Evaluating Entrepreneurship Thorough The Lens of Institutional Quality and Social Capital Theory

Prof. Dr. Ermira QOSJA

Vice Rector for Development and Students, Lecturer at Faculty of Economy Business and Development, Management and Marketing Department, UET.
European University of Tirana
ermira.qosja@uet.edu.al

MSc. Ina KEÇI

Assistant Lecturer at Faculty of Economy Business and Development, Management and Marketing Department, UET
European University of Tirana
ina.keci@uet.edu.al

Abstract

This paper investigates how the structural domain of social capital and institutional quality explains the current and expected entrepreneurial behavior. Based on the literature of social capital and institutional theory this article aims to examine the strength of the relationship between the degree of trust, norms, networks, and associations within a society with governance quality. By using a quantitative methodology, the data collected through the Global Competitiveness Index for 72 businesses in Albania are processed by conducting descriptive statistics and correlation analysis. The study intention is to explain the impact of perceived assessment for country institutions at entrepreneurial action in order to create a social relationship in society based on trust, norms, and networks. The results showed the significance of perceived trust and quality at public and private institutions as important predictors of entrepreneurship behaviors toward market or network orientations.

__Keywords__: Trust, Entrepreneurship, Networks, Social capital, Institutional Quality

Introduction

This paper emphasizes the important role of positive social capital as described by the literature in solving and reducing both market and government failures. By explaining the effect of positive social capital build by governments is possible to explain then better ways by which institutions perform to support entrepreneurship. The contribution of this empiric study is the attempt to describe and analyze the relationship between perceived institutional quality and the social capital forms in Albania.

The study begins first through the introduction of institutional theory by emphasizing the importance of institutional quality in promoting and supplying entrepreneurship in an economy and also the introduction of social capital theory by emphasizing the forms of entrepreneurial networks and interconnections in order to facilitate entrepreneurial activity. In the next section is discussed the literature which describes the kind of relationships between social capital and institutions, the aim of discussion is to understand the context of this interaction in Albanian businesses studied in this paper.

Regarding social capital theory this study will focus mainly on the different dimensions of social capital trying to target entrepreneurial behavior if it is network oriented or market oriented. Then, based on the results of perceived institutional quality will be explained the effects and relationships between institutional quality and entrepreneurial orientation toward market or networks in the Albanian context.

The logic to study the link between social capital dimensions and perceived institutional character refers to the necessary awareness of social capital existence for policy makers to interpret the impact on entrepreneurial framework. The methodological tool used to measure institutional quality is referred to the first pillar of Global Competitiveness Index, an instrument developed by World Economic Forum since 2004 and used to rank countries according to their competitiveness based on one single index which integrates the macroeconomic and microeconomic aspects. While to measure social capital this study will refer to only one dimension of it, specifically the structural domain in order to understand the reasons behind entrepreneurial orientation toward market or networks. At the final section the study well refer to the importance of awareness for policymakers and researchers regarding the active consideration of social capital as a decisive economic force in promoting positive entrepreneurial environment. The final section encompasses some concluding remarks.

Study objective and Research Question

This exploratory study introduces and analysis the components of the social environment, as network forms, norms and trust, which correspond to the attributes

of social capital, and the overall institutional environment as important aspects of positive entrepreneurship encouragement. This study objective is to investigate the perceived institutional quality as a determinant factor of entrepreneur's strategy toward institutions. The research question which links three main components of entrepreneurial climate (social capital, businesses and institutions) is: Which are the possible strategies to be chosen by entrepreneurs in relation to the country's institutions based on their perception for institutional quality.

Literature review

The concept of social capital basically advocates the idea that social connections, norms, values and trust interact in function of facilitating the coordination and collaboration between individuals and groups in society. The main authors which introduced the social capital theory are Coleman (1990) and Putnam (1993, 1995). They underlined the notion of social capital in terms of its effects on economic activity and economic development. Through the social capital theory approach the common view of the authors was the creation of social networks based on the cooperation and reciprocity norms several individuals have with each other relying on trust with one-other.

Putnam (1993) has defined social capital as characteristics of social organization like trust, norms and networks which improve the efficiency of society by facilitating the coordinated actions. By the other side Lin (2001) offers an individualistic view by describing social capital in terms of social structures to which are attached several resources and those social structures are accessed and/or mobilized in purposive actions. Some of the well-known scholars of social capital like Coleman (1990) and Putnam (1993) have defined social capital in terms of trust and as access or membership in different forms of networks, also as mutual norms.

The concept of networks it refers to ties which link individuals between each other and through individuals they also create links between firms. These links facilitate, support and advance the exchange of information, also help searching information with lower costs. Trust can be explained as confidence in the reliability of others. The trust that people have in other people in general can be referred to as generalized or general trust. Knack and Keefer (1997) explain that in the case of high trust, people tend to follow the civic norms in their actions because the expectations that others will reciprocate are high. Fukuyama (1995) emphasizes that mutual trust at social networks provides the reduction of transactions costs. In the same logic Putnam (2000) explains that the difference between generalized reciprocity and trust absence at social networks is similar with the difference between money and barter. Kim and Aldrich (2005) explain the importance

of social capital based on the advantages of wider social relations in which the majority of individuals have embedded their ties. The basic logic is that when people are connected with the others, as they share the same values, this will make them able to benefit and profit more than when they acted alone.

Social capital represents a multidimensional concept. Researchers have described three forms of social capital bonding, bridging and linking. Bonding and bridging are described by Gitell and Vidal (1998) and Putnam (2000), the third dimension linking was described by Woolcock (1998, 2001). Bonding social capital refers to internal ties of a social group and are stronger and common in denser networks, bridging social capital refers to external ties and are weaker and common in larger networks, while linking social capital links citizens to formal institutions enabling them to access institutional resources. According to Granovetter (2005) the consequences of too much bonding are related with restraining innovation and adaption, creates monopolies, collusion and cartels. While bridging which leads to larger networks is better than bonding for sharing information in denser networks with a high degree of overlapping information.

Lumplin and Dess (1996) argue that entrepreneurial oriented companies try to realize their organizational visions and objectives independently, but they can't succeed because without all the necessary resources their strategies will tent to fail. Under these conditions is evidenced the social capital role with his positive effects by supplying the network with different and considerable resources. While the process is reciprocal, for the reason that entrepreneurial oriented companies can also have valuable influence on social capital.

Rothstein and Stolle (2008) in their study approach the role of state as a source of social capital, arguing that the mechanism of relationship between institutions and social capital is the creation of generalized trust. Authors explain that when the administrative system is characterized by bias (favoritism), unfairness and corruption all this causes low levels of social capital, this referring social capital as generalized trust. Institutions and social capital as represented from norms and values interact in order to treat the necessary trade-off-s and balances between freedom and competition on the one hand and regulation and predictability on the other.

Based on the logic that institutions replace and complement social capital Aoki (2007) argues that institutions affect the current social capital and co-evolve with it in positive and negative ways. Trust and good institutions reinforce each other. North (2003) explains that the main components of institutions which contribute to the definition of economic performance are a set of formal rules, informal rules (like norms), also conformity and implementation mechanisms. Referring to the definition of institutions as a set of informal rules (norms), it can be concluded that social capital is usually linked with institutions thorough the concept of informal

institutions. Ahlerup et al. (2009) in their study have reviewed the impact of institutions and social capital (represented by interpersonal trust) on economic growth, they describe that strong institutions causes a decrease in the marginal effect of social capital. The role of social capital in the form of trust as a promoter of economic growth was also emphasized by Zak and Knack (2001).

One of the most important contributions to explain the link between institutions and strategies is the study of Peng (2003) by proposing a two-phase model. Each one of the stages and related strategies are described by the author in terms of the institutional development level and in terms of benefits and costs. In previous studies Peng and Heath (1996) emphasize that when institutions are during an early stage in transition and the formal rules which support the market systems are not well established, firms will choice the strategy which is network centered or network oriented in other words, relying on strong personal ties. The authors explain that later, when formal rules more matured take place, network strategy's cost may gradually outweigh their benefits while the benefits of market oriented strategies gradually exceed their costs. For these reasons firms' strategic choices will be market oriented (Peng, Lee and Wang 2005).

Methodology

This study has a quantitative methodology, by following a deductive logic. The deductive logic begins with existing theories and concepts and formulates hypotheses that are testable later. To answer the research question this study is based on quantitative methods of data collection and processing. As an empirical study the paper collects numeric data which then are converted into statistically interpretable data. The research focus is to explore the relationship between company´s behavior with regard to perceived institutional quality. In the role of independent behavior is the perceived institutional quality while the dependent variable is the strategy (company behavior) which can be relationship (network) based or marked based.

The method used to collect data for this study is a survey questionnaire, which is composed by two sections. The first section uses questions from Executive Opinion Survey (WEF, 2016-2017) referring only to the part that includes the first dimension of Global Competitiveness Index developed by WEF since 2004, the second part it refers to dimensions of social capital bonding and bridging in order to identify the entrepreneurs strategy related with institutions according their perceptions for institutional quality. The last part of the study survey refers to demographic for the study sample: participant's gender, education and business location. The total study sample is 70 participants.

The reason why this study relies on GCI index is the fact that it one of the most distinguished indicators that evaluates the countries competitions at national levels, is an index that encompasses a wide range of dimensions and is published every year by WEF. Institutions the first dimension of this general index, which is the first part of the questionnaire construction, it refers to the legal and administrative framework within agents of society interact between each other and the quality of this framework has a very important influence on competitiveness, growth and sustainable development of an economy.

In the following table are represented the detailed data related with sample composition and its demographic characteristics.

FIGURE 1 Demographic characteristics of the study sample

Gender	Fre-quency	Valid Percent	Education								
Valid			High School	Valid Percent	University	Valid Percent	Master degree	Valid Percent	Ph.D.	Valid Percent
Female	24	35.3	4	16.7	4	16.7	14	58.3	2	8,3
Male	44	64.7	8	18.2	9	20,4	27	61,4	0	
Missing	2									
Total	70	100%	14	20%	13	18,5%	41	58,5%	2	3%

Source authors

The dependent variable of the study is social capital which is represented by two components studied in this paper bonding and bridging. The determinant variables are a set of 7composed dimensions each of them detailed in components. All the composed variables are categorized in two groups: the first developed in order to evaluate the quality of public institutions, and the second developed for the assessment of the quality of private institutions.

The methodological model used in this study is configured like the figure below:

FIGURE 2 Methodological model
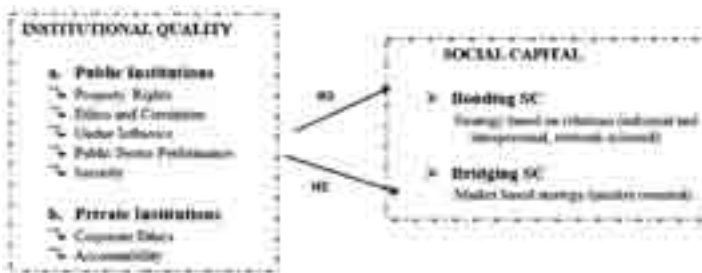
Source authors

The table below describes the detailed indicators and variables and the questions related with each one detailed variable.

FIGURE 3 Study Indicators, Source: For the perceived institutional quality GCI Report (World Economic Forum) 2016-2017, for social capital components according to literature Peng (2003).

Perceived Institutional Quality	
General Group of Indicator	Questions
A. Public Institutions Quality Indicators	
1.Property rights	Q01, Q02
2.Ethics and corruption	Q03, Q04, Q05, Q06, Q07, Q08
3.Undue influence	Q09, Q10
4.Public sector performance	Q12, Q13, Q14, Q15
5.Security	Q16, Q17, Q18, Q19
B. Private Institutions Quality Indicator	
1.Corporate ethic	Q20
2.Accountability	Q21, Q22, Q23
Social Capital Components	
A. Bonding	Q24
B. Bridging	Q25

There are 28 questions in total and all the collected data are in the form of attitudes that are held to the respective proposition, and each participant in the study chooses his/her attitude in a range of seven Likert scale. Likert scale is a 5- or 7-point ordinal scale used by respondents to rate the degree to which they agree or disagree with a statement. Based on the fact that an attitude can be described in preferential ways of behaving and reacting in specific circumstances around an object, a subject or a concept acquired through social interactions, Likert scales are created in order to quantify the subjective preferential thinking, feeling and action in a validated and reliable manner (Schwarz et.al.,2001). The statistical procedure used to analyze the collected data it refers to correlations statistics between the independent and dependent variables. The statistical results are provided by SPSS. The rule in evaluating the total institutional quality perceived is that every dimension is equally important and affects the performance of the other dimensions. In attempt to answer the research question: Which are the entrepreneurial strategies toward institutions related with their perceptions for institutional quality, the study hypothesis to be investigated are:

H_0: Entrepreneurs by perceiving a positive institutional quality are market oriented.
H_1: Entrepreneurs by perceiving a negative institutional quality are network oriented.

Based on the literature it is expected entrepreneurs to be network oriented (create bonding sc-contact with people like oneself) when they do not trust in institutions that will be similar with having negative perceptions related with country institutions quality. By the other side it is expected entrepreneurs to be market oriented when they trust in institutions that will be similar with having positive perceptions related with country institutions quality. In the following sections will be presented the reliability analysis and correlation statistics in order to control the study hypothesis. Detailed information related with study questionnaire, reliability analysis and Nonparametric Correlations are in the last section appendix.

Results

Before examining the percentages of descriptive in order to control the study hypothesis, the reliability analysis will be performed to evaluate the internal validity and to see if all variables will need to be included in the subsequent analysis. Cronbach's alpha is the most common measure of internal consistency ("reliability"). It is most commonly used when there are multiple Likert questions in a survey that form a scale and it is necessary to determine if the scale is reliable.

Reliability

FIGURE 4 Reliability

Case Processing Summary			
		N	%
Cases	Valid	66	91.7
	Excluded	6	8.3
	Total	72	100.0
a. Listwise deletion based on all variables in the procedure.			

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.836	.855	25

The first table to be discussed is the Reliability Statistics table. This table gives the results for the Cronbach's alpha coefficient. This study analysis is looking for

a score of over .7 for high internal consistency. In this case, α = .836, which shows the questionnaire is reliable.

The next step of analysis is considering the correlations between the dependent and independent variables of the study. For each one of the dimensions of institutional quality it is necessary to consider the correlation with firm's choice strategy which can be market oriented or network oriented. But firstly is necessary to consider the perceptions of entrepreneurs regarding institutional quality in the country. Then according the positive or negative perceptions it will be considered then how this perceptions influence the firm's choice strategy in order to control the study hypothesis and answer the research question.

By analyzing frequency as descriptive statistics for each of the items which are components of institutional quality and based on the rule that the total institutional quality perceived is that every dimension is equally important and affects the performance of the other dimensions it can be distinguished that the overall perception of entrepreneurs for the institutional quality in public institutions is negative, while regarding to the private institutions, the entrepreneurs seem to have a neutral perception and uncertainty.

Considering the descriptive data from the statistical program related with entrepreneurial strategy orientation toward institutions it can be distinguished in general mainly neutral attitudes and with a little percent of the results related with network oriented strategy.

Strategy based on relations (informal and interpersonal)					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not at all	18	25.0	25.4	25.4
	To a small extent	12	16.7	16.9	42.3
	To some extent	10	13.9	14.1	56.3
	Neutral	15	20.8	21.1	77.5
	To a moderate extent	7	9.7	9.9	87.3
	To a great extent	5	6.9	7.0	94.4
	To a very great extent	4	5.6	5.6	100.0
	Total	71	98.6	100.0	
Missing	999.00	1	1.4		
Total		72	100.0		

It can be noticed than the most part of the participants 77.5% show attitudes mainly neutral to a small extent, to some extent or not at all related with relationship oriented strategy.

Strategy based on market						
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not at all	4	5.6	5.6	5.6
	To a small extent	2	2.8	2.8	8.3
	To some extent	10	13.9	13.9	22.2
	Neutral	13	18.1	18.1	40.3
	To a moderate extent	13	18.1	18.1	58.3
	To a great extent	14	19.4	19.4	77.8
	To a very great extent	16	22.2	22.2	100.0
	Total	72	100.0	100.0	

Mostly of the participants 59,7% in cumulative percent of the participants show attitudes that approve market oriented strategies to a moderate extent, to a great extent and to a very great extent. But this study focus is to consider the kind of relationship between each one of the strategies and the perceived institutional quality. In this framework will be analyzed the values of correlations between each one dimension of institutional quality and the alternative strategy.

As according the results are noticed negative perceptions related with country institutional quality so it is expected to be proven the second study hypothesis H2: Entrepreneurs by perceiving a negative institutional quality are network oriented. The statistical approach to explore this link between strategy and institutions are the correlations. When the study data are collected in Likert items it is more appropriate to analyze thorough non-parametric correlations. The detailed results of nonparametric correlations will be at the appendix section and in the following table will be presented only the significant correlations marked by the statistical program.

Figure 5 Summary Table of significant statistical correlations

	Q24 strategy based on relations	Q25 strategy based on network	
Q7	-.239*		Significant but week correlation
Q5		.329**	Significant but week correlation
Q20		.345**	Significant but week correlation
Q24	-.284*		Significant but week correlation

The correlations results show that no one of the hypotheses can be verified statistically for the sample included in this study. The next section, will present some explanation conclusions and implications.

Conclusions and Implications

The purpose of this study was to provide an assessment of the perceived efficiency of both public and private institutions of the country in the light of social dimension as an important economic force. Based on the fact that the legal and administrative interaction between individuals, firms and governments impacts growth and competitiveness, and also based on the fact that great and favorable private institutions have a considerable influence in the sustainable development of a country economy this topic's results represent a significant importance for policymakers.

Institutions the first dimension of GCI it refers to the legal and administrative framework within agents of society interact between each other and the quality of this framework has a very important influence on competitiveness, growth and sustainable development of an economy. The aim of this dimension of GCI index is to assess the ability of national economies to ensure and guarantee high levels of prosperity in order to offer sustainable economic development. As described and analyzed in the previous section, it results a low level of perceived institutional quality for the public institutions and also a low level of perceived institutional quality for private institutions, although for public institutions the comparative assessment is lower. Those attitudes and perceptions describe not a very favorable framework to be promotional for competitiveness and entrepreneurial incentives.

One of the study limitations is the number of participants included in the study, a larger number of participants would enable a more accurate overall outcome of the study population. Also the study model would be more completed and comprehensive, if it could be incorporated more elements of country competitiveness (other components of GCI) and some variables to measure the trust (as another important component of social capital) in order to explain in a wider and more convincing form strategies that entrepreneurs choose to react in their relationship with institutions. This study offered a specific view of only one of the GCI components and a more completed model for the main both study variables remains a starting point for another more extensive study.

The reported attitudes and perceptions related with institutional quality in general talk about an environment in which is needed more attempt in order to guarantee an environment that encourages entrepreneurship. One of the reasons why business have this kind of perceptions related with institutional quality of the country are explained by the levels of trust they have for the country institutions. This low level of trust it may be result of previous experiences related with the relationship between them and institutions and also may be result of the very slow improvement of the work of these institutions in guaranteeing the competitive environment and the promotion of entrepreneurship. Also it can be concluded

that the overall absence of trust makes possible that entrepreneurs do not create bonding or bridging relationships.

Finally, in another more extensive study it is necessary to include as independent variable the trust level of people in institutions in order to better explain the relationship between the forms of social capital and their strategy toward country institutions.

The new methodological framework would be as the following scheme:
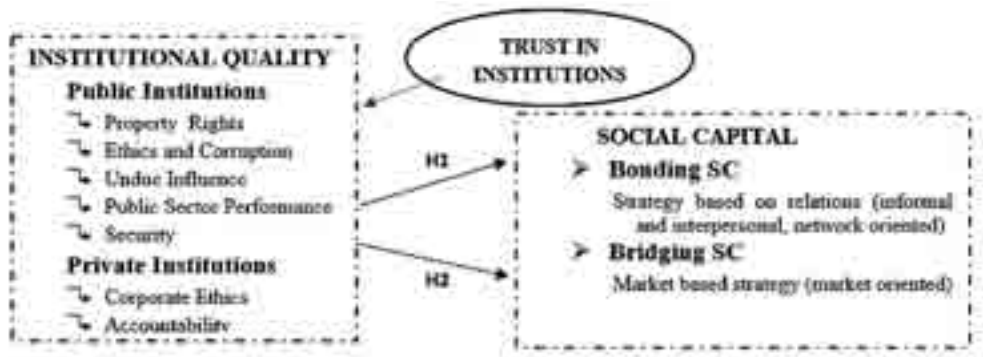
References

Ahlerup, P., Olsson, O., Yanagizawa, D., 2009. Social capital vs institutions in the growth process. European Journal of Political Economy 25 (1), 1–14.

Coleman J. (1990), Foundations of social theory, Cambridge MA: Belknap.

Fukuyama F. (1995), Trust: The social values and the creation of prosperity, New York: The Free Press.

G. T. Lumpkin, Gregory G. Dess (1996), Clarifying the Entrepreneurial Orientation Construct and Linking it to Performance, Academy of Management Review, Jg. 21 (1), S. 135-172

Gittell R and Vidal A (1998) Community Organizing: Building Social Capital as a Development Strategy. Thousand Oaks, CA: Sage.

Granovetter, M., 2005. The impact of social structure on economic outcomes. Journal of Economic Perspectives 19 (1), 33–50.

Knack S. & P. Keefer (1997), Does social capital have an economic payoff? Quarterly Journal of Economics 112:1251-1288.

Mike W. Peng (2003), Institutional Transitions and Strategic Choices, The Academy of Management Review Vol. 28, No. 2 (Apr., 2003), pp. 275-296

Masahiko Aoki. Endogenizing institutions and institutional changes. Journal of Institutional Economics, 3(1):1–31, 2007.

North DC (1992) Transaction costs, institutions, and economic performance. International Centre for Economic Growth, San Francisco, Occasional Paper No 30, p 33

North DC (2003) Markets. In: Mokyr J (ed) The Oxford encyclopedia of economic history. Oxford University Press (e-reference edition), Oxford

Organization for Economic Co-operation and Development (2007), OECD Insights: Human

Capital, "How what you know shapes your life", Chapter 6 "A Bigger Picture" (102-105), OECD Publishing Amazon.com

Putnam R. (1993b), The prosperous community. Social capital and public life., The American Prospect 4(13):35-42, (www.prospect.org/print/V4/13/putnam-r.thml)

Putnam R. (2000), Bowling alone: the collapse and revival of American community, Simon & Schuster.

Rothstein, Bo and Stolle, Dietlind. (2008), "The State and Social Capital: An Institutional Theory of Generalized Trust", Comparative Politics. 40, (441-459), 10.5129/001041508X 12911362383354

Klaus Schwab (2018), WEF, GCI Report for the year 2016 -2017,http://www3.weforum. org/docs/GCR20162017/05FullReport/TheGlobalCompetitivenessReport2016-2017_ FINAL.pdf

Woolcock M. & D. Narayan (2000), Social capital: implications for development theory,research and policy, The World Bank Research Observer, 15(2):225-249.

Woolcock M. (1998), Social capital and economic development, Theory and Society 27(2):151-208.

Zak, P.J., Knack, S., 2001. Trust and growth. Economic Journal 111, 295–32

APPENDICES

Frequencies

		Frequency	Percent	Valid Percent	Cumulative Percent
•	In your country, to what extent are property rights, including financial assets, protected?				
Valid	Not at all	13	18.1	18.1	18.1
	To a small extent	15	20.8	20.8	38.9
	To some extent	17	23.6	23.6	62.5
	Neutral	15	20.8	20.8	83.3
	To a moderate extent	8	11.1	11.1	94.4
	To a great extent	2	2.8	2.8	97.2
	To a very great extent	2	2.8	2.8	100.0
	Total	72	100.0	100.0	

		Frequency	Percent	Valid Percent	Cumulative Percent
•	In your country, to what extent are property rights, including financial assets, protected?				
Valid	Not at all	13	18.1	18.1	18.1
	To a small extent	15	20.8	20.8	38.9
	To some extent	17	23.6	23.6	62.5
	Neutral	15	20.8	20.8	83.3
	To a moderate extent	8	11.1	11.1	94.4
	To a great extent	2	2.8	2.8	97.2
	To a very great extent	2	2.8	2.8	100.0
	Total	72	100.0	100.0	

		Frequency	Percent	Valid Percent	Cumulative Percent
•	In your country, how do you rate the ethical standards of politicians?				
Valid	Extremely low	34	47.2	47.2	47.2
	Somewhat low	19	26.4	26.4	73.6
	Low	11	15.3	15.3	88.9
	Neutral	6	8.3	8.3	97.2
	Somewhat High	1	1.4	1.4	98.6
	High	1	1.4	1.4	100.0
	Total	72	100.0	100.0	

		Frequency	Percent	Valid Percent	Cumulative Percent
	In your country, how common is it for firms to make undocumented extra payments or bribes connected with public utilities?				
Valid	Very commonly occurs	28	38.9	38.9	38.9
	Usually occurs	16	22.2	22.2	61.1
	Occurs	12	16.7	16.7	77.8
	Neutral	9	12.5	12.5	90.3
	Almost doesn'toccur	3	4.2	4.2	94.4
	Does not occurs	3	4.2	4.2	98.6
	Never occurs	1	1.4	1.4	100.0
	Total	72	100.0	100.0	

		Frequency	Percent	Valid Percent	Cumulative Percent
	In your country, how common is it for firms to make undocumented extra payments or bribes connected with imports and exports?				
Valid	Very commonly occurs	27	37.5	37.5	37.5
	Usually occurs	10	13.9	13.9	51.4
	Occurs	14	19.4	19.4	70.8
	Neutral	13	18.1	18.1	88.9
	Almost doesn'toccur	6	8.3	8.3	97.2
	Does not occurs	1	1.4	1.4	98.6
	Never occurs	1	1.4	1.4	100.0
	Total	72	100.0	100.0	

		Frequency	Percent	Valid Percent	Cumulative Percent
	In your country, how common is it for firms to make undocumented extra payments or bribes connected with public utilities?				
Valid	Very commonly occurs	28	38.9	38.9	38.9
	Usually occurs	16	22.2	22.2	61.1
	Occurs	12	16.7	16.7	77.8
	Neutral	9	12.5	12.5	90.3
	Almost doesn'toccur	3	4.2	4.2	94.4
	Does not occurs	3	4.2	4.2	98.6
	Never occurs	1	1.4	1.4	100.0
	Total	72	100.0	100.0	

		Frequency	Percent	Valid Percent	Cumulative Percent
	In your country, how common is it for firms to make undocumented extra payments or bribes connected with annual tax payments?				
Valid	Very commonly occurs	14	19.4	19.4	19.4
	Usually occurs	11	15.3	15.3	34.7
	Occurs	15	20.8	20.8	55.6
	Neutral	11	15.3	15.3	70.8
	Almost doesn'toccur	9	12.5	12.5	83.3
	Does not occurs	10	13.9	13.9	97.2
	Never occurs	2	2.8	2.8	100.0
	Total	72	100.0	100.0	

		Frequency	Percent	Valid Percent	Cumulative Percent
	In your country, how common is it for firms to make undocumented extra payments or bribes connected with public contracts and licenses?				
Valid	Very commonly occurs	24	33.3	33.8	33.8
	Usually occurs	14	19.4	19.7	53.5
	Occurs	13	18.1	18.3	71.8
	Neutral	6	8.3	8.5	80.3
	Almost doesn'toccur	11	15.3	15.5	95.8
	Does not occurs	2	2.8	2.8	98.6
	Never occurs	1	1.4	1.4	100.0
	Total	71	98.6	100.0	
Missing	999.00	1	1.4		
Total		72	100.0		

		Frequency	Percent	Valid Percent	Cumulative Percent
	In your country, how common is it for firms to make undocumented extra payments or bribes connected with obtaining favorable judicial decisions?				
Valid	Very commonly occurs	24	33.3	33.3	33.3
	Usually occurs	25	34.7	34.7	68.1
	Occurs	7	9.7	9.7	77.8
	Neutral	3	4.2	4.2	81.9
	Almost doesn'toccur	4	5.6	5.6	87.5
	Does not occurs	9	12.5	12.5	100.0
	Total	72	100.0	100.0	

		Frequency	Percent	Valid Percent	Cumulative Percent
— In your country, how independent is the judicial system from influences of the government, individuals, or companies?					
Valid	Not independent at all	18	25.0	25.4	25.4
	Not independent	22	30.6	31.0	56.3
	Dependent	15	20.8	21.1	77.5
	Neutral	10	13.9	14.1	91.5
	Somewhat Independent	5	6.9	7.0	98.6
	Independent	1	1.4	1.4	100.0
	Total	71	98.6	100.0	
Missing	999.00	1	1.4		
Total		72	100.0		

- In your country, how efficiently does the government spend public revenue?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	To a very great extent no efficient	17	23.6	23.6	23.6
	To a great extent no efficient	25	34.7	34.7	58.3
	No efficient	18	25.0	25.0	83.3
	Neutral	12	16.7	16.7	100.0
	Total	72	100.0	100.0	

- In your country, how burdensome is it for companies to comply with public administration's requirements (e.g., permits, regulations, reporting)?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Extremely burdensome	23	31.9	31.9	31.9
	Burdensome	10	13.9	13.9	45.8
	Somewhat burdensome	11	15.3	15.3	61.1
	Neutral	11	15.3	15.3	76.4
	To some extent burdensome	4	5.6	5.6	81.9
	To a small extent burdensome	10	13.9	13.9	95.8
	Not burdensome at all	3	4.2	4.2	100.0
	Total	72	100.0	100.0	

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	To a very great extent no efficient	4	5.6	5.6	5.6
	To a great extent no efficient	16	22.2	22.5	28.2
	No efficient	17	23.6	23.9	52.1
	Neutral	20	27.8	28.2	80.3
	Efficient	8	11.1	11.3	91.5
	To a great extent efficient	5	6.9	7.0	98.6
	To a very great efficient	1	1.4	1.4	100.0
	Total	71	98.6	100.0	
Missing	999.00	1	1.4		
Total		72	100.0		

• In your country, how efficient are the legal and judicial systems for companies in settling disputes?

• In your country, how easy is it for private businesses to challenge government actions and/or regulations through the legal system?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Extremely difficult	14	19.4	19.4	19.4
	Difficult	15	20.8	20.8	40.3
	Somewhat difficult	16	22.2	22.2	62.5
	Neutral	17	23.6	23.6	86.1
	Somewhat easy	6	8.3	8.3	94.4
	Easy	2	2.8	2.8	97.2
	Extremely easy	2	2.8	2.8	100.0
	Total	72	100.0	100.0	

• In your country, how easy is it for companies to obtain information about changes in government policies and regulations affecting their activities?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Extremely difficult	8	11.1	11.1	11.1
	Difficult	10	13.9	13.9	25.0
	Somewhat difficult	15	20.8	20.8	45.8
	Neutral	19	26.4	26.4	72.2
	Somewhat easy	10	13.9	13.9	86.1
	Easy	7	9.7	9.7	95.8
	Extremely easy	3	4.2	4.2	100.0
	Total	72	100.0	100.0	

	In your country, to what extent does the threat of terrorism impose costs on businesses?				
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	To a very great extent imposes huge costs	5	6.9	6.9	6.9
	To a great extent imposeshuge costs	4	5.6	5.6	12.5
	To a moderate extent imposes huge costs	5	6.9	6.9	19.4
	Neutral	3	4.2	4.2	23.6
	To some extent imposes huge costs	7	9.7	9.7	33.3
	To a small extent imposes huge costs	21	29.2	29.2	62.5
	Not at all	27	37.5	37.5	100.0
	Total	72	100.0	100.0	

	In your country, to what extent does the incidence of crime and violence impose costs on businesses?				
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	To a very great extent imposes huge costs	7	9.7	9.7	9.7
	To a great extent imposes huge costs	12	16.7	16.7	26.4
	To a moderate extent imposes huge costs	9	12.5	12.5	38.9
	Neutral	14	19.4	19.4	58.3
	To some extent imposes huge costs	10	13.9	13.9	72.2
	To a small extent imposes huge costs	13	18.1	18.1	90.3
	Not at all	7	9.7	9.7	100.0
	Total	72	100.0	100.0	

	In your country, to what extent does organized crime (mafia-oriented racketeering, extortion) impose costs on businesses?				
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	To a very great extent imposes huge costs	7	9.7	9.7	9.7
	To a great extent imposes huge costs	19	26.4	26.4	36.1
	To a moderate extent imposes huge costs	11	15.3	15.3	51.4
	Neutral	14	19.4	19.4	70.8
	To some extent imposes huge costs	3	4.2	4.2	75.0
	To a small extent imposes huge costs	12	16.7	16.7	91.7
	Not at all	6	8.3	8.3	100.0
	Total	72	100.0	100.0	

In your country, to what extent can police services be relied upon to enforce law and order?		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not at all	3	4.2	4.2	4.2
	To a small extent	16	22.2	22.5	26.8
	To some extent	10	13.9	14.1	40.8
	Neutral	21	29.2	29.6	70.4
	To a moderate extent	9	12.5	12.7	83.1
	To a great extent	11	15.3	15.5	98.6
	To a very great extent	1	1.4	1.4	100.0
	Total	71	98.6	100.0	
Missing	999.00	1	1.4		
Total		72	100.0		

In your country, how do you rate the corporate ethics of companies (ethical behavior in interactions with public officials, politicians, and other firms)?		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Extremely poor	6	8.3	8.5	8.5
	Poor	5	6.9	7.0	15.5
	Fair	17	23.6	23.9	39.4
	Neutral	21	29.2	29.6	69.0
	Good	18	25.0	25.4	94.4
	Very good	4	5.6	5.6	100.0
	Total	71	98.6	100.0	
Missing	999.00	1	1.4		
Total		72	100.0		

In your country, how strong are financial auditing and reporting standards?		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Extremely weak	6	8.3	8.3	8.3
	Weak	7	9.7	9.7	18.1
	Somewhat week	15	20.8	20.8	38.9
	Neutral	23	31.9	31.9	70.8
	Somewhat strong	12	16.7	16.7	87.5
	Strong	9	12.5	12.5	100.0
	Total	72	100.0	100.0	

• In your country, to what extent is management accountable to investors and boards of directors?		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not at all	3	4.2	4.3	4.3
	To a small extent	6	8.3	8.6	12.9
	To some extent	8	11.1	11.4	24.3
	Neutral	19	26.4	27.1	51.4
	To a moderate extent	11	15.3	15.7	67.1
	To a great extent	16	22.2	22.9	90.0
	To a very great extent	7	9.7	10.0	100.0
	Total	70	97.2	100.0	
Missing	999.00	2	2.8		
Total		72	100.0		

• In your country, to what extent are the interests of minority shareholders protected by the legal system?		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not protected at all	2	2.8	2.8	2.8
	To a small extent protected	13	18.1	18.1	20.8
	To some extent protected	21	29.2	29.2	50.0
	Neutral	15	20.8	20.8	70.8
	Protected	10	13.9	13.9	84.7
	Protected to a great extent	10	13.9	13.9	98.6
	Protected to a very great extent	1	1.4	1.4	100.0
	Total	72	100.0	100.0	

Strategy based on relations (informal and interpersonal)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not at all	18	25.0	25.4	25.4
To a small extent		12	16.7	16.9	42.3
To some extent		10	13.9	14.1	56.3
Neutral		15	20.8	21.1	77.5
To a moderate extent		7	9.7	9.9	87.3
To a great extent		5	6.9	7.0	94.4
To a very great extent		4	5.6	5.6	100.0
Total		71	98.6	100.0	
Missing	999.00	1	1.4		
Total		72	100.0		

Strategy based on market					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not at all	4	5.6	5.6	5.6
	To a small extent	2	2.8	2.8	8.3
	To some extent	10	13.9	13.9	22.2
	Neutral	13	18.1	18.1	40.3
	To a moderate extent	13	18.1	18.1	58.3
	To a great extent	14	19.4	19.4	77.8
	To a very great extent	16	22.2	22.2	100.0
	Total	72	100.0	100.0	

Nonparametric Correlations

Correlations

Spearman's rho			Q1	Q2	Q24	Q25
Q1		Correlation Coefficient	1.000	.498**	-.127	.194
		Sig. (2-tailed)	.	.000	.293	.102
		N	72	72	71	72
Q2		Correlation Coefficient	.498**	1.000	-.001	.074
		Sig. (2-tailed)	.000	.	.993	.534
		N	72	72	71	72
Q24		Correlation Coefficient	-.127	-.001	1.000	-.402**
		Sig. (2-tailed)	.293	.993	.	.001
		N	71	71	71	71
Q25		Correlation Coefficient	.194	.074	-.402**	1.000
		Sig. (2-tailed)	.102	.534	.001	.
		N	72	72	71	72

**. Correlation is significant at the 0.01 level (2-tailed).

Correlations

Spearman's rho			Q24	Q25	Q3	Q4	Q5	Q6	Q7	Q8
Q24		Correlation Coefficient	1.000	-.402**	-.100	-.053	-.182	-.179	-.239*	.102
		Sig. (2-tailed)	.	.001	.405	.661	.135	.129	.044	.399
		N	71	71	71	71	71	70	70	71

			Q24	Q3	Q4	Q5	Q6	Q7	Q8
Q24	Correlation Coefficient	-.402**	1.000	.169	.041	.329**	.171	.100	.097
	Sig. (2-tailed)	.001	.	.155	.735	.005	.150	.404	.420
	N	71	72	72	72	72	72	72	71
Q3	Correlation Coefficient	-.100	.169	1.000	.353**	.409**	.508**	.459**	.506**
	Sig. (2-tailed)	.405	.155	.	.002	.000	.000	.000	.001
	N	71	72	72	72	72	72	72	71
Q4	Correlation Coefficient	-.053	.041	.353**	1.000	.408**	.415**	.278*	.398**
	Sig. (2-tailed)	.661	.735	.002	.	.000	.000	.018	.001
	N	71	72	72	72	72	72	72	71
Q5	Correlation Coefficient	-.182	.329**	.409**	.408**	1.000	.707**	.502**	.493**
	Sig. (2-tailed)	.129	.005	.000	.000	.	.000	.000	.000
	N	71	72	72	72	72	72	72	71
Q6	Correlation Coefficient	-.179	.171	.508**	.415**	.707**	1.000	.612**	.576**
	Sig. (2-tailed)	.135	.150	.000	.000	.000	.	.000	.000
	N	71	72	72	72	72	72	72	71
Q7	Correlation Coefficient	-.239*	.100	.459**	.278*	.502**	.612**	1.000	.572**
	Sig. (2-tailed)	.044	.404	.000	.018	.000	.000	.	.000
	N	71	72	72	72	72	72	72	71
Q8	Correlation Coefficient	.102	.097	.506**	.398**	.493**	.576**	.572**	1.000
	Sig. (2-tailed)	.399	.420	.001	.001	.000	.000	.000	.
	N	70	71	71	71	71	71	71	71

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Correlations		Q9	Q10	Q24	Q25
Q9	Pearson Correlation	1	.562**	-.065	.090
	Sig. (2-tailed)		.000	.589	.454
	N	72	71	71	72
Q10	Pearson Correlation	.562**	1	.061	-.032
	Sig. (2-tailed)	.000		.613	.794
	N	71	71	70	71
Q24	Pearson Correlation	-.065	.061	1	-.348**
	Sig. (2-tailed)	.589	.613		.003
	N	71	70	71	71
Q25	Pearson Correlation	.090	-.032	-.348**	1
	Sig. (2-tailed)	.454	.794	.003	
	N	72	71	71	72
**. Correlation is significant at the 0.01 level (2-tailed).					

Correlations		Q24	Q25	Q12	Q13	Q14	Q15
Q24	Pearson Correlation	1	-.348**	.011	-.079	.010	-.148
	Sig. (2-tailed)		.003	.925	.517	.932	.218
	N	71	71	71	70	71	71
Q25	Pearson Correlation	-.348**	1	-.153	.152	-.027	.177
	Sig. (2-tailed)	.003		.199	.204	.822	.138
	N	71	72	72	71	72	72
Q12	Pearson Correlation	.011	-.153	1	-.022	.236*	.031
	Sig. (2-tailed)	.925	.199		.853	.046	.797
	N	71	72	72	71	72	72
Q13	Pearson Correlation	-.079	.152	-.022	1	.103	.396**
	Sig. (2-tailed)	.517	.204	.853		.394	.001
	N	70	71	71	71	71	71
Q14	Pearson Correlation	.010	-.027	.236*	.103	1	.215
	Sig. (2-tailed)	.932	.822	.046	.394		.070
	N	71	72	72	71	72	72
Q15	Pearson Correlation	-.148	.177	.031	.396**	.215	1
	Sig. (2-tailed)	.218	.138	.797	.001	.070	
	N	71	72	72	71	72	72
**. Correlation is significant at the 0.01 level (2-tailed).							
*. Correlation is significant at the 0.05 level (2-tailed).							
Correlations							

		Q24	Q25	Q16	Q17	Q18	Q19
Q24	Pearson Correlation	1	-.348**	-.225	-.047	-.017	-.056
	Sig. (2-tailed)		.003	.059	.698	.887	.646
	N	71	71	71	71	71	70
Q25	Pearson Correlation	-.348**	1	.102	.059	.170	.195
	Sig. (2-tailed)	.003		.394	.624	.153	.104
	N	71	72	72	72	72	71
Q16	Pearson Correlation	-.225	.102	1	.543**	.560**	.258*
	Sig. (2-tailed)	.059	.394		.000	.000	.030
	N	71	72	72	72	72	71
Q17	Pearson Correlation	-.047	.059	.543**	1	.644**	.330**
	Sig. (2-tailed)	.698	.624	.000		.000	.005
	N	71	72	72	72	72	71
Q18	Pearson Correlation	-.017	.170	.560**	.644**	1	.447**
	Sig. (2-tailed)	.887	.153	.000	.000		.000
	N	71	72	72	72	72	71
Q19	Pearson Correlation	-.056	.195	.258*	.330**	.447**	1
	Sig. (2-tailed)	.646	.104	.030	.005	.000	
	N	70	71	71	71	71	71
**. Correlation is significant at the 0.01 level (2-tailed).							
*. Correlation is significant at the 0.05 level (2-tailed).							

Correlations				
		Q24	Q25	Q20
Q24	Pearson Correlation	1	-.348**	-.196
	Sig. (2-tailed)		.003	.104
	N	71	71	70
Q25	Pearson Correlation	-.348**	1	.345**
	Sig. (2-tailed)	.003		.003
	N	71	72	71
Q20	Pearson Correlation	-.196	.345**	1
	Sig. (2-tailed)	.104	.003	
	N	70	71	71
**. Correlation is significant at the 0.01 level (2-tailed).				

Correlations		Q24	Q25	Q21	Q22	Q23
Q24	Pearson Correlation	1	-.348**	.009	-.284*	-.055
	Sig. (2-tailed)		.003	.938	.018	.650
	N	71	71	71	69	71
Q25	Pearson Correlation	-.348**	1	.167	.142	.026
	Sig. (2-tailed)	.003		.161	.242	.830
	N	71	72	72	70	72
Q21	Pearson Correlation	.009	.167	1	.479**	.170
	Sig. (2-tailed)	.938	.161		.000	.153
	N	71	72	72	70	72
Q22	Pearson Correlation	-.284*	.142	.479**	1	.463**
	Sig. (2-tailed)	.018	.242	.000		.000
	N	69	70	70	70	70
Q23	Pearson Correlation	-.055	.026	.170	.463**	1
	Sig. (2-tailed)	.650	.830	.153	.000	
	N	71	72	72	70	72
**. Correlation is significant at the 0.01 level (2-tailed).						
*. Correlation is significant at the 0.05 level (2-tailed).						