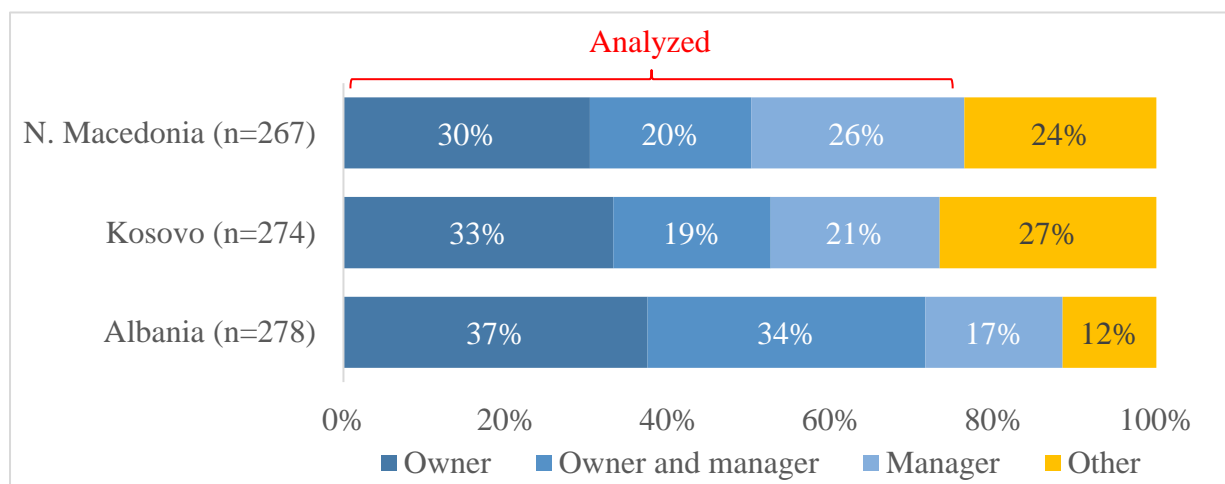
⁵ Sub-section 3.2 Unit of analysis and self-reporting.

Table 2 and Figure 8 inform on the distribution of the respondents by the position he/she has in the business per each country. As can be seen, overall, there are 168 responders (21% of the overall sample) that were neither the owner, nor a manager of the business. These responses should be put out of the sample used to test the research model. Otherwise, the results coming from the analysis would not represent entrepreneurs' view, which would not be align with the aim of this thesis. Hence, 13% of the sample from Albania, 27% from Kosovo and 24% form North Macedonia are removed from the dataset, in which will be applied further analysis. By doing this clearance in the dataset, the overall sample size become 651 SMEs (246 SMEs in Albania, 201 SMEs in Kosovo, and 204 SMEs in North Macedonia).

Table 2. Position of respondent in the business – three countries

Position in the business	Albania		Kosovo		North Macedonia		Total	
	n	%	n	%	n	%	N	%
Owner	104	37%	91	33%	81	30%	276	34%
Manager	47	17%	57	21%	70	26%	174	21%
Owner & manager	95	34%	53	19%	53	20%	201	25%
Other	32	12%	73	27%	63	24%	168	21%
Total	278	100%	274	100%	267	100%	819	100%

Source: own research



Resource: Own research

Figure 8. Respondent position within the firm across the three countries

In Table 3 is shown the sample profile of surveyed businesses only the records of those answered by owner or manager of the enterprise. This is the sample used in the data analysis stage. Table 3 informs on the distributions of the respondents

by firm characteristics: principal market, business tenure and business size (number of employees).

Table 3. Sample profile across the three countries – firm characteristics

Variable Category	Albania (n=246)	Kosovo (n=201)	North Macedonia (n=204)	Total	
				N	%
Principal market	Local	46%	46%	56%	322 49%
	National	39%	37%	32%	237 36%
	International	14%	16%	12%	92 14%
Business tenure	1 year or less	12%	7%	8%	60 9%
	2 to 5 years	28%	37%	17%	176 27%
	6 to 10 years	18%	21%	21%	128 20%
	10 to 20 years	20%	23%	23%	142 22%
	More than 20 years	22%	12%	32%	145 22%
Business size	5 employees or less	61%	27%	49%	304 47%
	6 to 9 employees	13%	21%	15%	106 16%
	10 to 20 employees	12%	18%	13%	91 14%
	21 to 50 employees	9%	20%	14%	90 14%
	More than 50 employees	6%	13%	10%	60 9%
Total	100%	100%	100%	651 100%	

Source: own research

In Table 4 is shown the profile of the three samples of the surveyed businesses only the records of those answered by owner or manager of the enterprise and by entrepreneur's demographics. The shown information in the table is about the respondent's position in the firm, its gender, age, experience in working in this sector, and the highest education level completed. These distributions are similarly across the three countries; nevertheless, the differences are not missing. Male respondents are the grand majority, while the number of years working in this field of the business ranges from 9 years in Kosovo to 13.3 years in Albania (see Table 4). This result is logical since Kosovo is relatively a new country.

Table 4. Sample profile across the three countries – entrepreneur demographics

Variable	Category	Albania (n=246)	Kosovo (n=201)	North Macedonia (n=204)	Total	
					N	%
Owner/manager of the business	Owner	42%	45%	40%	276	42%
	Manager	19%	28%	34%	174	27%
	Owner & manager	39%	26%	26%	201	31%
Gender	Female	34%	38%	24%	209	32%
	Male	66%	62%	76%	442	68%
Age (mean in years)		41	31	37	36.3	
Experience (mean in years)		13.3	8.9	12.9	11.8	
Highest education level completed	Primary school or less	1%	5%	3%	19	3%
	Professional education	12%	12%	9%	73	11%
	High school	14%	14%	22%	107	16%
	University or more	73%	68%	67%	452	69%
Total		100%	100%	100%	651	100%

Source: own research

3.5 Measurement development

3.5.1 Definitions of key concepts

This thesis identified three main sets of institutional constraints (formal, informal, and economic), organisational resources, knowledge acquisition, competitive advantage and evaluated the inter-relationships among constructs. Their definitions are given in Table 5.

Table 5. Definitions of key concepts

Concept	Definition	Source
Formal institutions	“Rules communicated through official channels and consist of a regulatory framework and policy tools. They include the complexity and enforcement of the regulations in a country”	North (1990)
Informal institutions	“Socially shared rules, usually not written, that are communicated through unofficial channels.	North (1990)

Concept	Definition	Source
	They are deeply rooted values and norms which can influence individual behavior.”	
Economic institutions	“The presence of effective market frameworks and inclusive or market supporting institutions. The economic institutions are important because they help to allocate resources to their most efficient uses; they determine who gets profits, revenues, and residual rights of control.”	AcS et al. (2018)
Firm resource	“All assets, capabilities, organisational processes, attributes, information, knowledge that are controlled by the organisations that enables them to implement strategies that improve its efficiency and effectiveness”	Barney (1991)
Knowledge acquisition	The capability to bridge the differences between knowledge “in the organisation and knowledge in the environment.”	Kraaijenbrink and Wijnhoven (2008)
Competitive advantage	“Capacity of an organisation to create a defensible” position over its competitors	Li et al. (2008)

Source: Own research

3.5.2 Dependent variable

The dependent variable in the proposed research model of this thesis is competitive advantage. Scholars have used this factor in different aspects in order to answer to their research questions or testing hypotheses. A recent review of competitive advantage done by Dagnino et al. (2021) offers a sound state-of-the-art of this topic and provides research directions. Specifically, this review shows the cases when competitive advantage is used by scholars in identifying its antecedents, management, and consequences. It is noted two types of competitive advantage: sustainable competitive advantage and temporary competitive advantage. Sustainable competitive advantage is breakdown into two sub-groups: structure–conduct–performance and resource–capability–performance.

One of the pretendent variables to measure competitive advantage is business performance. Although the use of objective measures of performance would have been desirable, it is worth noting that small firms are often reluctant to provide hard financial data. Further, financial data obtained from SMEs are criticized for being unreliable and subject to varying accounting conventions or even to managerial manipulation for a variety of reasons (e.g. avoidance of corporate or personal taxes) (Caloghirou et al., 2004).

Another approach is using subjective measures of profitability. Subjective type of measures are found to manifest high correlation, although not perfectly, with objective type of measures like profitability rates, including return on assets (Harris, 2001; Vij & Bedi, 2016). Although there are studies suggesting one single item to measure firm performance (Wall et al., 2004), in this thesis the measurement with five indicators was applied following the suggestion of prior studies.

The scale introduced by Li et al. (2008) was adapted to this research to measure competitive advantage. The five items are: “the quality of the products or services that the firm offers is better than that of the competitors”; “the business has better managerial capability than the competitors”; “the firm’s profitability is better than that of the competitors”; “the business image of the company is better than that of the competitors”; “the competitors are difficult to take the place of the firm’s competitive advantage”. The respondents were asked to state to what extent do they agree with the above statements. Each statement was formulated a 5-point Likert scale, with 1 standing for *totally disagree* and 5 for *totally agree*.

3.5.3 Independent variables

Institutional constraints

The Business Environment and Enterprise Performance Survey designed by European Bank for Reconstruction and Development (Dethier et al., 2011), which is partly used in previous studies (Abdixhiku et al., 2017; Hashi & Krasniqi, 2011; Krasniqi & Desai, 2016; Tonoyan et al., 2010; Williams & Krasniqi, 2018), served as a starting point to define the indicators per each category of institutions.

Institutional constraints are variables measured with a 5-point Likert scale, with 1 standing for *not a problem* and 5 for *severe problem*. The question to which respondents were asked to respond was: “Please, evaluate to what extent each of them poses a problem for start-up/operating normally.” Below is given the list of statements per each type of institutional constraints.

Table 6. Scale measurement: institutional constraints

	Formal institutions
CFI1	Complicated business licensing/permits procedures
CFI2	Judicial system (Courts)
CFI3	Foreign trade (exports, imports) procedures
CFI4	Burdensome employment regulations
CFI5	Environmental regulations
CFI6	Tax rates

CFI7	Frequent changes in legislation and tax administration procedures
CFI8	Political instability
Informal institutions	
CII1	Corruption
CII2	Crime, theft and disorder
CII3	Unfair competition
CII4	Relationship (unofficial) with local government
Economic institutions	
CEI1	Inflation
CEI2	Access to finance (availability and cost of loans)
CEI3	Investment stimulation policies
CEI4	Access to electricity/electricity disruptions
CEI5	Access to skilled labor
CEI6	Road infrastructure
CEI7	Other infrastructure (including water, sewerage, etc.)

Source: the author

Internal resources

Regarding the measurement scale of internal resources, the scale proposed by a prior (Milošević et al., 2019) was adapted to the context. Similar to institutional constraints measures, this scale is measured with five statements formulated as a 5-point Likert scale, with 1 standing for *not a problem* and 5 for *severe problem*. The following statements are included in the questionnaire right after the question “Please, evaluate to what extent each of them poses a problem for start-up/operating normally”: “The level of fixed assets free from any burden/inscription”; “Difficulties in absorption/acquisition of new technologies/innovation”; “Delay in fulfilling bank obligations”; “Management of receivables/payables”.

External knowledge acquisition

The variable originated from the knowledge-based view used in this thesis is external knowledge acquisition. The measurement of this variable is influenced by prior studies, such as Yli-Renko et al. (2001) and Foss et al. (2013), which stress out the needed knowledge related to technical aspects for the organisation. For example, Yli-Renko et al. (2001) used a scale of four items, i.e. “we get most of our valuable technical know-how related to supplying our product/service from this customer relationship”, whereas Foss et al. (2013) used a five-item measure, i.e. “knowledge obtained from consultants, commercial laboratories, or public R&D units that provide assistance to firms in the R&D process”. Motivated by these scales, in this thesis the following six-item measure of external knowledge

acquisition was introduced with the main question “Which of the following business services do you consider necessary for improving your business performance?” and six items: *technical advice, training/qualification, information, sales and marketing advice, finance and accounting advice, export advice*. Respondent was asked to select for each item one of these options: 1. not important, 2. just a little, 3. medium, 4. quite important, 5. very important.

3.5.4 Control variables

Given that the entrepreneur demographic (age, gender, experience in business, position etc.) and firm characteristics (tenure, size, sector, principal market etc.) variables have been found to have a significant effect on entrepreneurship, including competitive advantage, these variables were included as control variables in the analysis to avoid potential causal influence on competitive advantage.

Table 7. Measurement of control variables

Variable	Type	Measure
Gender	Dichotomous	Gender of the respondent 1 for males, 0 otherwise
Experience in business	Scale	Respondent’s number of years working in the same business sector
Business tenure	Ordinal	Number of years since the business has started to operate. 1 = 1 year or less 2 = 2 to 5 years 3 = 6 to 10 years 4 = 10 to 20 years 5 = More than 20 years
Business size	Ordinal	Number of the employees working for the business. 1 = 5 employees or less 2 = 6 to 9 employees 3 = 10 to 20 employees 4 = 21 to 50 employees 5 = More than 50 employees
Sector	Dichotomous	1 for manufacturing, 0 otherwise
Principal market	Dichotomous	1 for national market, 0 otherwise

Source: Own research

3.6 Data analysis

With the aim to meet the research's objectives and to test hypotheses, SmartPLS 3.0 and SPSS 23.0 are used to do the data analysis after the data is collected. The measurement model is done through the partial least squares (PLS) approach, which is performed in SmartPLS 3.0 (Ringle et al., 2015). The PLS approach is a variance-based structural equation modelling (SEM) method. There are several reasons why PLS-SEM is selected. The PLS method allows both measurement and structural models to be tested at the same time (Hair et al., 2017). Another reason is dealing with the normality of the latent variables, which is not a criterion to be fulfilled for PLS-SEM.⁶ Additionally, PLS is a useful method for examining moderating effects since it produces a new indicator that is same to traditional regression parameter. In this thesis, all constructs are modelled as reflecting indicators. PLS-SEM method is executed in SmartPLS 3.0 computer software (Ringle et al., 2015). Moreover, according to Urbano et al. (2019), SEM is among the most statistical technique used by scholars concerning the measurement of the effect of institutions on entrepreneurship.

Firstly, the structural model is formulated to measure the latent variables and their relationships. Secondly, the measurement model of the constructs is assessed with the aim to measure the item and scale reliabilities, to perform the validity analysis along with the discriminant validity. These procedures would allow to further examine the linkages between the latent variables (Hair et al., 2017). The standardized paths are examined to explore the significance of these relationships. These coefficients of the paths are calculated by applying bootstrap procedure, with 5000 iterations of resampling (Hair et al., 2019).

To assess the model fit, item and scale reliabilities and validity of the research model a number of metrics can be used, like R-square value, Cronbach's alpha, composite reliability (CR), and average variance extracted (AVE). The R-square value of the dependent construct/s informs on the extent of explained variance from all independent variables.

Considering the above-mentioned criteria, the validity and reliability of the measurement model can be checked by running PLS-SEM method. The AVEs of the constructs should be higher than the recommend value of 0.50, and reflect a satisfactory reliability and convergent validity of the constructs. The Cronbach's alpha coefficients are required to be higher than the threshold of 0.70, and confirm the internal consistency of the measurement items. The CR coefficients should be bigger than the threshold of 0.60, and they show that the variance shared by the

⁶ According to the normality test, both Kolmogorov-Smirnova and Shapiro-Wilk tests, in SPSS 23, the latent variables were not normally distributed. See **A5. Latent variables – normality test.**

respective items or indicators is robust. If the above requirements are satisfied, it can be said that the convergent validity and reliability of the model is appropriate, which enables the researcher to proceed to the assessment of the structural model. In order to assess the scales validity, convergent validity is performed. Convergent validity can be assured by factor loading and the rule is that each scale should exceeds 0.70.

Table 8. Analysis of variance' results for the effect of country on constructs

Variable	Source	Sum of Squares	Mean Square	F(2, 648)	p
Competitive advantage	Between	4.821	2.411	2.417	0.090
	Within	646.179	.997		
Economic institutions	Between	1.338	0.669	0.667	0.514
	Within	649.662	1.003		
Formal institutions	Between	4.180	2.090	2.094	0.124
	Within	646.820	.998		
Internal resources	Between	.325	.206	.205	0.814
	Within	650.675	1.004		
Informal institutions	Between	3.963	1.981	1.984	0.138
	Within	647.037	.999		
External knowledge acquisition	Between	.317	.127	.127	0.881
	Within	650.683	1.004		

Source: Own research

Taking into account that latent variables from the combined data of three countries did not differ across countries, the analysis is done for the whole dataset, as a merged dataset of the three countries. Analysis of variance is performed to explore for any difference in the latent variables (constructs) across the three countries. Its result is shown in Table 8 and indicate no difference in any construct.⁷ On the other hand, multi-group analysis was not supported by the data, since its assumptions were violated.

3.7 Assumption checks

3.7.1 Common method bias

Common method bias is a concern when one is dealing with primary data collection (Podsakoff et al., 2003). Different approaches are introduced in the

⁷ For more, see **A4. Latent variables – differences across countries.**

literature on how to test/investigate common method bias in the data (Chang et al., 2010), however when using PLS-SEM, the best approach to test the data whether such issue is present or not is a full collinearity test, which is proposed by Kock (2017). According to this approach, all factors (latent variables) included in the research model are regressed against a new variable, which consists of random numbers. Then, the variance inflation factor (VIF) of each relationship should be examined. The rule is that these VIF coefficients should not exceed the value of 3.3 (Kock, 2017).

This set of steps is performed in SmartPLS 3.0, and the result is shown in Table 9.⁸ As can be seen, none of the VIF coefficients resulted equal or above the value of 3.3, which indicates that common method bias is not an issue in this study.

Table 9. Full collinearity test

Latent variable	Inner VIF values	Threshold
Competitive advantage	1.195	< 3.3
Economic institutions	1.856	< 3.3
Formal institutions	1.994	< 3.3
Internal resources	1.540	< 3.3
Informal institutions	1.733	< 3.3
External knowledge acquisition	1.300	< 3.3

Source: own research

3.7.2 Item, scale, and convergent reliabilities

The first thing to check in reflective measurement model assessment is **item reliability**. This is examined by checking item or indicator loadings. It is recommended that these loadings should be above 0.708 (Hair et al., 2019). A value of indicator loadings above this threshold shows that the construct explains more than the half of the indicator's variance, therefore providing evidence to accept indicator reliability.⁹

Table 10 summarizes the results of the indicator loadings. Not all item loadings that satisfied the above rule were removed from the analysis. Hence, the list of the indicators which were not qualified consists of these items: CFI1, CF3, CFI4 and CFI5 from the formal institutional constraints scale; CEI3, CEI6 and CEI7

⁸ To have a visualization of the full collinearity test in SmartPLS 3.0, refer to **A12. Full collinearity test in SmartPLS 3.0**.

⁹ The square root of 0.708 is above 0.50 (50%).

from the economic institutional constraints scale; CIB1 from the internal resources scale; EKA2 and EKA3 from the external knowledge acquisition scale.

The item loadings of the selected indicators range from 0.761 to 0.900 (see Table 10). Given this result, it can be concluded that the rule of having loadings above 0.708 is satisfied, providing evidence of acceptable indicator reliability. Furthermore, these loadings are accompanied by the VIF values, which are all below the conservative threshold of number 3.¹⁰

Table 10. Item loadings and outer VIF values

Constructs	Item	Loadings	VIF
Competitive advantage	CA1	0.881	2.873
	CA2	0.838	2.221
	CA3	0.761	1.790
	CA4	0.876	2.860
	CA5	0.817	2.142
Economic institutions	CEI1	0.846	2.072
	CEI2	0.853	2.107
	CEI4	0.771	1.575
	CEI5	0.801	1.770
Formal institutions	CFI2	0.818	1.821
	CFI6	0.860	2.373
	CFI7	0.851	2.252
	CFI8	0.858	2.181
Internal resources	CIB2	0.816	1.937
	CIB3	0.860	2.101
	CIB4	0.829	1.937
	CIB5	0.861	2.209
Informal institutions	CII1	0.900	3.005
	CII2	0.853	2.100
	CII3	0.845	2.167
	CII4	0.852	2.308
External knowledge acquisition	EKA1	0.880	2.531
	EKA4	0.859	2.304
	EKA5	0.877	2.454
	EKA6	0.811	1.818

Source: own research

¹⁰ Some of the descriptive statistics for each item can be found in **A3. Descriptive statistics of the analysed items** per each country.

The second step of the reflective measurement model assessment is assessing **internal consistency reliability**. This step can be done by examining the values of Cronbach's alpha and composite reliability for each scale. In general, higher values of these statistics indicate better reliability, however there is an interval where their values should range. For instance, reliability values that range from 0.60 to 0.70 are acceptable in exploratory research, values from 0.70 to 0.90 indicate satisfactory to good. Although high values are preferred, yet values that are above 0.95 are considered as problematic ones, meaning that the indicators are redundant, thus reducing construct validity (Hair et al., 2019). Among the two mentioned statistics (Cronbach's alpha and composite reliability) composite reliability is considered more robust in case of PLS-SEM method (Hair et al., 2019), in particular.

In Table 11 are summarized the results of Cronbach's alpha and composite reliability of the measured scales for each country. The lowest Cronbach's alpha is found for the scale of economic institutional constraints (0.835), while the highest one is reported for competitive advantage (0.892). The values of composite reliability range from 0.890 to 0.921. ρ_A is another metric used in this case, where its values vary from 0.839 to 0.897. Based on the rule of thumb, the scale reliability ranges from good to excellent. This result means that internal consistency reliability is not an issue for this research.

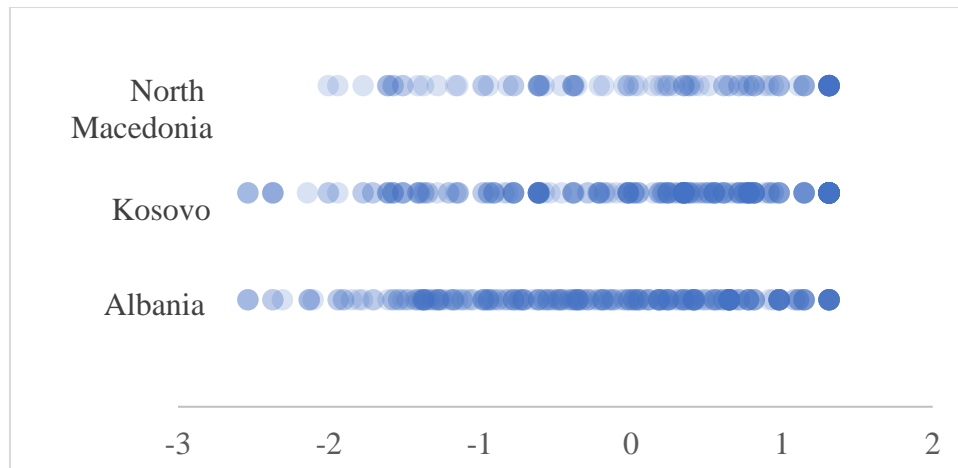
Table 11. Internal consistency reliability

Construct	Cronbach's alpha	rho_A	Composite reliability
Competitive advantage	0.892	0.897	0.920
Economic institutions	0.835	0.839	0.890
Formal institutions	0.869	0.869	0.910
Internal resources	0.863	0.869	0.907
Informal institutions	0.886	0.888	0.921
External knowledge acquisition	0.879	0.881	0.917

Source: own research

Figure 9 illustrates the distribution of competitive advantage, as a latent variable, per each country. The logic of this visual presentation is that the darker the dots, the more is its frequency. One can note that the distribution is not normal.¹¹

¹¹ Refer to **A4. Latent variables – visualization of the distribution** to have a look at the distribution of latent variables (constructs).



Source: Own research

Figure 9. Distribution of competitive advantage as a latent variable

The third step of the reflective measurement model assessment deals with **convergent validity** of the measured constructs. The amount to which a construct converges to explain the variance of its elements is known as convergent validity. The statistics used for evaluating it is the average variance extracted (AVE) for all indicators on a latent variable. The AVE is computed by squaring the loading of each item on a latent variable and computing the mean value. A value of 0.50 or higher indicates that the construct explains at least 50% of the variation among its items (Hair et al., 2019).

The metric of AVE is computed for each set of items of the constructs and the results are shown in Table 12 for the three samples. All AVE values are found to be above the value of 50%, meaning that all assessed constructs explain more than the half of the variation among their indicators. The highest AVE value is reflected by informal institutions 0.745, while the lowest one is reflected by economic institutions which is 0.670.

Table 12. Convergent validity – AVE

Construct	Code	Value
Competitive advantage	CA	0.699
Economic institutions	CEI	0.670
Formal institutions	CFI	0.718
Internal resources	CIB	0.709
Informal institutions	CII	0.745
External knowledge acquisition	EKA	0.734

Source: own research

3.7.3 Discriminant validity and correlation between variables

Discriminant validity is the fourth step when dealing with a reflective measurement model assessment. Discriminant validity refers to how empirically diverse a construct is from other constructs in the structural model. The most suitable metric for it is heterotrait-monotrait (HTMT) ratio of the correlations, which is proposed by Henseler et al. (2015). “The HTMT is defined as the mean value of the item correlations across constructs relative to the (geometric) mean of the average correlations for the items measuring the same construct” (Hair et al., 2019, p. 9). According to the literature, discriminant validity issues in the model are faced when HTMT values are high. The recommended threshold is the value of 0.85.

Table 13. Heterotrait-monotrait and correlation matrices

	CA	CEI	CFI	CIB	CII	EKA
CA		0.399	0.348	0.351	0.308	0.408
CEI	0.458		0.649	0.581	0.618	0.508
CFI	0.390	0.762		0.567	0.624	0.486
CIB	0.397	0.685	0.654		0.464	0.451
CII	0.339	0.718	0.712	0.531		0.437
EKA	0.460	0.593	0.555	0.518	0.495	

Note: HTMT ratios are below the diagonal, while correlations are above that; HTMT, heterotrait-monotrait; EKA, external knowledge acquisition; CA, competitive advantage; CFI, formal institutions, CII, informal institutions; CEI, economic institutions; CIB, internal resources. *Source:* own research

The HTMT values are calculated and shown in Table 13. None of the HTMT coefficients exceeded the threshold of 0.85. This finding lead to the conclusion that discriminant validity is not a problem in this model. Thus, all measured constructs are empirically distinct from other constructs in the structural model.

In addition to the discriminant validity metric, in Table 13 it is shown the correlation matrix of the measured constructs. Of interest is to investigate the correlation of competitive advantage with other constructs, since it is the dependent variable. The average value of the competitive advantage’s correlation coefficient is 0.363.

4 RESULTS

This section of the thesis is dedicated to the results of the analysis. To familiarize or have a better view over the data that is analysed, this section starts with a sub-section covering bivariate analysis of the different variables. An important aspect to be mentioned here is the fact that this thesis is done during the COVID-19 pandemic. Therefore, it is of interest showing some insights over the impact of this pandemic on business activity, then following-up with the testing of the structural model.

Reports say that the pandemic situation has affected SMEs the most. Further, during the COVID-19 pandemic, the overwhelming part of firms in Western Balkan countries indicated that had no capacity for remote work (World Bank, 2021). According to the same report, firms in these three countries identify the unregistered businesses along with informal business practices as major challenges in business activity. There are several factors which lead to such a condition. Business regulations enforced by the law, taxation, institutional credibility and quality, corruption and faith in government service delivery, and the lack of deterrent (inspection) procedures are all examples of such variables.

According to an OECD (2021) report, a short-term government measure in the prospect of COVID-19 recovery is to support SMEs by leveraging innovative business initiatives and encourage them moving towards e-commerce so they can have a smoother access into new markets.

4.1 Bivariate analysis

Two of the questions included in the questionnaire were related to changes in the firm's competitive advantage and future business environment. Hence, respondents had to choose between "yes, it is worsened", "No change, it is the same position (pandemic has almost same impact for all competitors)"; or "yes, it is better" when asked to reply to the question "has the overall firm's competitive advantage changed as the result of the pandemic?" The other question was about future business environment, where it reads "While taking in account the conditions of doing business, how would you evaluate the future business environment?"

The responds distribution of both questions is shown in Table 14 for each country. It seems that, the share of respondents selecting "better" is higher in Kosovo (26%), compared to Albania (11%) and North Macedonia (9%). Based on this figure, one can say that, as the result of the COVID-19 pandemic, firms operating in Kosovo see more opportunities than those in Albania and North Macedonia.

Regarding the second question which points to future business environment, the data reveals that, likewise the first question, firms operating in Kosovo are more favourable about it, when comparing with the data from Albania and North Macedonia (see Table 14). A grand majority (77% = 21% + 56%) of the firms from Kosovo has selected number 4 or 5, indicating “close to favourable” and “favourable” business environment. In case of North Macedonia, this share composes a simple majority (54% = 34% + 20%), while in case of Albania, it is not so, where only 32% have selected those categories (17% + 15%). It seems that both variables tend to indicate the same thing: in Kosovo, business environment is expected to be more favorable in the future and the impact of COVID-9 pandemic has changed the competitive advantage for better more than in Albania and North Macedonia.

Table 14. Change in competitive advantage and future business environment

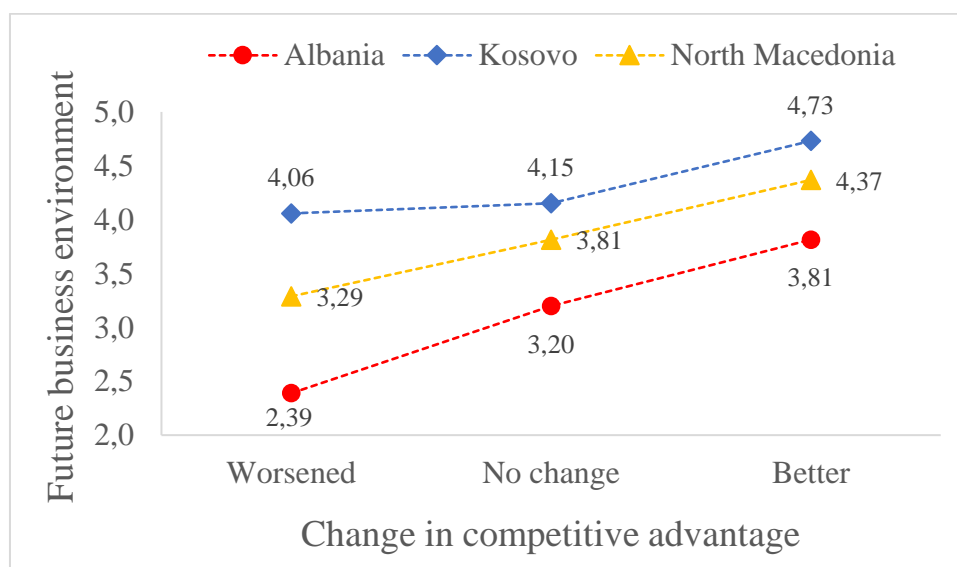
Variable	Category	Albania (n=246)	Kosovo (n=201)	North Macedonia (n=204)
Change in competitive advantage ^a	Worsened	46%	51%	51%
	No change ^b	43%	23%	40%
	Better	11%	26%	9%
Future business environment ^c	1 = Not favorable	18%	1%	5%
	2	21%	4%	5%
	3	29%	17%	36%
	4	17%	21%	34%
	5 = Favorable	15%	56%	20%
Total		100%	100%	100%

Note: a. Has the overall firm’s competitive advantage changed as the result of the pandemic?
b. No change, it is the same position (pandemic has almost same impact for all competitors);
c. While taking in account the conditions of doing business, how would you evaluate the future business environment? Source: Own research.

With the aim to have a better view on the relationship between changes in competitive advantage and future business environment, a graphical visualization of the data is done. In Figure 10 is plotted the data of these two variables per each country.¹² The graph emphasizes at least two findings:

¹² Future business environment from an ordinal type of variable is transformed into a scale one, thereby the calculation of its mean is possible. For more, refer to **A8. Future business environment & change in competitive advantage**.

- Firstly, there is a positive relationship between organisation’s change in competitive advantage (worsened, no change, and better) and future business environment. Thus, while moving from worsened to better categories of change in competitive advantage, future business environment become more favorable.
- Secondly, it is clear that differences between countries are present and consistent while moving across variable categories. Hence, firms operating in Albania exhibit lowest values of future business environment for the three categories of change in competitive advantage, while those operating in Kosovo reflect the highest, and those operating in North Macedonia reflect the medium value of it.

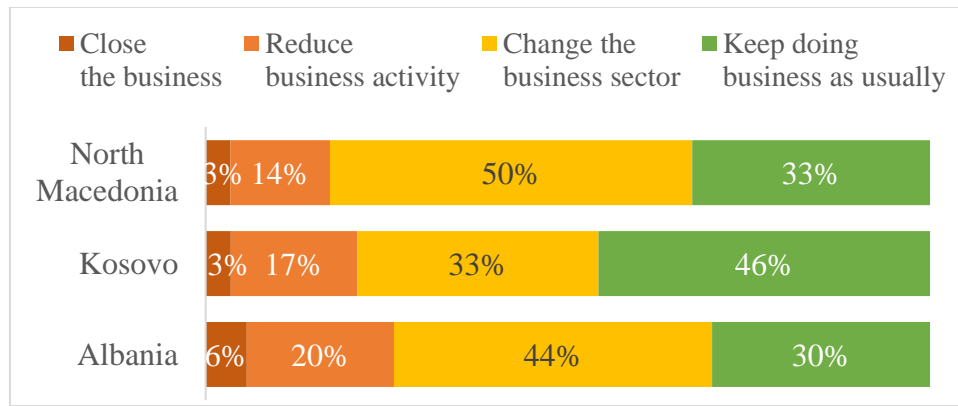


Source: Own research

Figure 10. Change in the competitive advantage and future business environment

In this context, another question that merits to be analysed is about business plan while considering conditions of doing business.¹³ In Figure 11 is plotted the responds of this question by country. Firstly, it is needed to clarify that no entrepreneur has selected “investing in business/expanding activity” category, meaning that firms operating across the three countries do not plan to expand or invest in the business.

¹³ The question reads “While taking in account the conditions of doing business, do you plan to” and its categories are: Close the business; Reduce business activity; Change the business sector; Keep doing business as usually; Investing in business/expanding activity. For more on this question, refer to **A9. Business plan while taking in account business conditions**.



Source: Own research

Figure 11. Business plan while considering conditions of doing business

Secondly, likewise the two questions dealing with change in competitive advantage and future business environment, the share of firms that selected the “keep doing business as usually” category which operate in Kosovo (46%) is bigger than that of Albania (30%) and North Macedonia (33%). The share of those firms that selected the “close the business” category ranges from 3% to 6%, while of those which selected the “reduce business activity” varies from 14% in North Macedonia to 20% in Albania. According to the data, one in two businesses in North Macedonia plans to change the business sector, whereas in Albania and Kosovo this figure is three in seven and one in three firms, respectively.

Additional bivariate analysis is conducted with the data of this thesis. Such analysis includes the crosstabulations of change in firm’s competitive advantage and future business environment with firm’s characteristics. This set of analysis is included to this thesis as **Annex**.¹⁴ By doing this, one can have a better understanding of the firm profile and environment where the surveyed businesses operate. Thereby, bivariate analysis contributes to provide a better picture related to the research context.

4.2 Hypotheses testing

As mentioned in the **3.6 Data analysis** sub-section, hypotheses are tested by using PLS-SEM approach in SmartPLS 3.0. The results of these hypotheses are organized in Table 15. To explore the significance of these relationships the standardized paths (direct and moderating) are examined, thereby concluding on accepting or rejecting a hypothesis. These paths are calculated using the bootstrap

¹⁴ For a detailed crosstabulation with firm characteristics, refer to **A6. Change in competitive advantage** and **A7. Future business environment**. While examining them, pay attention to the number of respondents per category.

procedure, with 5000 iterations of resampling. For the moderator variable, the selected calculation method was two stage approach as recommended in the literature, since the aim is to reveal significance of the moderating effect (Hair et al., 2017).

Table 15 summarizes the results of PLS-SEM approach for the surveyed SMEs. Altogether, excluding control effects, there are seven paths (five direct and two moderating paths) of interest for this thesis. Regarding the direct effects, results show that four out of five paths are statistically significant for determining competitive advantage.¹⁵ Hence, SMEs' competitive advantage is negatively influenced by informal ($\beta = -0.107, t = 2.034, p < 0.05$) and economic institutional constraints ($\beta = -0.145, t = 2.561, p < 0.01$), internal resource-related constraints ($\beta = -0.114, t = 2.377, p < 0.05$). The fourth statistically significant direct path is related to the effect of external knowledge acquisition on competitive advantage, which is found to be positive ($\beta = 0.203, t = 4.835, p < 0.001$) (see Table 15). Therefore, the data supports H2, H3, H4, H5, H6 and H7. On the other hand, the data fails to support H1, which claims that formal institutional constraints negatively influence firm's competitive advantage.

Table 15. Hypotheses testing

Effect	Hypothesis	Path	β	t	p
Direct	H1	CA \leftarrow CFI	0.063	1.206	0.228
	H2	CA \leftarrow CII	-0.107	2.034	0.042
	H3	CA \leftarrow CEI	-0.145	2.561	0.009
	H6	CA \leftarrow CIB	-0.114	2.377	0.017
	H7	CA \leftarrow EKA	0.203	4.835	0.000
Moderate	H4	CA \leftarrow CII x CFI	-0.319	2.430	0.015
	H5	CA \leftarrow CEI x CFI	-0.113	6.594	0.000
Control variables	Enterprise level	CA \leftarrow Business size	0.166	4.958	0.000
		CA \leftarrow Business tenure	-0.011	0.304	0.761
		CA \leftarrow Manufacturing	0.006	0.203	0.839
		CA \leftarrow National market	-0.021	0.671	0.502
	Individual level	CA \leftarrow Experience	0.026	0.735	0.462
		CA \leftarrow Gender	0.001	0.008	0.994

¹⁵ No multicollinearity issue was noted in the model. For more see **A10. Multicollinearity test.**

Note: CA, competitive advantage; CFI, formal institutions, CII, informal institutions; CEI, economic institutions; CIB, internal resources; EKA, external knowledge acquisition. Source: own research

Regarding the moderating paths (refer to Table 15), the analysis showed that formal institutional constraints moderate both informal ($\beta = -0.319$, $t = 2.430$, $p < 0.05$) and economic institutional constraints effects on competitive advantage ($\beta = -0.113$, $t = 6.594$, $p < 0.001$). This analysis is not enough to conclude on the acceptance or rejection of the raised hypotheses on moderating role.¹⁶

To summarize, the results of PLS-SEM analysis highlights that their competitive advantage is statistically affected negatively by informal and economic institutional constraints, internal resource-related constraints, and positively by external knowledge acquisition. Furthermore, it is demonstrated that formal institutions moderate the relationships of both informal and economic institutional constraints with competitive advantage.

R square and R square adjusted are the metrics which informs on the amount of variability of competitive advantage explained by the independent variables. Theoretically, their values range from 0 to 1 (0% to 100%). The higher this value, the higher is the explained amount of variability on the dependent variable. So, a higher value is preferred, since it indicates that the independent variables explain the dependent variable. The research model explains 63.3% (R square) of the variability on competitive advantage.¹⁷ Based on the rule of thumb of Hair et al. (2017), the measured structural model reflected a *moderate* explanatory power.¹⁸

4.3 Institutional interplay: moderating effect

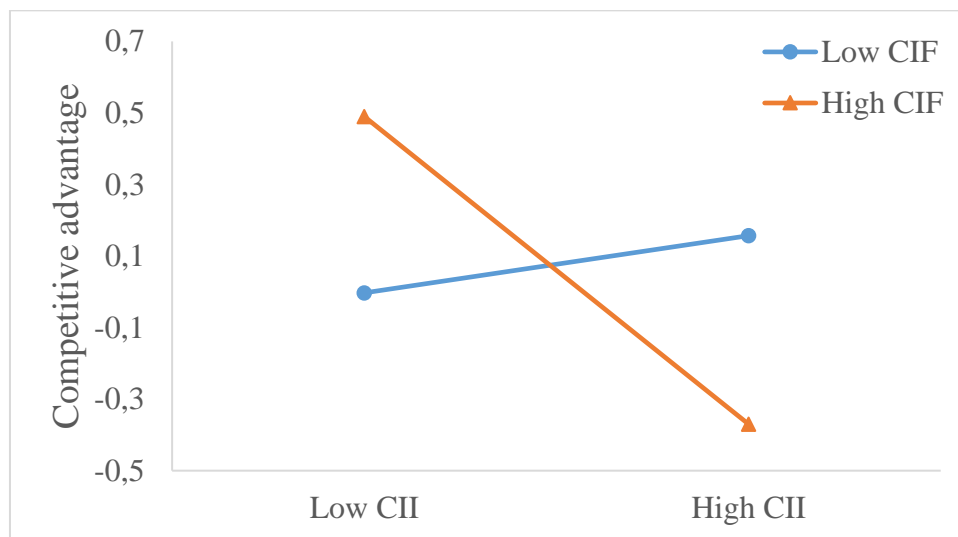
This sub-section is dedicated to the moderating effects. Having the results of the structural models in Table 15, is not enough to fully give an answer regarding the acceptance or rejection of the hypotheses related to the moderating role of formal institutions in the relationships between both informal and economical constraints and competitive advantage. If a moderation is statistically significant, it does not inform on the direction of the moderation effect. To address this issue a visualization of the moderating effect is required and suggested to be done (Hair et al., 2017).

¹⁶ The moderating effect needs to be further analysed in order to conclude whether the respective hypothesis is supported or not. This additional analysis can be performed by plotting the slope of the coefficients in a graph. Such analysis is elaborated under **4.3 Institutional interplay: moderating effect** sub-section.

¹⁷ The metric of R square adjusted is equal to 0.631.

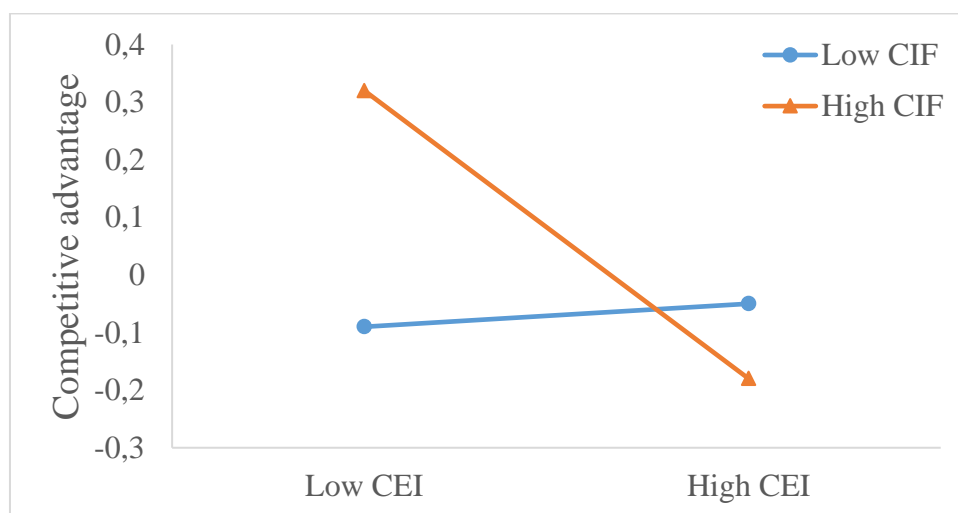
¹⁸ The inclusion of country as a control variable did not add the explanatory power of the model.

Figure 12 illustrates the interplay of two groups of institutions (formal and informal) and their effect on competitive advantage. The figure demonstrates a steeper line of the relationship between informal institutional constraints and competitive advantage for high formal institutional constraints, as compared to low formal institutions. H4 claimed exactly this effect, thereby H4 is supported, since the influence of informal institutional constraints on competitive advantage is moderated by formal institutions, such that the relationship is stronger when formal constraints are more present.



Note: CFI and CII are formal and informal institutional constraints. Source: Own research

Figure 12. Moderating effect of formal institutions in informal institution-competitive advantage relationship



Note: CFI and CEI are formal and economic institutional constraints. Source: Own research

Figure 13. Moderating role of formal institutions in economic institutions-competitive advantage relationship

In Figure 13 is demonstrated in a visual way of the interplay of formal with economic institutional constraints and their impact on competitive advantage. One can see that a steeper line is that of the relationship between economic institutions and competitive advantage with high formal institutions, compared to that of with low formal institutions. According to H5, the effect of economic institutional constraints on competitive advantage is moderated by formal institutions, such that the relationship is stronger when formal constraints are more present. Thus, the data fails to reject H5.

Upon the clarification of the moderating effects, the full set of hypotheses are tested and interpreted. Table 16 summarizes the conclusion for each formulated hypothesis.

Table 16. Hypotheses testing – conclusion

Effect	Hypothesis	Conclusion
Direct	H1 Formal institutional constraints negatively influence firm's competitive advantage	Rejected
	H2 Competitive advantage is negatively associated with informal institutional constraints	Supported
	H3 Economic institutional constraints negatively affect firms' competitive advantage	Supported
	H6 The way how internal resources and capabilities are utilized influences competitive advantage, in such a way that their optimization leads to higher competitive advantage	Supported
	H7 Competitive advantage is positively influenced by external knowledge acquisition relevant for the organization	Supported
Moderation	H4 The influence of informal institutional constraints on competitive advantage is moderated by formal institutions, such that the relationship is stronger when formal constraints are more present	Supported
	H5 The effect of economic institutional constraints on competitive advantage is moderated by formal institutions, such that the relationship is stronger when formal constraints are more present	Supported

Source: own research

5 DISCUSSION

This thesis aims to investigate the relationships between institutional constraints (formal, informal, and economic institutions), resources (internal and external knowledge acquisition) and competitive advantage for SMEs. The findings are highlighted and discussed with respect to the following research questions:

- *To what extent do institutional constraints affect competitive advantage? (RQ1, RQ2, and RQ3)*
- *Do formal institutions moderate the relationships between informal and economic institutions and competitive advantage? (RQ4)*
- *Do internal resources and external knowledge acquisition influence competitive advantage? (RQ5 and RQ6)*

5.1 Institutional constraints

Regarding the first question listed above, except for formal institutions, the research confirms that institutional constraints are important determinants for SME's competitive advantage. The research has found that competitive advantage is negatively influenced by both informal and economic constraining institutions.

On the impact of informal institutions on competitive advantage, it is of interest mentioning the measurement of this scale, where its items are corruption, crime, theft and disorder, unfair competition, and relationship (unofficial) with local government.¹⁹ Focusing only on corruption indicator, and assuming the same linkage as its construct, the negative influence of this institutional component on competitive advantage, somehow supports the “sand the wheels” view (Méon & Weill, 2010; Mohamadi et al., 2017). This is consistent with what has been observed in advanced economies with not weak formal institutions, where corruption works as an extra tax (Belitski et al., 2016). Usually, in developing and transition economies characterised by not strong formal institutions, corruption serves to lubricate the wheels of entrepreneurship, known as “grease the wheels” view (Dreher & Gassebner, 2013; Hashi & Krasniqi, 2011; Krasniqi & Desai, 2016). Additionally, for business owners/managers is not possible to work without corruption in these economies (Williams & Vorley, 2017). As Goel et al. (2015) argues, business owners/managers “might also be involved in mutual corruption to counter law requirements.” This might be a result of operating in an environment with both not strong formal institutions and a poor entrepreneurial

¹⁹ For more on the variable measurement refer to **3.5.3 Independent variables**.

culture, which leads to business owners eager to circumvent legal requirements or tax authorities' scrutiny, and/or engage in bribery or corruption as a means of conducting business.

Regarding the economic constraining institutions, thesis' analysis found that it negatively affects competitive advantage, similar to the effect of informal institutions. Part of the scale of economic institutions are the indicators pointing to inflation, access to finance and electricity. Raza et al. (2019) discusses on the use of economic institutions in explaining entrepreneurship. In their work, they found that financial capital availability is a significant determinant of both entrepreneurial entry and opportunity-based entrepreneurship. However, our finding contradicts Krasniqi and Desai's (2016) study covering 26 transition economies. Some of the above-mentioned indicators are used by Krasniqi and Desai (2016) and labelled as inputs. Interestingly, they found that this variable does not predict high-growth firm.

EBRD (2017) states that the top three obstacles in Albania, Kosovo and North Macedonia are informal sector, electricity, and corruption. The scale of informal institutional constraints used in this thesis capture two of these impediments. On the other hand, electricity is an indicator used in constructing the economic institutions variable. Thus, the findings of this thesis strengthen what the EBRD (2017) report said, by adding that these impediments negatively influence on competitive advantage.

Regulative components (formal institutions) of a country is found to be not an important predictor in prior research, as well (Čadil et al., 2017; Ur Rehman et al., 2019; Valdez & Richardson, 2013). For instance, Ur Rehman et al. (2019) studied the obstacles to growth of SMEs in Western Balkan countries and concluded that obstacles related to tax administration and rates do not statistically predict labour productivity for firm operating in Kosovo and North Macedonia. Moreover, two other studies have confirmed the insignificance of regulation-related constraints in predicting firm growth in Albanian (Xheneti & Bartlett, 2012) and sales of under-reporting firms in Kosovo (Williams & Krasniqi, 2018). In a more recent study, it was demonstrated that business enabling policies do not predict business climate for the businesses operating in Albania (Çera et al., 2019). Following Jolley's et al. (2015) argument, business owners/managers may be in favour of a strategy that seeks to reduce tax rates over tax incentives or tax administrations that are procedure-based, so to achieve a better performance of the overall economy. Therefore, the thesis' finding regarding the effect of formal constraining institutions is in line with studies covering the Western Balkans countries.

According to the European Commission's official report (2017), Albania has made significant efforts to encourage citizens to engage in entrepreneurship and

enhance the business climate. This initiative includes developing an action plan for collaboration between the government, industry, and universities, as well as efforts to create a welcoming business climate for new businesses. However, more reforms to encourage entrepreneurial activity are needed to address long-standing issues such as infrastructure (particularly roads and power), property registration, and contract enforcement (EBRD (European Bank for Reconstruction and Development), 2018).

5.2 Institutional interplay: the role of formal institutions

The second research question listed in the introduction of **Discussion** is about the role of formal institution in the relationships between informal and economical institutions and competitive advantage. Such institutional interplay is discussed in this sub-section.

One of the key findings of the thesis is that formal constraining institutions do not influence competitive advantage of the SMEs, while the other two institutions do. As discussed above, such results are found in the literature as well. However, no prior research has studied in depth the institutional interplay in a post-communist and transition economies, with the aim to explain this insignificant effect of formal institutions and important influences of informal and economical institutions on competitive advantage. The institutional interplay is discussed by scholars in different contexts, such as firm profitability in emerging countries (Kafouros et al., 2022), expatriation assignment (Moreira & Ogasavara, 2018), international trade (Park, 2021), entrepreneurship (Chowdhury et al., 2019; Escandon-Barbosa et al., 2019; Sahasranamam & Nandakumar, 2020) etc.

This thesis sheds light on the role of formal institutions by investigating its moderating effect in the influences of informal and economic institutions on competitive advantage. Both moderations are found to be statistically significant determinants of competitive advantage. Our findings suggest that the negative impact of informal and economic institutions on competitive advantage is stronger when the formal constraining institutions are more unfriendly towards businesses. These findings go in line with the study of Yi et al. (2019), as they found that formal institutions (measured with investment freedom) moderate the informal institutions' influence on foreign direct investment. Therefore, once can say that informal and economic constraints combined with formal unfriendly business rules worsen the firm' competitive advantage. On the other hand, Krasniqi and Desai (2016) found a positive interaction of formal and informal institutions when explaining high-growth firms in 26 transition countries. The logic behind this contrast between the thesis' finding and Krasniqi and Desai's (2016) work lies in the fact that direct effect of informal institution on dependent

variable is positive in this thesis, while in their study is negative. Hence, the institutional interplay is manifested differently.

In summary, formal institutions' role lies in the fact that moderate the effect of informal and economic institutional by losing points in competition in the industry. So, the negative impact of indicators like corruption, unfair competition, and electricity disruptions on competitive advantage can get worsen when formal institutions (judicial system, tax rates, frequent changes in legislation and tax administration procedures, political instability) are more present.

5.3 Internal resources and External knowledge acquisition

The final research question listed in the introduction of **Discussion** deals with the impact of internal resources and external knowledge acquisition on competitive advantage of the SMEs. As it was expected, the results of the analysis confirm the direct and significant effect that internal resources have on firms' competitive advantage. This finding is consistent with the resource-based view (Barney et al., 2001), which suggest that firm resources are and should be considered as important determinants of competitive advantage. As with Newbert's (2007) and Hinterhuber's (2013) claims, this thesis finding stress out that enterprises' resources must be utilized in such a way to generate competitive advantage. As discussed earlier, internal resources are the possessed resources, which leads to the fact that managers can manipulate them to achieve and/or obtain competitive advantage. From this perspective, managerial implications can be pointed out.

As it was hypothesized, the results of the analysis demonstrated that competitive advantage is positively influenced by external knowledge acquisition. Our finding is in line with prior research focused on the linkage between knowledge management (including knowledge acquisition) and competitive advantage, including business performance (Abu Bakar et al., 2016; Bibi et al., 2021; Salojärvi et al., 2005; Verma & Verma, 2013).

As stated, the analysis showed that external knowledge acquisition has a positive influence on competitive advantage, suggesting that information and knowledge acquisition play an important role in achieving and obtaining competitive advantage. Our finding is consistent with prior research, including Xheneti and Bartlett's (2012) work conducted in Albania, which emphasizes the importance of information-related constraints on firm growth. Additionally, this is strengthened by the key role related to information and knowledge in the transition economies in Western Balkans countries, and the importance of offering relevant business information and knowledge to support

entrepreneurship. This aspect of knowledge management can be translated into a practical implication for both policymakers and manager.

6 BENEFITS OF THE STUDY

Driven by the institutional theory (Baumol, 1990; North, 1990; Williamson, 2000), including economic development view introduced by Wennekers et al. (2005), resources-based view (Barney, 1991), and external knowledge acquisition (Kraaijenbrink & Wijnhoven, 2008), this thesis provides a unique and improved conceptual framework with the aim to identify how institutions (formal, informal and economic) and resources (internal and external knowledge acquisition) influence competitive advantage in the context of transition countries. Below are elaborated theoretical and practical benefits of this thesis.

6.1 Theoretical contribution

This thesis contributes at the least in two strands of literature. Firstly, the research in this thesis contributes to the entrepreneurship literature by combining in an improved and unique research model different perspectives of institutional theory (Baumol, 1990; North, 1990; Williamson, 2000), resource-based view (Barney, 1991) and knowledge-based perspective (Nonaka, 1994).

Based on the discussion in the literature review and arguments provided by this research, one can conclude that institutional theory does not offer a full picture of the determinants of the competitive advantage, since it informs only from an institutional view (Peng et al., 2008). Similarly, the resource-based view only covers resources that emphasises successful acquisitions and alliances. In addition, knowledge-based view, fails to explain only by itself firm's competitive advantage, since it is an extension of resource-based view. However, the three perspectives jointly can provide a better picture of the competitive advantage's determinants. This integration of the three theories offers far better explanation on how entrepreneurs construct learning tools and mechanisms to get over institutional constraints (Wright et al., 2005).

By integrating the three theories (institutional, resource-based, and knowledge-based views) it is assumed that a better understanding can be reached about the issue on how enterprises behave when they face institutional constraints and have the capacity to utilize the possessed resources and external knowledge acquisition (Fernández-Alles & Valle-Cabrera, 2006; Taha, 2014). The combination of these theoretical perspectives provides a suitable conceptual framework since it is assumed that covers technical (resources and knowledge) and institutional contexts.

The improved conceptual framework fed by three perspectives, leads to a balance between the homogeneous and heterogeneous within an industry (see Figure 1), since the merge of three theories into one research model to explain

competitive advantage of the SMEs. The implementation of this improved conceptual framework revealed that the integration of resource-based and knowledge-based views, provides a reasonable explanation as to how SMEs can adapt to dynamic environments (institutional conditions).

Secondly, the proposed conceptual framework offers the possibility to explore the relationships between institutions (formal, informal, and economical) and resources (internal resources and external knowledge acquisition) and competitive advantage. Giving this, the study contributes to enrich the existing literature by pointing out that: (1) Institutional constraints negatively affect competitive advantage; (2) the role of formal institutions is noted when is considered as a moderator of the influences of informal and economical institutions on competitive advantage; (3) organisational resources (internal resources and external knowledge acquisition) predict competitive advantage.

6.2 Practical implications

The findings of this thesis are useful for policymakers and decision-takers within the government who aim to create a better business environment and to boost market entry. As Fereidouni and Masron (2012) claimed, it is critical for policymakers to understand which type of institutions are most essential to business owners/managers and which is their influence on entrepreneurship. The findings of this thesis provide insights regarding the development of new policies or adjusting the existing ones so to encourage entrepreneurship and improve the overall environment of doing business. It is this reason why the findings of this thesis are of interest for policy-makers.

Secondly, determining the vital role of formal institutions in moderating the linkages between informal and economic institutions and competitive advantage, provides meaningful information to policymakers. In this way, they can manipulate the effect of informal institutions on firm performance by adjusting or designing effective formal institutions. The reason why direct effect of formal institutions on competitive advantage is insignificant should be examined in the quality business policies and the nature of their designed and how they are implemented. Here it comes the role of policy formulation for SMEs. In this regard, a framework for SMEs policy formulation similar to that proposed by Arshed et al. (2014), should result in improved outcomes.

Similarly, Xheneti (2017) provides an interesting framework for examining policy formation, establishing a relationship between policy formation and the desired policy results (Xheneti & Kitching, 2011). Business regulations aimed at improving business environment should promote entrepreneurship or lead to higher start-up rates. As a result, policymakers should pay attention to the design

of such policies and regulations which create business-friendly environment a well-functioning educational system (Brixiova & Égert, 2017), which may increase the supply of educated entrepreneurs (La Porta & Shleifer, 2014).

Additionally, from a managerial point of view, the study offers insights regarding the impact of internal resources on firm performance. By identifying these internal factors, managers can adjust their processes following the best practices. Furthermore, the knowledge that exists outside of the business and it would be good to bring it to the internal environment, should be consider as a priority, in particular, considering the new environment and the COVID-19 pandemic's consequences. Here, it becomes visible the role external knowledge acquisition, for which government should intensify its action in providing additional business trainings or services on how to bridge the knowledge from the external environment to the one that exist within the firm environment. In this context, business associations can play a key role in transferring know-how and information to businesses.

6.3 Limitations and future research

Although the research of this thesis has met its goal, there are limitations in research. Firstly, the thesis results are limited to three countries, which, although they may manifest similarities in different aspects (including geographical area, culture heritage, economic development, institutional environment), such similarities are not shared with all economies across the region, nor the globe. Thus, the generalisability of the findings can be applied to emerging and transition economies. Secondly, it is doubtful that the explored associations will last indefinitely and influence competitive advantage as demonstrated in this thesis. Thirdly, from a methodological perspective, self-assessment approach is used to measure entrepreneurs' perception about institutional and organisational environments including business institutional constraints, internal resources, and external knowledge acquisition, which may lead to potential bias. However, the same approach was used even in the international reports such as the Business Environment and Enterprise Performance Survey introduced by the World Bank and the European Bank for Reconstruction and Development.

The use of the theory of organizational flexibility (Palanisamy & Sushil, 2003) and organisational change capacity (Judge & Douglas, 2009) in explaining the impact of the COVID-19 pandemic on competitive advantage and decisions that businesses can take under external pressure, can be a future research avenue. These theories can be used as the underprints of an upgraded conceptual framework, which can model the capacity a business possesses in responding to environmental change, including the pandemic. Such endeavour would bring

more clarity to the research community. Hence, scholars are recommended to include such views in their research models in the future. By doing so, the impact of the COVID-19 pandemic on businesses can be captured better when it comes to the study of the organisational behaviour during the time of external pressures.

When stating the practical implications related to external knowledge acquisition, the role of business associations is mentioned. Business associations could be a sound way on how to achieve and/or obtain better results in terms of competitive advantage and business performance. This raises another issue which is linked to the fact whether businesses are actual members of the association or not. It is recommended to explore the role of business associations in moderating the effect of external knowledge acquisition on competitive advantage. Such issue can be considered by scholars in further research.

7 CONCLUSION

Even though organisational behaviour, including competitive advantage and business performance, has been studied and explained in many ways, by using different theoretical perspectives, however, yet the ways in which changes in institutional constraints and resources (internal resources and external knowledge acquisition) influence competitive advantage have not received enough attention from scholars. Hence, it is noted that:

- institutional theory (North, 1990) does not provide a comprehensive view over the competitive advantage's predictors since it informs only from an institutional angle;
- Similarly, the resource-based view (Barney, 1991) covers only organisational resources that emphasises their successful utilisation for competitive advantage;
- In addition, knowledge-based view (Nonaka, 1994) fails to explain only by itself organisational competitive advantage, since it is an extension of resource-based view.

However, the three theories jointly offer a comprehensive view of the competitive advantage's determinants. Therefore, in contemporary time, there is a need to study deep-rooted institutions and the utilization of resources and knowledge to achieve and obtain competitive advantage. By integrating these three perspectives, this work aims to bridge such research gaps via examining an improved conceptual framework, which sheds light on the direct and moderating effects of institutions and resources (internal resources and external knowledge acquisition) on competitive advantage of SMEs. This need is more present for post-communist transition economies like those in Western Balkans, specifically Albania, Kosovo, and North Macedonia.

This work contributes to the existing literature by answering to the below-listed research questions for:

- To what extent do formal informal and economic institutional constraints affect competitive advantage?
- Do formal institutional moderate the relationships between informal and economic institutions and competitive advantage?
- Do internal resources external knowledge acquisition influence competitive advantage?

Based on an extensive literature review and consulting with main theories used in explaining competitive advantage, a conceptual framework is developed, and hypotheses are developed to test the direct influences of institutional constraints (formal, informal, and economic), internal resources, and external knowledge

acquisition on competitive advantage. Additional hypotheses are formulated to explore the institutional interplay by focusing on the role of formal institutions in the influences of informal and economic institutions on competitive advantage.

Survey strategy is selected as a research design for this research, since it provides the possibilities to test the formulated hypotheses. A questionnaire was developed based on the literature review and after finetuning the variable measurement it was filled in by SMEs operating in Albania, Kosovo, and North Macedonia. All in all, there were collected 819 questionnaires and after the data cleaning process, only 651 (Albania, 246; Kosovo, 201; North Macedonia, 204) of them were considered in the follow-up analysis.

PLS-SEM method was used to test the developed hypotheses. However, before examining them, a list of assumption checks was done to ensure that the analysis can generate robust results. Hence, item, scale and convergent reliabilities were performed. In addition, discriminant validity is carried out before testing the hypotheses, accompanied with the correlation analysis of the latent variables. Moreover, common method bias is considered a serious concern when dealing with survey. The full collinearity test revealed that this issue is not present in this thesis.

The results of the work show that, different from what was expected, formal institutions do not predict firm's competitive advantage. Nevertheless, the effects of two other institutions (informal and economic constraints) negatively affect competitive advantage. The role of formal institutions becomes visible when it is examined its moderating effect on the relationships between informal and economic institutions and competitive advantage, indicating the institutional interplay. The other two direct effects (internal resources and external knowledge acquisition) were found to be statistically significant for determining competitive advantage.

The improved conceptual framework fed by three perspectives (institutional, resource-based, and knowledge-based views), leads to a balance between the homogeneous and heterogeneous within an industry, since the merge of three theories into one research model explain competitive advantage of the SMEs. The implementation of this improved conceptual framework revealed that the integration of resource-based and knowledge-based views, provides a reasonable explanation as to how SMEs can adapt to dynamic environments (institutional conditions).

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Work experience

May 2020 – Present Part-time Consultant – economist and statistician
Digital socio-economic impact assessment: Households & SME (SEIA), United Nations Developing Programme – UNDP
October 2013 – Present Assistant professor, Faculty of Economy and Agribusiness, Agricultural University of Tirana, Albania
April 2013 – August 2013 Researcher, Food and Agriculture Organization of the United Nations.

Education

2017 – Present PhD study, Faculty of Management and Economics, Tomas Bata University, Czech Republic
2011 - 2013 Master of Science, Faculty of Economy and Agribusiness, Agricultural University of Tirana, Albania
2008 - 2011 Bachelor, in Finance and Accounting, Finance and Accounting, Agricultural University of Tirana, Albania

Research interests

Business environment, business performance, institutional constraints, financial literacy, financial capability

Research activities at Tomas Bata University in Zlín

2018 – 2022 Member of 2 research projectes, Internal Grant Agency of FaME, Tomas Bata University. First, No. IGA/FaME/2017/010: Financial Constraints on Economic

- Activities. Second, No. IGA/FaME/2021/005: Significant factors in the sustainability of economics growth with a focus on the SME segment
- 2019 – 2020 Head of the research team, Internal Grant Agency of FaME, Tomas Bata University No. IGA/FaME/2019/002: The role of institutional environment in fostering entrepreneurship.
- 2019 – 2020 V4 project: How to prevent SMEs failure (Actions based on comparative analysis in Visegrad countries and Serbia) No. 21820267.

ANNEXES

A1. Questionnaire

Dear Mrs / Mr,

We would like to ask you to fill in a questionnaire focusing on role of institutions, business environment, and the pandemic shock on the business activity.

Small and medium-sized enterprises in Albania, Kosovo, and North Macedonia are asked to complete this questionnaire.

The questionnaire is anonymous. We will use the results mainly for scientific purposes. In the aggregated form, we will share them with the relevant government agencies and professional organisations. We will also publish the results in foreign scientific journals indexed in the world's most prestigious databases such as Web of Science and SCOPUS.

The list of the collaborators:

- Tomas Bata University in Zlín, Faculty of Management and Economics
- Agricultural University of Tirana, Faculty of Economics and Agribusiness
- University of Tetovo, Faculty of Economics
- “Ukshin Hoti” University in Prizren, Faculty of Economics

Thank you for the correct and complete answers.

We wish you a lot of success in your business.

Gentjan Çera

Tomas Bata University in Zlín

Czech Republic

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General

G-1 Country

G0 Region

G1 What is your current position in this business?

1. Owner of the business
2. Manager of the business
3. Owner and manager of the business
4. Other

G2 What is your gender?

1. Male
2. Female
3. Prefer not to say

G3 What is your age?

G4 How many years of experience you have in this sector?

G5 What is your highest education level completed?

1. Primary school or less
 2. Professional education
 3. High school
 4. University or more
-

G6 Legal status of the firm is:

1. Individual ownership
2. Partnership
3. Limited liabilities
4. Joint venture
5. Other

G7 In what year did this establishment begin its operations? _____

How many full-time employees, including you, did this establishment have in

G8.1 1. Year of start up _____

G8.2 2. In 2019 _____ (write 0 if the business had not started)

G8.3 3. Now _____

G9 What is the main sector of activity of this firm?

1. Agriculture, forestry, and fishing
 2. Manufacturing
 3. Construction
 4. Wholesale and retail trade
 5. Transportation and storage
 6. Accommodation and food service activities
 7. Information and communication
 8. Professional activities
 9. Other
-

G10 What is the principal market in which this establishment sells its main product lines or services?

1. Local – [*products sold mostly in same municipality where business is located*]
2. National – [*products sold mostly across nation*]
3. International – [*products sold mostly to nations outside country*]

Competitive advantage-related aspects

Considering the business situation, to what extent do you agree with the followings:

[1=totally disagree] — [2] — [3] — [4] — [5=totally agree]

CA1 the quality of the products or services that the firm offers is better than that of the competitors

CA2 the business has better managerial capability than the competitors

CA3 the firm's profitability is better than that of the competitors

CA4 the business image of the company is better than that of the competitors

CA5 The competitors are difficult to take the place of the firm's competitive advantage

CA6 Has the overall firm's competitive advantage changed as the result of the pandemic?

1. No change, it is the same position (pandemic has almost same impact for all competitors)

2. Yes, it is worsened

3. Yes, it is better

FB1 While taking in account the conditions of doing business, how would you evaluate the future business environment?

1. Not favorable

2. Normal

3. Favorable

FB2 While taking in account the conditions of doing business, do you plan to:

1. Close the business

2. Reduce business activity

3. Change the business sector

4. Keep doing business as usually

5. Investing in business/expanding activity

External knowledge acquisition-related aspects

Which of the following business services do you consider necessary for improving your business performance?

1=not important, 2=just a little, 3=medium, 4=quite important, 5=very important

EKA1 technical advice

EKA2 training/qualification

EKA3 information

- EKA4 sales and marketing advice
- EKA5 finance and accounting advice
- EKA6 export advice

Constraints

Please, evaluate to what extent each of them poses a problem for start-up/operating normally.

[1=Not a problem] — [2] — [3] — [4] — [5=Severe problem]

Formal institutions

- CFI1 Complicated business licensing/permits procedures
- CFI2 Judicial system (Courts)
- CFI3 Foreign trade (exports, imports) procedures
- CFI4 Burdensome employment regulations
- CFI5 Environmental regulations
- CFI6 Tax rates
- CFI7 Frequent changes in legislation and tax administration procedures
- CFI8 Political instability

Informal institutions

- CII1 Corruption
- CII2 Crime, theft and disorder
- CII3 Unfair competition
- CII4 Relationship (unofficial) with local government

Economic institutions

- CEI1 Inflation
- CEI2 Access to finance (availability and cost of loans)
- CEI3 Investment stimulation policies
- CEI4 Access to electricity/electricity disruptions
- CEI5 Access to skilled labor
- CEI6 Road infrastructure
- CEI7 Other infrastructure (including water, sewerage, etc.)

Internal business environment

- CIB1 The level of fixed assets free from any burden/ inscription
 - CIB2 Inability to find new potential partner
 - CIB3 Difficulties in absorption/acquisition of new echnologies/innovation
 - CIB4 Delay in fulfilling bank obligations
 - CIB5 Management of receivables/payables
-

A2. Online form of the questionnaire – in Albanian language



Mjedisi i biznesit

Ky pyetësor fokusohet në mjedisin e biznesit dhe ndikimi i pandemisë tek aktiviteti i biznesit. Ndërmarrjet e mesme dhe të vogla të Shqipërisë, Serbisë, Kosovës dhe Maqedonisë Veriore janë pjesë e kësaj ankete.

Pyetësori është anonim. Rezultatet do të përdoren vetëm për qëllime shkencore dhe do tu prezantohen institucioneve qeveritare. Gjetjet e këtij studimi janë fokus i bashkëpunëtorëve nga:

- Universiteti Tomas Bata në Zlín, Çeki
- Universiteti Bujqësor i Tiranës, Shqipëri
- Universiteti i Tetovës, Maqedonia e Veriut
- Universiteti "Ukshin Hoti" në Prizren, Kosovë

Kohëzgjatja e kësaj ankete është 10 minuta.

Shënim: Nëse anketa është hapur në telefon, sugjerohet ta ktheni telefonin horizontalisht për të pasur një paraqitje të plotë të pyetjeve.

Kontakt: cera@utb.cz

Shtypni "next" për të nisur.

Profil

Përgjigjuni pyetjeve më poshtë

Cili është pozicioni juaj aktual në këtë biznes? *

- 1. Unë jam pronar i biznesit
- 2. Unë jam menaxher i biznesit
- 3. Unë jam njëkohësisht pronar dhe menaxher i biznesit
- 4. Tjetër

Në cilin viti ka filluar veprimtaria e biznesit për këtë firmë? *

Shkruaj vitin në formatin me 4 shifra.

Your answer _____

Sa punonjës me kohë të plotë, përfshirë edhe ju, ka pasur kjo firmë në VITIN E FILLIMIT të aktivitetit? *

Your answer _____

Sa punonjës me kohë të plotë, përfshirë edhe ju, ka pasur kjo firmë në VITIN 2019? *

Vendos 0, nëse aktiviteti i biznesit ka filluar pas vitit 2019.

Your answer _____

Sa punonjës me kohë të plotë, përfshirë edhe ju, ka kjo firmë TANI? *

Your answer _____

Përgjigjuni pyetjeve më poshtë

Duke marrë parasysh situatën PARA pandemisë, sa dakord jeni me pohimet? *

Përdorni shkallën nga 1 në 5, ku 1 = "nuk pajtohem aspak" dhe 5 = "pajtohem plotësisht"

	1 (nuk pajtohem aspak)	2	3	4	5 (pajtohem plotësisht)
Cilësia e produkteve apo shërbimeve që ofron biznesi im është më e mirë se ajo e konkurrentëve	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Biznesi im ka aftësi menaxheriale më të mira se sa konkurrentët e mi	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Fitimi i firmës sime është më i lartë se ai i konkurrentëve	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Imazhi i biznesit tim është më i mirë se ai i konkurrentëve	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Konkurrentët e kanë të vështirë të zënë vendin e firmës sime në treg	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Në përgjithësi, a ka ndryshuar pozicioni konkurrues i firmës PËR SHKAK të pandemisë? *

- 1. Asnjë ndryshim, është i njëjti pozicion (pandemia ka pothuajse të njëjtin ndikim për të gjithë konkurrentët)
- 2. Po, është përkeqësuar
- 3. Po, është më mirë

Sipas gjyqimit tuaj, si do ta vlerësonit mjedisin e të bërit biznes pas 6-12 muajsh? *

- | | | | | | | |
|----------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-------------|
| | 1 | 2 | 3 | 4 | 5 | |
| Jo i favorshëm | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | I favorshëm |

Duke marrë parasysh kushtet e të bërit biznes, kjo firmë do të: *

- 1. Mbyllni aktivitetin
- 2. Reduktojë aktivitetin
- 2. Ndryshojë sektorin e biznesit
- 3. Vazhdojë aktivitein si zakonisht
- 4. Investojë në biznes / zgjerimi i aktivitetit

Përgjigjuni pyetjeve më poshtë

Cilin nga shërbimet e mëposhtme të biznesit i konsideroni të nevojshme për të përmirësuar performancën e biznesit tuaj? *

Përdorni shkallën nga në 5, ku 1= "aspak e rëndësishme" dhe 5 = "shumë e rëndësishme"

	1 (aspak e rëndësishme)	2	3	4	5 (shumë e rëndësishme)
këshilla teknike	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
trajnim / kualifikim	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
informacioni	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
këshilla për shitje dhe marketing	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
këshilla për financa dhe kontabilitet	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
këshilla për eksport	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

IN

Përgjigjuni pyetjeve më poshtë

Vlerësoni në çfarë mase të mëposhtmet paraqesin një problem për fillimin / funksionimin normal të biznesit. *

Përdorni shkallën nga 1 në 5, ku 1 = Nuk është problem... 5 = Problem serioz

	1 (nuk është problem)	2	3	4	5 (problem serioz)
Procedurat e komplikuar të licencimit / lejeve të biznesit	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Sistemi gjyqësor	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Procedurat e tregtisë së jashtme (eksportet, importet)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Rregulloret e punësimit	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Shkalla e taksave	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Ndryshimet e shpeshta në legjislacion dhe procedurat e administratës tatimore	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Paqëndrueshmëria politike	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Vlerësoni në çfarë mase të mëposhtmet paraqesin një problem për fillimin / funksionimin normal të biznesit. *

Përdorni shkallën nga 1 në 5, ku 1 = Nuk është problem... 5 = Problem serioz

	1 (nuk është problem)	2	3	4	5 (problem serioz)
Korrupsioni	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Krimi, vjedhja dhe çrregullimi	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Konkurrenca e pandershme	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lidhjet e fshehta me qeverinë lokale	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Vlerësoni në çfarë mase të mëposhtmet paraqesin një problem për fillimin / funksionimin normal të biznesit. *

Përdorni shkallën nga 1 në 5, ku 1 = Nuk është problem... 5 = Problem serioz

	1 (nuk është problem)	2	3	4	5 (problem serioz)
Inflacioni (rritja e çmimeve)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Aksesi/qasja në burime financiare (disponueshmëria dhe kostoja e kredive)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Politikat qeveritare të stimulimit/nxitjes të investimeve	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Aksesi/qasja në energjinë elektrike / ndërprerjet e saj	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Gjetja e personelit të kualifikuar	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Infrastruktura rrugore	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Infrastruktura të tjetra (ujin, kanalizimet, etj.)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

CINF & CIB

Përgjigjuni pyetjeve më poshtë

Vlerësoni në çfarë mase të mëposhtmet paraqesin një problem për fillimin / funksionimin normal të biznesit. *

Përdorni shkallën nga 1 në 5, ku 1 = Nuk është problem... 5 = Problem serioz

	1 (nuk është problem)	2	3	4	5 (problem serioz)
Mungesa e informacionit për tregjet	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mungesa e informacionit mbi financimin e biznesit	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mungesa e informacionit mbi teknologjinë e produktit	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Vlerësoni në çfarë mase të mëposhtmet paraqesin një problem për fillimin / funksionimin normal të biznesit. *

Përdorni shkallën nga 1 në 5, ku 1 = Nuk është problem... 5 = Problem serioz

	1 (nuk është problem)	2	3	4	5 (problem serioz)
Niveli i aseteve/zotërimeve/mjeteve	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Pamundësia për të gjetur partner biznesi të ri	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Vështirësitë në thithjen / përvetësimin e teknologjive të reja / inovacionit	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Vonesa në përmbushjen e detyrimeve bankare	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Menaxhimi i llogarive të arkëtueshme / të pagueshme	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Të përgjithshme

Përgjigjuni pyetjeve më poshtë

Në cilin qark është e vendosur firma/biznesi? *

Choose



Cila është gjinia juaj? *

- 1. Femër
- 2. Mashkull
- 3. Preferoj të mos e tregoj

Cila është mosha juaj? *

Shkruani moshën tuaj në formatin me 2 shifra.

Your answer _____

Sa vite përvojë keni ju si individ në këtë sektor? *

Shkruani numrin.

Your answer _____

Cili është niveli më i lartë i arsimit që keni përfunduar? *

- 1. Shkollë fillore ose më pak
- 2. Arsim profesional
- 3. Gjimnaz
- 4. Universiteti ose më shumë

Statusi ligjor i firmës është: *

- 1. Pronësi e vetme
- 2. Partneritet / Ortakëri
- 3. Shoqëri me përgjegjësi të kufizuar
- 4. Ndërmarrje me kapital të përbashkët
- 5. Tjetër

Cili është sektori kryesor i veprimtarisë së kësaj firme? *

- 1. Bujqësia, pylltaria dhe peshkimi
- 2. Prodhimtari
- 3. Ndërtimi
- 4. Tregtia me shumicë dhe pakicë
- 5. Transporti dhe magazinimi
- 6. Aktivitetet e akomodimit dhe shërbimit të ushqimit
- 7. Informacioni dhe komunikimi
- 8. Aktivitete profesionale
- 9. Të tjera

Cili është tregu kryesor në të cilin kjo ndërmarrje shet pjesën më të madhe të produkteve ose shërbimet e saj? *

- 1. Lokale - [produktet e shitura kryesisht në të njëjtën komunë/qytet ku ndodhet biznesi]
- 2. Kombëtare - [produktet e shitura kryesisht në të gjithë vendin]
- 3. Ndërkombëtare - [produktet e shitura kryesisht jashtë vendit]

Mbyllja e anketës

Këtu mund të lini komentet tuaja

Nuk është e detyrueshme - vetëm nëse keni koment mund ta shkruani atë.

Your answer

Dëshironi të lini kontaktin tuaj? Nëse po, shkruani adresën e emailit

Kjo mund të ndihmojë studiuesit, të cilët mund të ju kontaktojnë më vonë për të kuptuar më mirë rezultatet e studimit.

Your answer

Kjo anketë u plotësua në prani të një anketuesi? *

Pastaj shtypni "Submit" për të përfunduar anketën.

- Po (anketuesi drejtoi pyetjet dhe unë u përgjigja)
- Jo (e plotësova vetë anketën)

Mbyllja e anketës

Anketues vendos adresën tënde të emailit: *

Pastaj shtypni "Submit" për të përfunduar anketën.

Your answer

Get link



Page 1 of 11

A3. Descriptive statistics of the analysed items

Table 17: Descriptive statistics of the items – all countries

Code	Item	N	Mean	Standard Deviation
CA1	the quality of the products or services that the firm offers is better than that of the competitors	651	3.76	1.24
CA2	the business has better managerial capability than the competitors	651	3.95	1.18
CA3	the firm's profitability is better than that of the competitors	651	3.06	1.30
CA4	the business image of the company is better than that of the competitors	651	3.79	1.21
CA5	The competitors are difficult to take the place of the firm's competitive advantage	651	3.44	1.32
EKA1	technical advice	651	3.66	1.34
EKA4	sales and marketing advice	651	3.85	1.30
EKA5	finance and accounting advice	651	3.82	1.30
EKA6	export advice	651	3.41	1.47
CFI2	Judicial system (Courts)	651	3.51	1.37
CFI6	Tax rates	651	3.86	1.26
CFI7	Frequent changes in legislation and tax administration procedures	651	3.89	1.29
CFI8	Political instability	651	3.79	1.31
CII1	Corruption	651	4.10	1.23
CII2	Crime, theft and disorder	651	3.94	1.26
CII3	Unfair competition	651	4.14	1.15
CII4	Relationship (unofficial) with local government	651	3.99	1.26
CEI1	Inflation	651	3.80	1.21
CEI2	Access to finance (availability and cost of loans)	651	3.65	1.24
CEI4	Access to electricity/electricity disruptions	651	3.45	1.34
CEI5	Access to skilled labor	651	3.76	1.23
CIB2	Inability to find new potential partner	651	3.25	1.38
CIB3	Difficulties in absorption/acquisition of new technologies/innovation	651	3.32	1.36
CIB4	Delay in fulfilling bank obligations	651	3.22	1.43
CIB5	Management of receivables/payables	651	3.23	1.33

Source: Own research

Table 18: Descriptive statistics of the items – Albania

Code	Item	Mean	Median	Standard Deviation
CA1	The quality of the products or services that the firm offers is better than that of the competitors	3.50	4	1.21
CA2	The business has better managerial capability than the competitors	3.91	4	1.17
CA3	The firm's profitability is better than that of the competitors	2.43	2	1.20
CA4	The business image of the company is better than that of the competitors	3.62	4	1.28
CA5	The competitors are difficult to take the place of the firm's competitive advantage	3.14	3	1.41
EKA1	technical advice	3.70	4	1.34
EKA4	sales and marketing advice	3.95	5	1.31
EKA5	finance and accounting advice	3.87	4	1.29
EKA6	export advice	3.05	3	1.59
CFI2	Judicial system (Courts)	3.41	4	1.53
CFI6	Tax rates	4.07	5	1.25
CFI7	Frequent changes in legislation and tax administration procedures	4.26	5	1.08
CFI8	Political instability	3.93	4	1.32
CII1	Corruption	4.41	5	1.04
CII2	Crime, theft and disorder	4.07	5	1.22
CII3	Unfair competition	4.47	5	0.95
CII4	Relationship (unofficial) with local government	4.11	5	1.28
CEI1	Inflation	4.07	5	1.15
CEI2	Access to finance (availability and cost of loans)	3.85	4	1.24
CEI4	Access to electricity/electricity disruptions	3.40	4	1.49
CEI5	Access to skilled labor	4.00	5	1.32
CIB2	Inability to find new potential partner	3.16	3	1.46
CIB3	Difficulties in absorption/acquisition of new technologies/innovation	3.33	4	1.39
CIB4	Delay in fulfilling bank obligations	3.28	3	1.51
CIB5	Management of receivables/payables	3.12	3	1.45

Source: Own research

Table 19: Descriptive statistics of the items – Kosovo

Code	Item	Mean	Median	Standard Deviation
CA1	The quality of the products or services that the firm offers is better than that of the competitors	4.23	5	1.10
CA2	The business has better managerial capability than the competitors	4.23	5	1.06
CA3	The firm's profitability is better than that of the competitors	3.86	4	1.14
CA4	The business image of the company is better than that of the competitors	4.16	5	1.08
CA5	The competitors are difficult to take the place of the firm's competitive advantage	3.91	4	1.18
EKA1	technical advice	3.86	4	1.29
EKA4	sales and marketing advice	4.05	5	1.22
EKA5	finance and accounting advice	4.05	5	1.29
EKA6	export advice	3.89	4	1.32
CFI2	Judicial system (Courts)	3.97	4	1.21
CFI6	Tax rates	4.11	5	1.19
CFI7	Frequent changes in legislation and tax administration procedures	4.06	5	1.26
CFI8	Political instability	4.00	5	1.26
CII1	Corruption	4.08	5	1.19
CII2	Crime, theft and disorder	4.12	5	1.14
CII3	Unfair competition	4.11	5	1.15
CII4	Relationship (unofficial) with local government	4.13	5	1.14
CEI1	Inflation	3.86	4	1.22
CEI2	Access to finance (availability and cost of loans)	3.79	4	1.22
CEI4	Access to electricity/electricity disruptions	3.79	4	1.24
CEI5	Access to skilled labor	3.81	4	1.21
CIB2	Inability to find new potential partner	3.50	4	1.39
CIB3	Difficulties in absorption/acquisition of new technologies/innovation	3.51	4	1.38
CIB4	Delay in fulfilling bank obligations	3.58	4	1.40
CIB5	Management of receivables/payables	3.49	4	1.29

Source: Own research

Table 20: Descriptive statistics of the items – North Macedonia

Code	Item	Mean	Median	Standard Deviation
CA1	The quality of the products or services that the firm offers is better than that of the competitors	3.59	4	1.27
CA2	The business has better managerial capability than the competitors	3.73	4	1.23
CA3	The firm's profitability is better than that of the competitors	3.03	3	1.13
CA4	The business image of the company is better than that of the competitors	3.64	4	1.17
CA5	The competitors are difficult to take the place of the firm's competitive advantage	3.35	3	1.20
EKA1	technical advice	3.41	4	1.34
EKA4	sales and marketing advice	3.54	4	1.33
EKA5	finance and accounting advice	3.53	4	1.26
EKA6	export advice	3.39	3	1.33
CFI2	Judicial system (Courts)	3.16	3	1.18
CFI6	Tax rates	3.37	3	1.19
CFI7	Frequent changes in legislation and tax administration procedures	3.26	3	1.31
CFI8	Political instability	3.42	3	1.27
CII1	Corruption	3.76	4	1.38
CII2	Crime, theft and disorder	3.61	4	1.35
CII3	Unfair competition	3.75	4	1.24
CII4	Relationship (unofficial) with local government	3.70	4	1.30
CEI1	Inflation	3.42	4	1.19
CEI2	Access to finance (availability and cost of loans)	3.27	3	1.17
CEI4	Access to electricity/electricity disruptions	3.18	3	1.15
CEI5	Access to skilled labor	3.42	3	1.04
CIB2	Inability to find new potential partner	3.13	3	1.23
CIB3	Difficulties in absorption/acquisition of new technologies/innovation	3.11	3	1.29
CIB4	Delay in fulfilling bank obligations	2.80	3	1.26
CIB5	Management of receivables/payables	3.12	3	1.20

Source: Own research

A4. Latent variables – differences across countries

Table 21. Testing whether latent variables differ across countries – ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
CA	Between Groups	4.821	2	2.411	2.417	.090
	Within Groups	646.179	648	.997		
	Total	651.000	650			
CEI	Between Groups	1.338	2	0.669	0.667	.514
	Within Groups	649.662	648	1.003		
	Total	651.000	650			
CFI	Between Groups	4.180	2	2.090	2.094	.124
	Within Groups	646.820	648	.998		
	Total	651.000	650			
CIB	Between Groups	.325	2	.206	.205	.814
	Within Groups	650.675	648	1.004		
	Total	651.000	650			
CII	Between Groups	3.963	2	1.981	1.984	.138
	Within Groups	647.037	648	.999		
	Total	651.000	650			
EKA	Between Groups	.317	2	.127	.127	.881
	Within Groups	650.683	648	1.004		
	Total	651.000	650			

Note: CA, competitive advantage; CFI, formal institutions, CII, informal institutions; CEI, economic institutions; CIB, internal resources; EKA, external knowledge acquisition. Source: own research. Output: SPSS 23

A5. Latent variables – normality test

Table 22. Normality test for the latent variables by countries, SPSS 23

	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
CA	.095	651	.000	.944	651	.000
CEI	.103	651	.000	.937	651	.000
CFI	.152	651	.000	.901	651	.000
CIB	.090	651	.000	.955	651	.000
CII	.182	651	.000	.844	651	.000
EKA	.129	651	.000	.908	651	.000

a. Lilliefors Significance Correction. Note: EKA, external knowledge acquisition; CA, competitive advantage; CFI, formal institutions, CII, informal institutions; CEI, economic institutions; CIB, internal resources. Source: Own research.

A4. Latent variables – visualization of the distribution

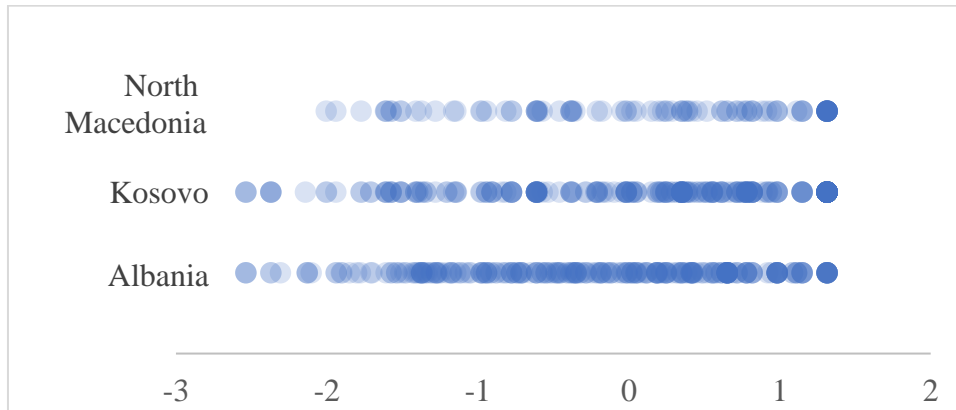


Figure 14. Illustration of the distribution of the competitive advantage (latent variable) by country

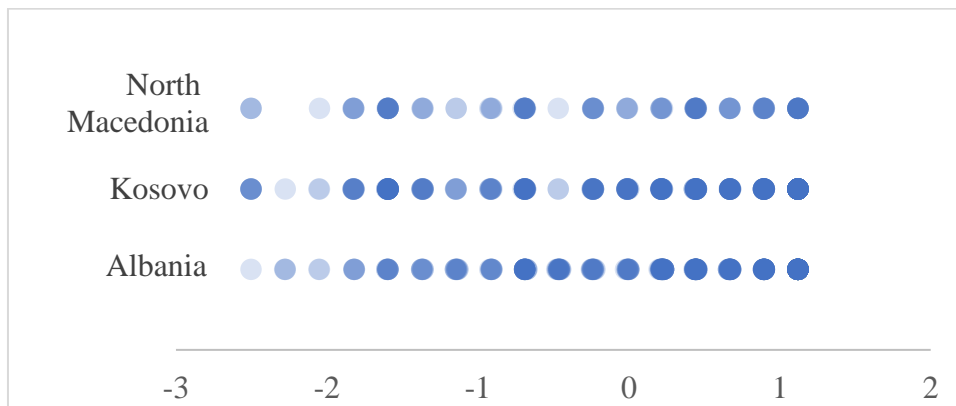


Figure 15. Illustration of the distribution of the formal institutional constraints (latent variable) by country

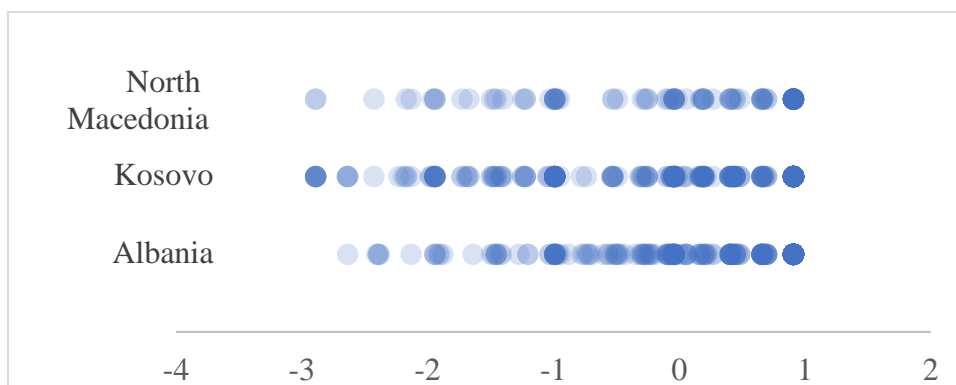


Figure 16. Illustration of the distribution of the informal institutional constraints (latent variable) by country

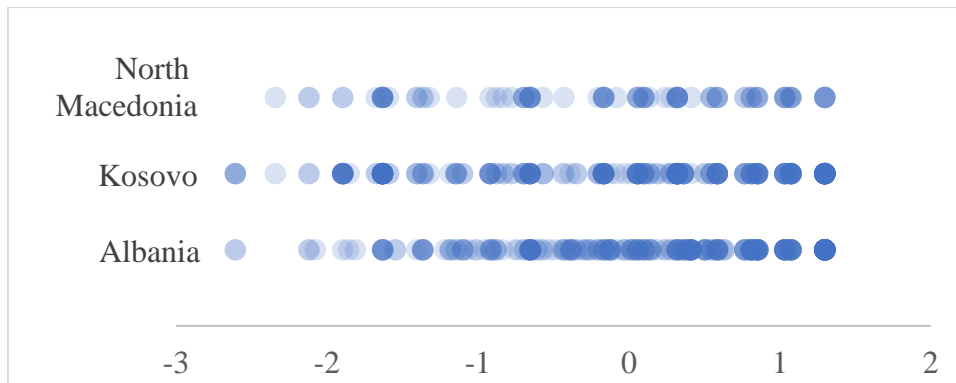


Figure 17. Illustration of the distribution of the economic institutional constraints (latent variable) by country

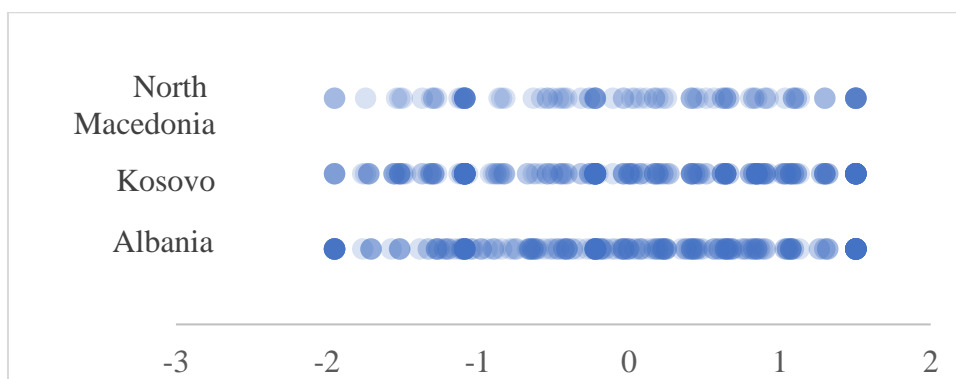


Figure 18. Illustration of the distribution of the internal resource constraints (latent variable) by country

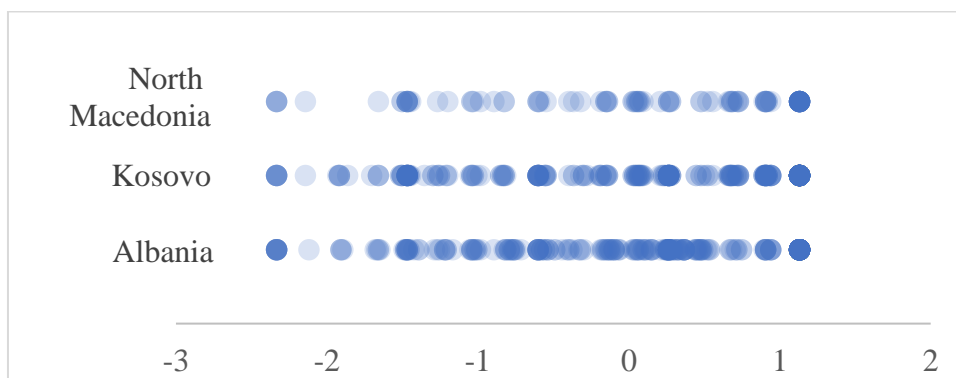


Figure 19. Illustration of the distribution of the external knowledge acquisition (latent variable) by country

A6. Change in competitive advantage

Question: *Has the overall firm's competitive advantage changed as the result of the pandemic?*

- Yes, it is worsened
- No change, it is the same position (pandemic has almost same impact for all competitors)
- Yes, it is better

Table 23. Change in competitive advantage by firm characteristics – Albania

Variable	Category	Competitive advantage			Total
		Worsened	No change	Better	
Business tenure	1 year or less	40.0%	50.0%	10.0%	30 100%
	2 to 5 years	45.6%	42.6%	11.8%	68 100%
	6 to 10 years	38.6%	50.0%	11.4%	44 100%
	10 to 20 years	52.0%	36.0%	12.0%	50 100%
	More than 20 years	50.0%	40.7%	9.3%	54 100%
Firm size	5 employees or less	50.3%	39.9%	9.8%	163 100%
	6 to 9 employees	47.4%	42.1%	10.5%	19 100%
	10 to 20 employees	44.8%	37.9%	17.2%	29 100%
	21 to 50 employees	33.3%	52.4%	14.3%	21 100%
	More than 50 employees	14.3%	78.6%	7.1%	14 100%
Main market	Local	51.8%	36.0%	12.3%	114 100%
	National	39.2%	51.5%	9.3%	97 100%
	International	45.7%	42.9%	11.4%	35 100%
Sector	Agriculture, forestry, & fishing	75.0%	25.0%	0.0%	4 100%
	Manufacturing	43.5%	50.0%	6.5%	46 100%
	Construction	33.3%	53.3%	13.3%	15 100%
	Wholesale and retail trade	45.9%	37.7%	16.4%	61 100%
	Transportation and storage	50.0%	25.0%	25.0%	4 100%
	Accommodation & food service activities	41.2%	35.3%	23.5%	17 100%
	Information & communication	62.5%	37.5%	0.0%	8 100%
	Professional activities	41.5%	51.2%	7.3%	41 100%
	Other	52.0%	40.0%	8.0%	50 100%
	Total		45.9%	43.1%	11.0%

Table 24. Change in competitive advantage by firm characteristics – Kosovo

Variable Category		Competitive advantage			Total
		Worsened	No change	Better	
Business tenure	1 year or less	64.3%	14.3%	21.4%	14 100%
	2 to 5 years	41.9%	14.9%	43.2%	74 100%
	6 to 10 years	54.8%	23.8%	21.4%	42 100%
	10 to 20 years	69.6%	21.7%	8.7%	46 100%
	More than 20 years	32.0%	52%	16.0%	25 100%
Firm size	5 employees or less	65.6%	23%	11.5%	61 100%
	6 to 9 employees	70.3%	16.2%	13.5%	37 100%
	10 to 20 employees	50.0%	27.8%	22.2%	36 100%
	21 to 50 employees	26.5%	18.4%	55.1%	49 100%
	More than 50 employees	33.3%	38.9%	27.8%	18 100%
Main market	Local	62.4%	22.6%	15.1%	93 100%
	National	53.3%	21.3%	25.3%	75 100%
	International	15.2%	27.3%	57.6%	33 100%
Sector	Agriculture, forestry, & fishing	40.9%	9.1%	50.0%	22 100%
	Manufacturing	46.4%	35.7%	17.9%	28 100%
	Construction	80.0%	6.7%	13.3%	15 100%
	Wholesale and retail trade	50.0%	35.4%	14.6%	48 100%
	Transportation and storage	35.7%	21.4%	42.9%	14 100%
	Accommodation & food service activities	58.8%	0%	41.2%	17 100%
	Information & communication	0.0%	0%	100.0%	4 100%
	Professional activities	35.0%	15%	50.0%	20 100%
	Other	69.7%	30.3%	0.0%	33 100%
	Total		51.2%	22.9%	25.9%

Table 25. Change in competitive advantage by firm characteristics – North Macedonia

Variable Category		Competitive advantage			Total
		Worsened	No change	Better	
Business tenure	1 year or less	62.5%	18.8%	18.8%	16 100%
	2 to 5 years	32.4%	44.1%	23.5%	34 100%
	6 to 10 years	69.0%	26.2%	4.8%	42 100%
	10 to 20 years	41.3%	54.3%	4.3%	46 100%
	More than 20 years	53.0%	40.9%	6.1%	66 100%
Firm size	5 employees or less	59.8%	33.0%	7.1%	112 100%
	6 to 9 employees	61.1%	27.8%	11.1%	18 100%
	10 to 20 employees	30.8%	57.7%	11.5%	26 100%
	21 to 50 employees	31.0%	51.7%	17.2%	29 100%

	More than 50 employees	47.4%	47.4%	5.3%	19	100%
Main market	Local	64.3%	30.4%	5.2%	115	100%
	National	32.3%	52.3%	15.4%	65	100%
	International	37.5%	50.0%	12.5%	24	100%
Sector	Agriculture, forestry, & fishing	50.0%	50.0%	0.0%	2	100%
	Manufacturing	36.1%	50.0%	13.9%	36	100%
	Construction	48.0%	40.0%	12.0%	25	100%
	Wholesale and retail trade	40.5%	57.1%	2.4%	42	100%
	Transportation and storage	100.0%	0.0%	0.0%	8	100%
	Accommodation & food service activities	47.1%	41.2%	11.8%	17	100%
	Information & communication	50.0%	50.0%	0.0%	4	100%
	Professional activities	73.7%	21.1%	5.3%	19	100%
	Other	56.9%	29.4%	13.7%	51	100%
		Total	51.0%	39.7%	9.3%	204

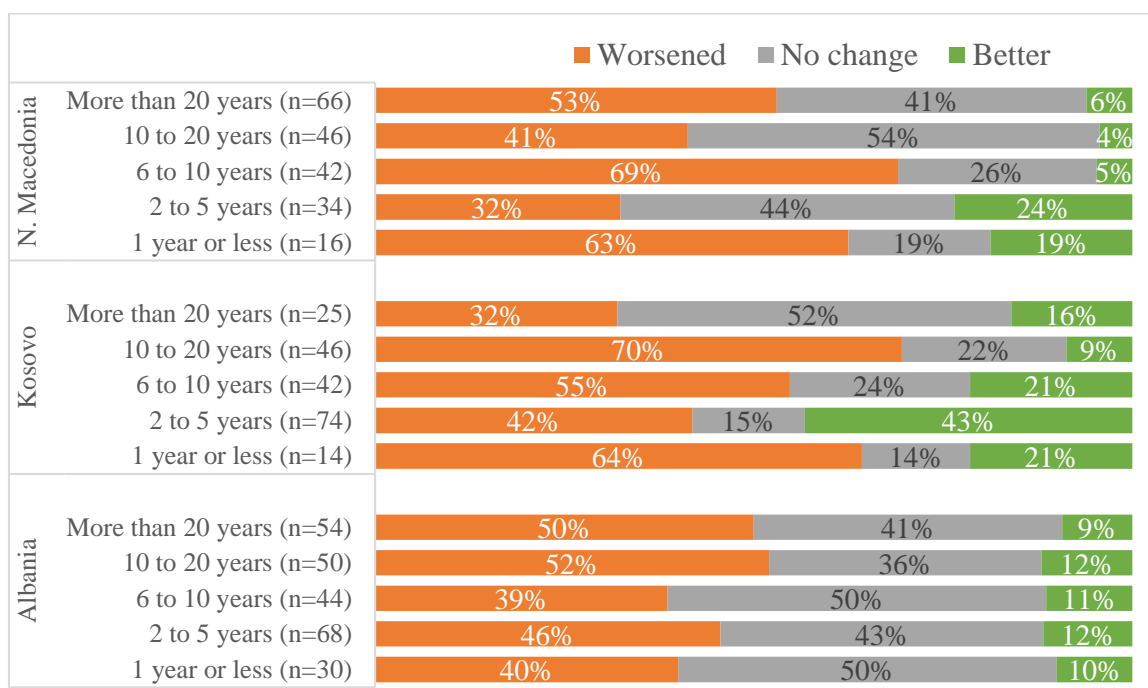


Figure 20. Change in the competitive advantage by business tenure

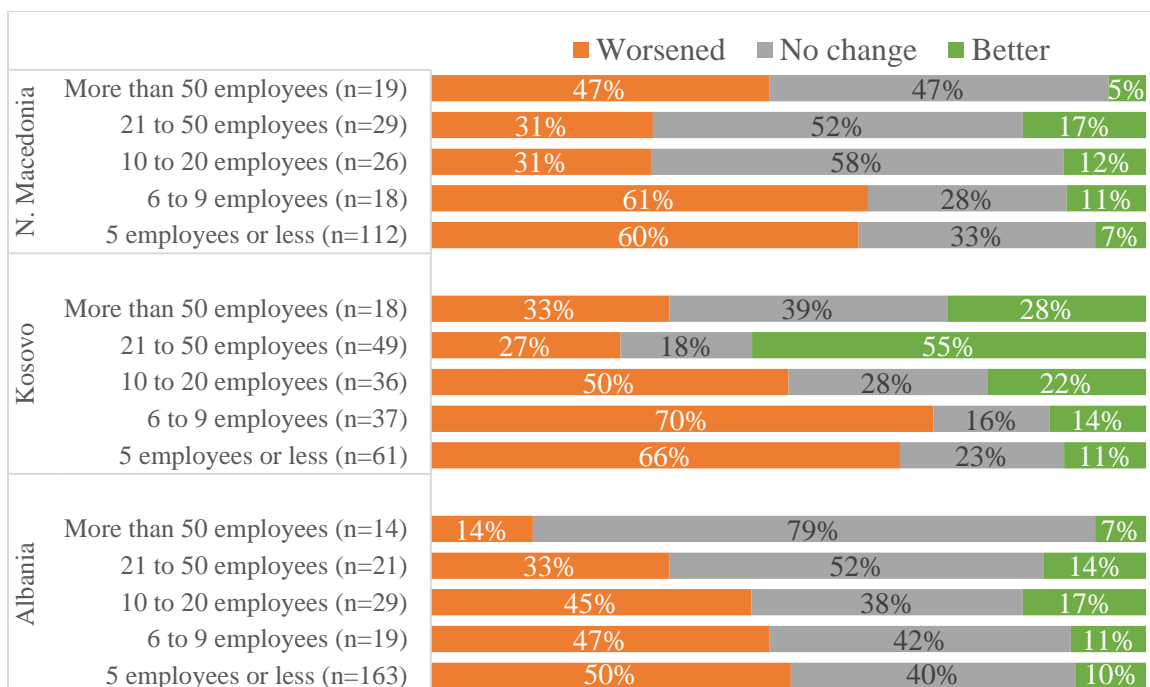


Figure 21. Change in the competitive advantage by business size

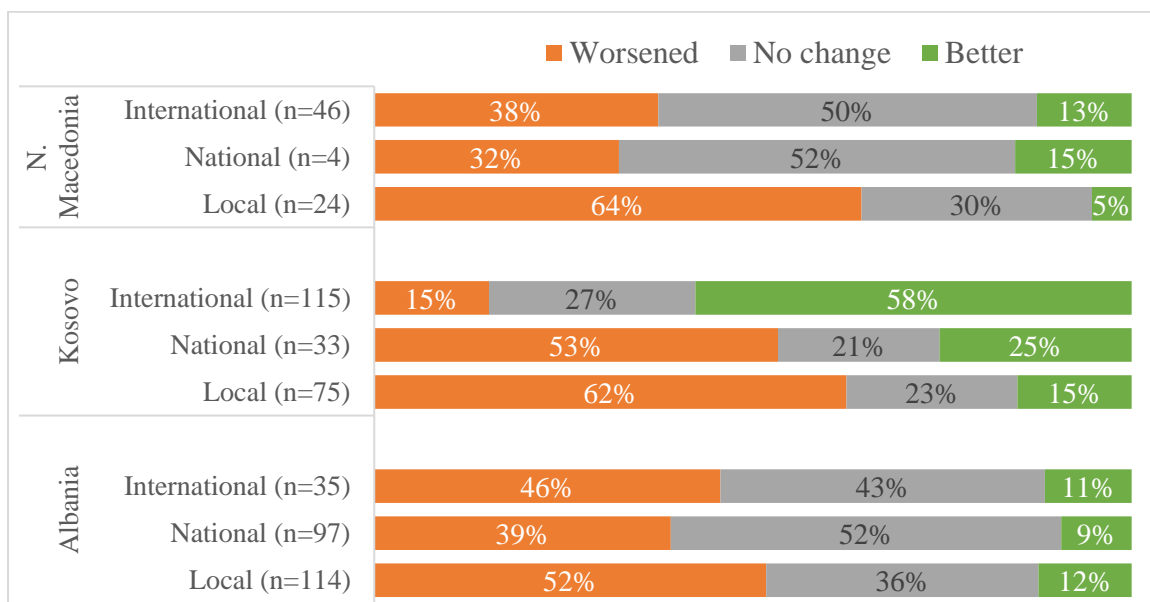


Figure 22. Change in the competitive advantage by main market

A7. Future business environment

Question: *While taking in account the conditions of doing business, how would you evaluate the future business environment?*

[1=Not favorable] — [2] — [3] — [4] — [5=Favorable]

Table 26. *Future business environment by firm characteristics – three countries*

Variable	Category	Albania	Kosovo	North Macedonia
Business tenure	1 year or less	3.23	4.86	4.31
	2 to 5 years	2.91	4.31	3.47
	6 to 10 years	2.91	4.38	3.36
	10 to 20 years	2.74	3.98	3.54
	More than 20 years	2.81	4.04	3.68
Firm size	5 employees or less	2.88	4.03	3.60
	6 to 9 employees	2.84	4.19	3.39
	10 to 20 employees	2.79	4.22	3.54
	21 to 50 employees	2.95	4.61	4.38
	More than 50 employees	3.29	4.22	2.68
Main market	Local	2.82	4.29	3.57
	National	3.08	4.07	3.82
	International	2.63	4.58	3.13
Sector	Agriculture, forestry, & fishing	2.50	4.59	5.00
	Manufacturing	3.04	4.46	3.86
	Construction	3.33	3.80	3.96
	Wholesale & retail trade	2.67	4.40	3.24
	Transportation & storage	2.50	4.36	4.13
	Accommodation & food service activities	3.00	4.29	2.82
	Information & communication	2.88	5.00	1.50
	Professional activities	3.32	4.25	3.47
	Other	2.58	3.70	3.86
	Total		2.89	4.25

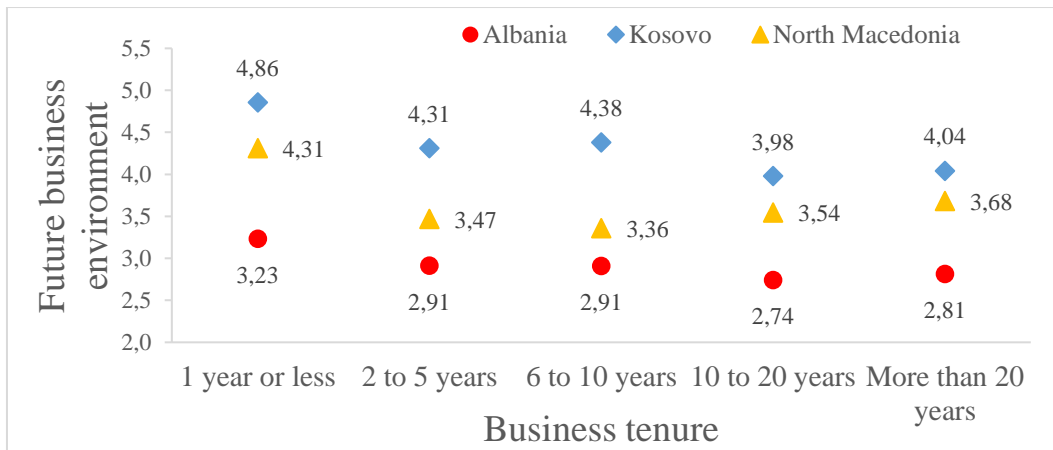


Figure 23. Future business environment by business tenure

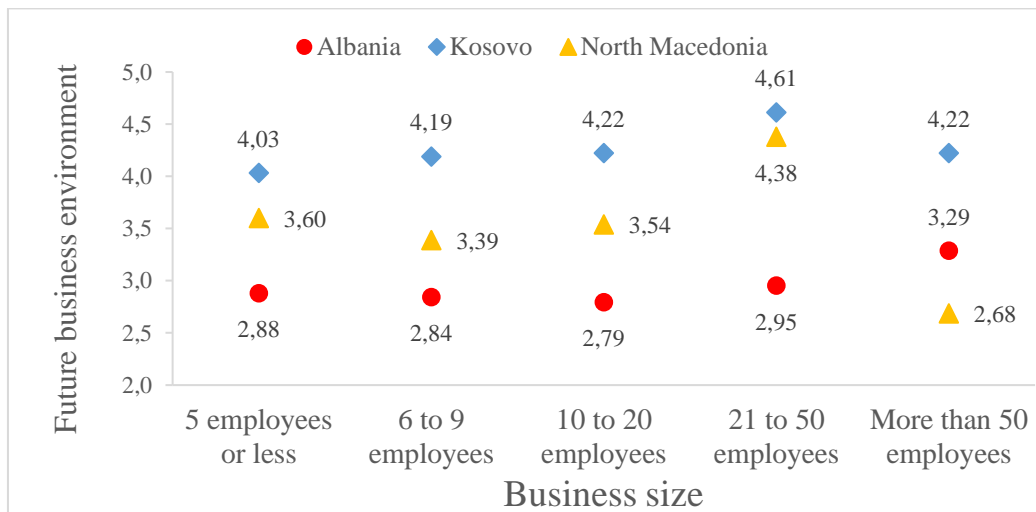


Figure 24. Future business environment by business size

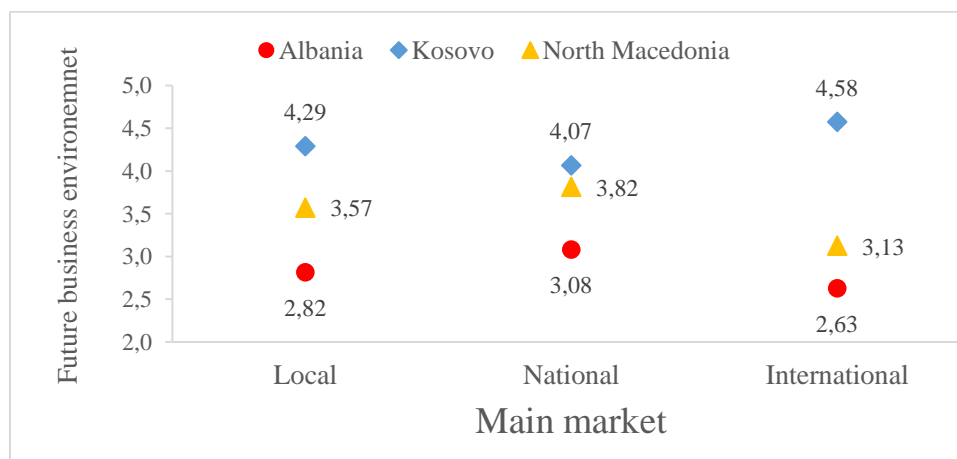


Figure 25. Future business environment by main market

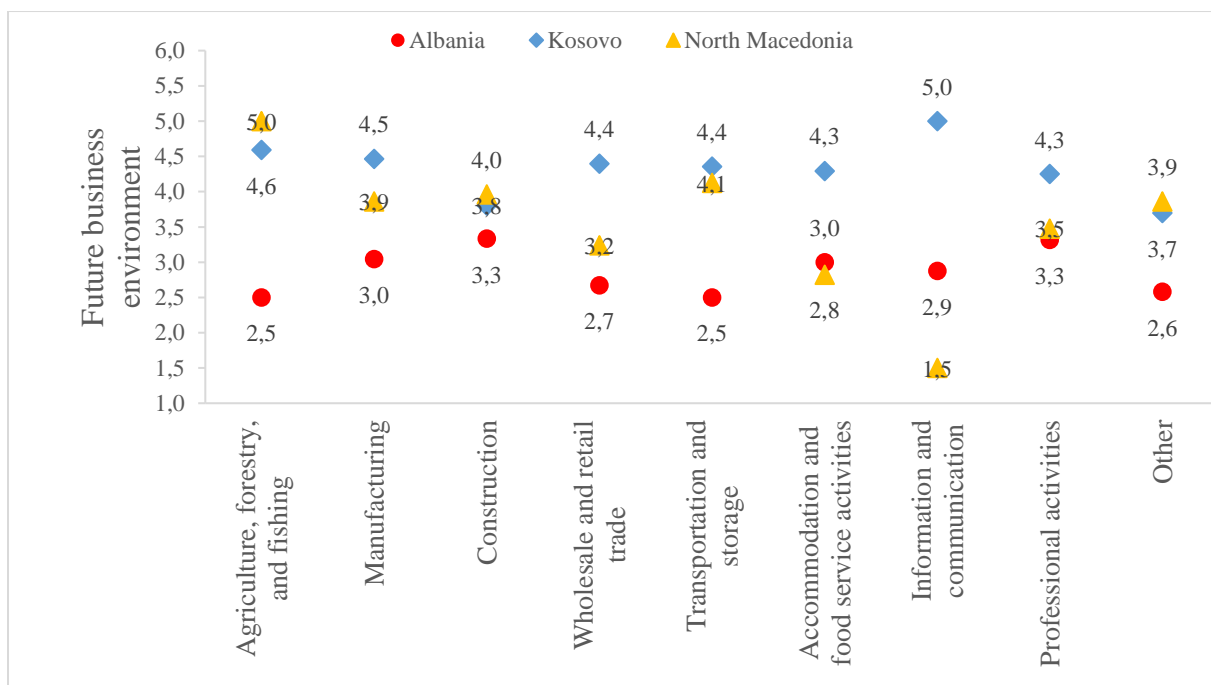


Figure 26. Future business environment by main business activity

A8. Future business environment & change in competitive advantage

Question: While taking in account the conditions of doing business, how would you evaluate the future business environment?

[1=Not favorable] — [2] — [3] — [4] — [5=Favorable]

Table 27. Future business environment and change in competitive advantage by country

Change in competitive advantage*	Future business environment					
	Albania		Kosovo		North Macedonia	
	N	Mean	N	Mean	N	Mean
Yes, it is worsened	113	2.39	103	4.06	104	3.29
No change**	106	3.20	46	4.15	81	3.81
Yes, it is better	27	3.81	52	4.73	19	4.37
Total	246	2.89	201	4.25	204	3.60

* Has the overall firm's competitive advantage changed as the result of the pandemic?

** No change, it is the same position (pandemic has almost same impact for all competitors)

Source: Own research

A9. Business plan while taking in account business conditions

Question: *While taking in account the conditions of doing business, do you plan to:*

- Close the business
- Reduce business activity
- Change the business sector
- Keep doing business as usually
- Investing in business/expanding activity

Table 28. *Business plan while taking in account business conditions by country*

Business plan	Albania		Kosovo		North Macedonia	
	n	%	n	%	n	%
Close the business	14	6%	7	3%	7	3%
Reduce business activity	50	20%	35	17%	28	14%
Change the business sector	108	44%	67	33%	102	50%
Keep doing business as usually	74	30%	92	46%	67	33%
Investing in business/ expanding activity	0	0%	0	0%	0	0%
Total	246	100%	201	100%	204	100%

Source: Own research

A10. Multicollinearity test

Table 29. *Multicollinearity: inner VIF values*

Variable	VIF value
CFI	2.299
CII	2.250
CEI	2.306
CIB	1.788
EKA	1.516
CII x CFI	2.242
CEI x CFI	1.936
Business size	1.151
Business tenure	1.334
Manufacturing	1.030
National market	1.032
Experience	1.351
Gender	1.110

Source: Own research

A11. The research model in SmartPLS 3.0

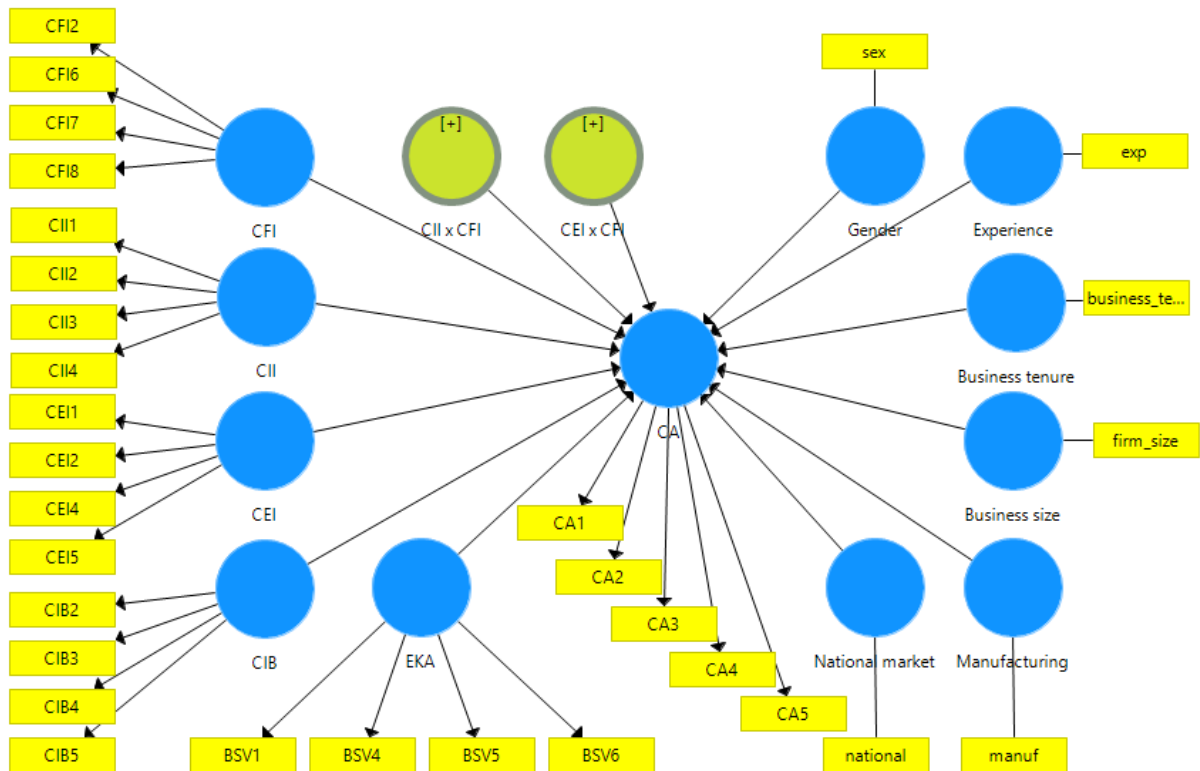


Figure 27. Research model visualization in SmartPLS 3.0

A12. Full collinearity test in SmartPLS 3.0

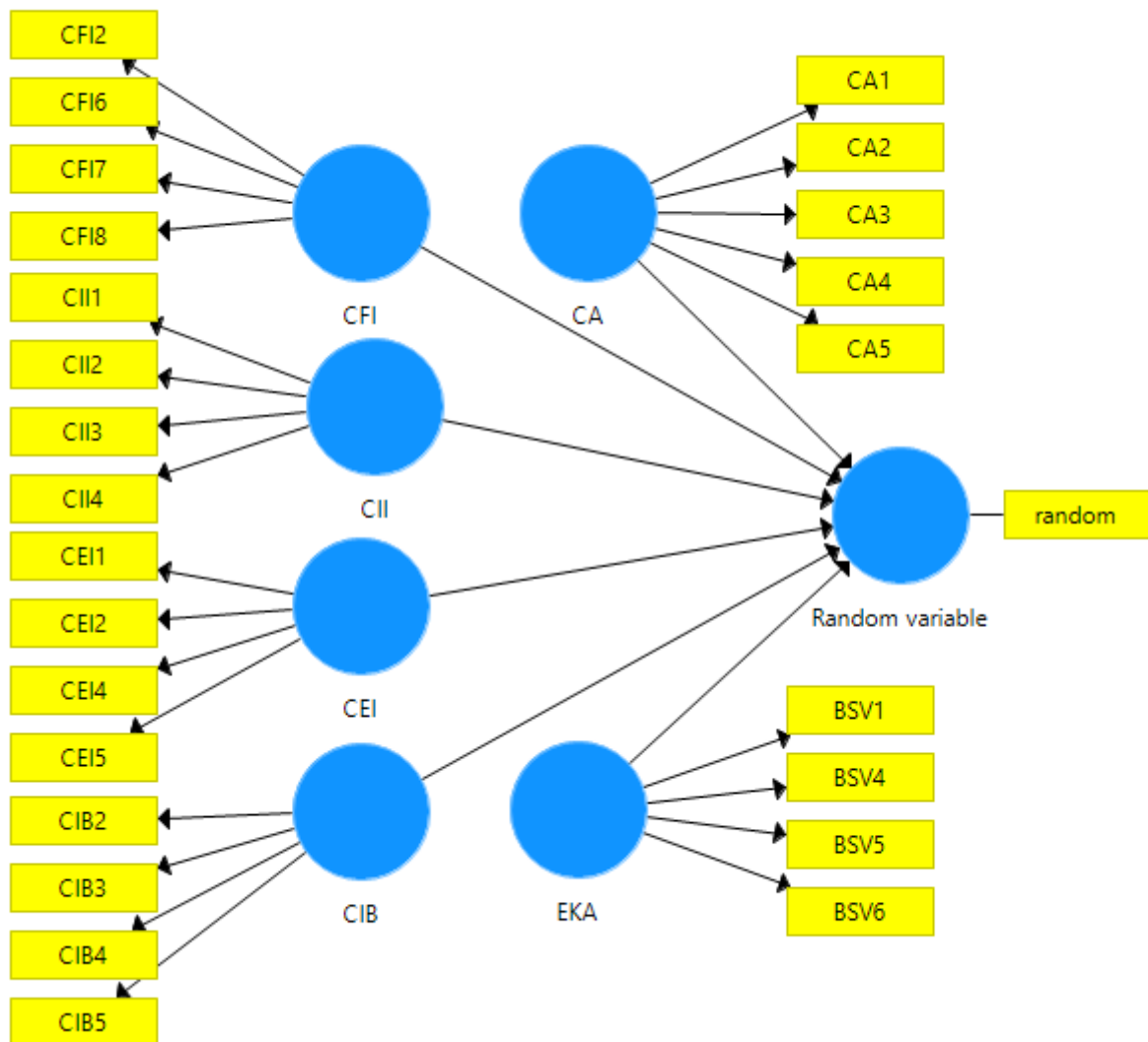


Figure 28. Visualization of the full collinearity test in SmartPLS 3.0

Gentjan Çera

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