



# Responses of Exporting SMEs to Institutional Voids: the Case of Lithuania

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**Purpose:** The aim of this study is to explore the responses of Lithuanian exporting small and medium enterprises (SMEs) to institutional voids using the typology of strategic responses to institutional processes of Oliver (1991).

**Study design/methodology/approach:** The qualitative research case study method was selected by implementing semi-structured interviews with directors and founders of Lithuanian exporting manufacturing SMEs to collect the primary data.

**Findings:** Drawing on the semi-structured interviews, the study identified responses of the Lithuanian exporting manufacturing SMEs to institutional voids that portrayed two main strategies: acquiesce and avoidance.

**Originality/value:** The results provide contextual contributions exploring firms' strategic responses to institutional voids, identifying the most fatal institutional voids faced by SMEs within the sector.

## Introduction

Understanding institutional voids have grown a significant emphasis in the literature on international business in the past decades. Institutional voids can be described as underdevelopment or absence of institutions in the country that support market activities (Khanna & Palepu, 1997). Institutions contain external factors that influence the functioning of the mechanism of the market (Lindsay, Rod, Ashill, 2017). Institutions comprise laws, rules and other formal constraints pertaining to managing economic and political exchange as well as social constraints. The institutional outlook on the growth of the business highlights the role of institutions in enabling or restricting the mentioned growth (Xheneti & Barlett, 2012). Formal and informal institutions play the main role in the operational environment of firms and maintain systematic effects on how they behave (North, 1990).

SMEs are the major trigger for the national economy and its evolution of it in the future perspective; however, they still can and will fail if the support mechanisms are not adequate and properly provided. The policymakers are a great need first to understand better the constitution of challenges faced by SMEs to attain valid policy frameworks for the support; thus, there is still an issue of how the SMEs could survive and succeed without adequate support from the state (Rizos, Behrens, Kafyeke, Hirschnitz-Garbers & Ioannou, 2015). Due to the absence of government support legislation such as laws and regulations, favourable funding opportunities' provisions as well as efficient taxation policies, SMEs face barriers in taking up initiatives that would lead to the change in the institutional environment and institutional voids that are imposed on the company (Binke & Al-Muhannadi, 2020).

Therefore, understanding the institutional context of the firm and its strategic choices is crucial. The perspective of institutional voids allows identifying how firms operate within the institutional context and their responses towards the institutional voids imposed on them. Hence, this study tries to answer the following questions: what are the institutional voids making an influence exporting SMEs? How do institutional voids affect exporting SMEs? What are the responses of Lithuanian exporting SMEs to these institutional voids? The aim of this study is to explore the responses of Lithuanian exporting SMEs to institutional voids.

More precisely, the motivation of this research was threefold. Firstly, the research consists of the exploration of institutions and institutional voids and their conceptualisation. Secondly, the two-way interaction between the institutional voids and SMEs was examined: firstly, the influence of institutional voids on firms; secondly, firms' responses to institutional voids. Finally, in line with the motivation of the research to gain an advanced perception of institutional voids, the empirical study integrates ideas from the literature on strategies of responses of firms to institutional processes (Oliver, 1991; Doh et al., 2017) with the perspective of institutional voids (DiMaggio & Powell, 1983; Scott, 1995; Khanna & Palepu, 1997, Khanna & Palepu, 2010; Doh et al., 2017, Turker & Vural, 2017) in order to disclose the responses of SMEs to institutional voids. By doing so, this study provides a contextual contribution to Oliver's (1991) study by empirically testing firms' strategic responses to institutional pressures. This paper mainly focuses on internationally active Lithuanian manufacturing SMEs' responses to institutional voids.

The paper is structured as follows: the introduction is followed by sections conceptualising institutions and institutional voids as well as identifying the link between institutional voids and firms in the two-way perspective: the influence of institutional voids on firms and the responses of firms to institutional voids. The fourth section explains the methodology used to explore the responses of Lithuanian exporting SMEs to institutional voids. The following sections introduce the main findings of this empirical study, responses of the exporting manufacturing SMEs, followed by the results and discussion. Finally, the last section is dedicated to the study's limitations and directions for future research.

### **Conceptualising institutions**

By definition, institutions are ingrained through a coherent social system. According to one of the most used definitions: “institutions consist of cognitive, normative, and regulative structures and activities that provide stability and meaning to social behaviour. Institutions are transported by various carriers — cultures, structures, and routines — and operate at multiple levels of jurisdiction” (Scott, 1995). The definition of an institution differs on the grounds of social reality and the research paradigm. Institutions, as such, play a crucial role in economic interactions as they are the cornerstone of the basic conditions for the exchange of information and knowledge. Institutions can either be developed from norms or refer to various rules and regulations; however, they may contain different characteristics as they are subjects of application, implementation and evaluation (Bathelt & Glückler, 2014).

Institutions in countries differ. Formal institutions are structured from standards and rules that impact society's behaviour (Scott, 1995). Formal institutions consist of three country-level groups: regulatory, economic and political institutions; together, they form standards for the firms to operate within (Holmes, Miller, Hitt & Salmador, 2013). Regulatory institutions contain legal rules and requirements that control the industry's behaviour; they may determine resource availability and allocation within industries and financial transparency. Political institutions contain the application of these legal rules and laws and the development of socially responsible policies. Economic institutions contain fiscal and monetary policies (Hitt, Sirmon, Li, Ghobadian, Arregle & Xu, 2020). Formal institutions in the country are principally pursued by government organisations by formalised policies and rules to restrict the enterprise's actions (Hitt et al., 2020). Informal institutions represent unwritten rules, not officially enforced (Scott, 1995). Following the informal rules allows access to the group; at the same time, macro-culture allows tie-up the collaborations due to the shared understanding and perception of the environment (Thompson, Herrmann & Hekkert, 2014). When formal institutions experience failure, informal institutions regulate exchange relationships (Zhu, 2018).

### **Conceptualising institutional voids**

Institutional voids can be described as the failure, weakness or total absence of market supporting formal and informal institutions. They affect strategies, choices and actions implemented by actors from all sectors (Turker & Vural, 2017). Institutional voids can be divided into two groups: formal and informal. Formal institutional voids possess greater importance than the informal ones among the researchers, and they are named as absent or underdeveloped regulatory institutions or structure of law that is implemented in the nation. Informal institutional voids can be named as absent or underdeveloped normative and cognitive institutions, including beliefs, reached through country-specific social interactions and standards and conventions (DiMaggio & Powell, 1983; Scott, 1995).

Institutional voids, when the institutions are not working well or are absent, can describe any country, even any institutional environment, such as trade-related institutions, legal, social or political systems, capital markets, foreign investment institutions or product markets (Khanna & Palepu, 2010). These key institutions working poorly result in increased transaction costs and in disrupting the interaction between seller and buyer; the costs further result in slowing down innovation processes and acquiring knowledge and skills. This results in higher costs for capital, materials, information, skills or even new ideas, which jeopardise otherwise efficient outcomes (Khanna & Palepu, 1997).

The institutional void perspective exhibits the lack of institutional support for firms, inadequate institutional rules and their weak implementation; it develops uncertainty, restrains growth and prevents participation in markets (Khanna & Palepu, 2010). Institutional voids can weaken or even exclude SMEs as relatively powerless actors (Narooz & Child, 2017). Institutional voids increase the likelihood of opportunism, hinder the functioning of markets, and increase rents for some actors and market power; they may also serve as monopolistic advantages for firms operating in local or foreign arenas. Filling voids in such settings require high costs (Doh et al., 2017). Institutional voids may trigger corruption, as firms may influence absent or underdeveloped formal institutions by bribing the government structures to act favourably. This way, the institutions experience an even higher weakening effect and compromise market functioning (Doh et al., 2017). Finally, institutional voids tend to point out gaps between formal rules and their implementation in practice (Narooz & Child, 2017).

### **The influence of institutional voids on firms**

Institutional voids affect firms operating in different countries in different ways and strengths. The institutional voids perspective is built on the absence of institutional support for firms as well as improper institutional rules, regulations and uncertainty triggered by their weak enforcement. Institutional voids lie between formal regulations and implementation (Narooz & Child, 2017). Institutional theory suggests that the practices of firms arise from beliefs, values and norms of the environmental context, that is, institutions (Cheng & Yu, 2012). Firms must match these to achieve the legitimacy of the institutions that correspond to their operations. While put under institutional demands, organisations tend to adapt to the new framework in a favourable way (Tukiainen & Granqvist, 2016).

Institutional voids influence firms to adopt isomorphism, i.e. imitation of popular practices by other firms, as they establish fears of failure. Two main areas of institutional voids that may lead to the failure of firms are identified as laws, regulations, agencies and public opinions forming a macro environment that makes an impact on the implementation of certain practices; and the relationships with customers, suppliers, professional unions, external stockholders, that all together form the inter-firm relationships, forming collective norms impelling imitation (Cheng & Yu, 2012). This notion gains support as industry-level pressures to achieve

legitimacy push firms to perform mimetic behaviour of the more successful firms in alignment with the institutional pressures to reduce uncertainty and increase legitimacy in the market. As a result, isomorphism may increase its strength within some industries to meet stakeholders' requirements of multiple sectors (Hitt et al., 2020).

While some institutions corroborate economic activity, others act in a way to limit the economic activity to confine the uncertainty in the markets. Efficient and strong institutions in a country tend to constrict the dynamism by imposing order in the industries; however, they increase the stability of industry environments. On the other hand, when the regulations are too severe or unclear, firms may undertake outlier behaviour as they must choose between leaving the industry or undertaking unsanctioned actions to strive for survival (Hitt et al., 2020).

### **The responses of firms to institutional voids**

Organisational analysis suggests that organisations must adapt to the environments they are operating in to be able to survive (Scott, 1995), hence they correspond to institutional principles to increase their rate of survival and legitimacy (DiMaggio & Powell, 1983) and arrange themselves to be consistent with their environments' level of complexity (Child & Rodrigues, 2011). To increase the rate of survival and legitimacy, firms implement isomorphism. The institutional isomorphism construct was established to view the institutional environment effects on firms as maintaining a unidirectional relationship. However, it received criticism as the role of active agency and firm-environment relations resistance was not emphasised (Oliver, 1991). Thus, the author proposed five types of strategic responses that firms may implement when experiencing institutional voids regarding corresponding to the institutional environment:

- **Acquiesce** – firms are likely to consent to institutional voids. It has three tactics: Habit consists of unconscious attachment to preconscious rules and values. A firm may be unaware of institutional voids when they have become a social fact; Imitation goes along with isomorphism and includes mimicry of institutional models, succeeded firms and advice from consultancy agencies. Finally, compliance is conscious compliance to institutional voids with the expectance of self-serving benefits.
- **Compromise** – firms are imposed with inconsistencies between expectations of the institutions and internal objectives of firms, or with conflicting institutional voids; it has three tactics: Balance describes the achievement of parity of firms' internal interests and those of the stakeholders, especially when they conflict. Pacify identifies partial conformity to institutional voids, demonstrating a minor level of resistance and most of the performance to meet the requirements. Bargain describes a firm putting effort into requesting some agreements from the institutional level.
- **Avoidance** – an attempt to pre-empt the conformity to institutional voids; composed of three tactics: Concealment involves concealing nonconformity behind a consent. Firms may develop plans aligning with institutional voids but not plan to implement them. Buffering involves minimising external evaluation by institutions by separating their own technical operations from external contact. Escape involves exiting a field with the highest institutional voids or reducing activities to a great extent to escape conformity.
- **Defiance** – more active strategy to withstand institutional voids, consisting of three tactics: Dismissal is ignorance of institutional voids and is employed when the rules imposed by institutions demonstrate low enforcement or are in opposition with the internal objectives of the firm. The challenge involves firms gaining value from the insurrection when they challenge institutional voids. It is further from expectations, rules and norms than the previous tactic. Finally, the attack expresses more intensity in retreating from institutional voids and denounce or betitle institutional voids.

- Manipulation – the most active response to institutional voids strategy with three tactics: Co-opt indicates that the firm may persuade institutional member to join the firm or the board of directors with the goal of increasing legitimacy and neutralising institutional opposition. Influence involves making an impact on public perceptions of the industry and lobbying government regulators to achieve changes in institutional voids that the firm is requested to conform. Finally, control involves power and domination over any external voids that arise in the firm.

When pronouncing strategies, firms achieve a competitive position in accordance with their own environmental context, which contains integrated institutions and the whole national institutional system (Hitt et al., 2020). SMEs tend to maintain mediation by network contacts to overcome institutional voids in order to survive. When voids exist, SMEs are likely to form networks. Business and social ties are of extreme benefit for the successful conduction of business (Narooz & Child, 2017). Business networking is essential for SMEs in a local setting as well as in the event of internationalisation. On the local level, business networks allow SMEs to increase their competitiveness, boost innovation within SMEs and increase their market knowledge (Torkkeli, Kuivalainen, Saarenketo & Puumalainen, 2018). Firms may choose to diminish institutional absence or perform substitution of formal institutions by implementing new organisational arrangements or joining forces with other social actors (Doh et al., 2017).

## Research Design

*Research Method.* The aim of this empirical research was to reveal the responses of Lithuanian exporting manufacturing SMEs to institutional voids. The research was carried out following Oliver's (1991) typology of firms' strategic responses to institutional processes. The case study method of qualitative research was selected to ensure the researcher operates in the natural environment without influencing the researched situation, nevertheless searching for explanations that analyse the research object (Yin, 2009). The primary data analysis together with secondary data, allowed a more comprehensive understanding of the object of the research. The semi-structured interview was selected for the collection of the primary data. An interview guide was designed, and the open-ended questions of the interview were predetermined; however, the respondents' answers navigated the interview towards various aspects of the research topic.

*Sampling.* SMEs are the impetus of the economy in the country; however, the research in the context of SMEs' responses to institutional factors is still missing. Therefore, the research was carried out with 5 Lithuanian SMEs performing foreign trade activities, operating in the manufacturing sector and working in the metalworking area of production. The manufacturing sector was one of the main components of the economic downturn in Lithuania due to pandemics adding up to the decrease in GDP triggered by lowered domestic demand and export levels. However, it experienced the most significant recovery in the country (OECD, 2020). Five informants who are founders and directors of the SMEs were interviewed, as they have the fundamental and most in-depth knowledge regarding interaction with institutional voids within their firms. The interviews took place in March-April 2021. The average length of each interview was between 60 – 90 minutes. All the interviews were recorded, turned into transcripts, coded, categorised and analysed based on the strategies and tactics of the responses identified in the theoretical development of this study.

## Research findings

The case firms constitute SMEs, are internationally active, operate in the manufacturing sector and specialise in the metalworking area of production. The firms are established between 1996 and 2014; the founders of the SMEs are also their directors who have been in charge since the

very establishment of the company whose business experience lies within the range of 6-25 years. All the firms are internationally active, and their level of exports varies between 10-85% (Table 1). The informants were coded as Firm A, Firm B, Firm C, Firm D and Firm E. Each firm has at least two main export markets and sustains eagerness to expand in a broader international spectrum.

**Table 1: Characteristics of case firms**

Indicator/Company	Firm A	Firm B	Firm C	Firm D	Firm E
Main activities	Metalworking Manufacturing	Metalworking Manufacturing	Metalworking Manufacturing	Metalworking Manufacturing	Metalworking Manufacturing
No. of employees	29	22	13	23	47
Annual turnover	<50 mln.	<50 mln.	<50 mln.	<50 mln.	<50 mln.
Balance sheet total	<43 mln.	<43 mln.	<43 mln.	<43 mln.	<43 mln.
Year established	2009	1997	2002	2014	1996
Sector	Manufacturing	Manufacturing	Manufacturing	Manufacturing	Manufacturing
Exports	Yes	Yes	Yes	Yes	Yes
Main export markets	Western Europe, Baltics	Poland, Latvia	Denmark, Latvia, Estonia	Denmark, Sweden, Germany	Germany, Norway
Export targets	Latvia as home market	Asia, Europe, NVS countries	Germany, Baltics	Existing markets	EU countries
% of total production exported	70%	10%	85%	50-70 %	20-25%

The research exposed the main institutional voids faced by the case of SMEs: time disruptions caused by institutions, the burden of bureaucracy, the current taxation system, and the movement restrictions imposed during the Covid-19 quarantine periods (Table 2). All the case firms identified time disruptions caused by imposed institutional factors, such as inspections, customs, necessary certificates, institutional restrictions, and others. They cause a delay in operations, extend the supply chains, pause the implementation of projects, and affect the company's overall income. Four case firms claimed that bureaucracy's burden is disrupting the SMEs' efficient activity. Firm D identified that the time to support in some cases even takes up to a year *"...till we prepare the application according to those conditions, we at the same time have to prepare the documentation, technical knowledge on the topic, so around one year..."*. Firm A has identified bureaucracy as very time-consuming and taking time from the company's main activity. Firm C had a very critical opinion regarding the bureaucracy: *"...regarding that institutional support, exemptions, I have one moment, I can tell, that this is a manifestation of bureaucracy..."* they also stated that for some institutional support mechanisms, it is necessary to evaluate costs, time, the accounting costs, and at the end, the size of the institutional support is smaller than the mentioned aspects, and it turns out to be more beneficial to stay within the institutional void after all. Income tax was identified as a crucial institutional void by two case firms (B and C); they suggested the 15% income tax should not be deducted annually but allowed to be reinvested into the business, which would work in a beneficial way for the economy of the country.

**Table 2: Institutional voids faced by the SMEs**

Institutional voids faced by the SMEs	Supporting quotes
Time disruptions	<p><i>"...every inspection is a time disturbance, it takes 1,5-2 days, during the time the workflow is disturbed..."</i> (Firm B)</p> <p><i>"...only after you receive the permission to manufacture... these processes were done, it took time, but eventually they were implemented..."</i> (Firm E)</p>

	<p>“...we had to pay additional time for arranging the documentation...” (Firm A)</p> <p>“...you evaluate the time cost... and understand that it is not worth wasting time...” (Firm C)</p> <p>“...it takes around a year...” (Firm D)</p>
Bureaucracy	<p>“...duty imposed by State Tax Inspectorate for reconciling accounts, it used to be done by governmental institution... just more administrative work...” (Firm D)</p> <p>“...we just have to fill in more documents. Sometimes the pick-up [of the products] takes a month or even longer...” (Firm B)</p> <p>“...we had to pay additional time to arrange the documents, to give out documents for people who move...” (Firm A)</p> <p>“...you understand that for this is not worth to fill in mountains of papers and spend time, realise that you need too much bureaucratic paperwork...” (Firm C)</p>
Taxation system	<p>“...we cured our wounds, and at the end of the financial year, we were informed that we will need to pay 15% income tax for the stolen sum...” (Firm C)</p> <p>“...when they implement a new tax, they give a really short time for reorientation... However, these are the costs of the company...” (Firm D)</p> <p>“...if you invest your income to some kind of infrastructure, there should not be taxes, I mean the income tax...” (Firm B)</p>
Movement restrictions	<p>“...we felt that it is more difficult to receive transport, the production is travelling for a longer time...” (Firm C)</p> <p>“...there was a production disorder, the time extended by 2-3 days...” (Firm D)</p> <p>“...we had some difficulties because of restrictions of movement between municipalities...” (Firm A)</p> <p>“...so instead of one month, it becomes three or four months, the supply chain prolongs...” (Firm B)</p>

The research identified two main export-related institutional voids within the operations of SMEs (Table 3). All the case firms admitted not having experienced any institutional support for exports or not even being aware that such mechanisms exist. Three case firms (Firms B, C, D and E) identified that they already work in full capacity modes and have no capabilities to increase their exports. Firm E operates the longest of all, however, they expressed never having received any institutional support and being imposed only by institutional voids throughout the whole life of the firm, which is 25 years.

**Table 3: Export-related institutional voids**

Export-related institutional voids	Supporting quotes
<b>No institutional support</b>	<p>“...entering new markets, we have to do it ourselves...” (Firm D)</p> <p>“...all with only our work. The state ... will do nothing...” (Firm A)</p> <p>“...we were not spoiled [by the institutions] the whole life so that someone will provide us something, never...” (Firm E)</p> <p>“...we have not received any support, maybe other companies did...” (Firm B)</p> <p>“...I do not have any opinion, we have not received any support...”,</p> <p>“...unequivocally, there was nothing...” (Firm C)</p>
<b>Full capacity of production</b>	<p>“...we have a full load; we cannot even satisfy the needs of our current customers...” (Firm D)</p> <p>“...the growth of the sector is significant, but we do not have physical capacity...” (Firm A)</p> <p>“...now we work in full capacity...” (Firm E)</p> <p>“...we had so many orders that we did not have the capacity to make them all, even though we employed more people...” (Firm B)</p>

### Responses of export manufacturing SMEs

Three case firms (C, D and E) exhibited a passive response to the institutional voids strategy – acquiesce, with only implementing the tactics of complying – obeying and accepting the rules and norms (Oliver, 1991). They did not exhibit any other type of strategy responding to

institutional voids. They did not portray any kind of ambitions towards initiating any change: “...5-6 years ago you tried to look positively to all those things [regulatory environment] but when you face some kind of problems, then you become the same, as always complaining, oh how bad, what kind of laws...” (Firm C), “...in reality, we work with what we have...” (Firm D), “...all good as it is...” (Firm E).

However, Firm B possesses a more active response to institutional voids strategy – avoidance with escape tactics. The firm states that because of tough times, they had to figure out different mechanisms how to act in the presence of institutional voids, while the Firm A identified a strong sense of bypassing the rules and regulations but making sure that they are not technically breaking the law: “... due to Covid-19, we made a decision to import some materials ourselves... noticed, that if you import yourself, there are more troubles, but it costs cheaper, and you can find better quality...” (Firm B); “...the transit of goods is not forbidden, we listened to that narrow line and let our managers go together with the cargo, so they kept the physical contact with clients and at the same time carried the goods...” (Firm A). The two case firms admitted that they were trying to bypass the obstacles by taking the initiative into their hands.

**Table 4: Responses of export manufacturing SMEs to institutional voids**

Responses of export manufacturing SMEs	Supporting quotes
Acquiesce strategy, tactics of complying	<p>“...actually, they are what they are, we try to do everything that we are required to do. If you make something wrong, it is because of not knowing... we try to do, what is correct...” (Firm C)</p> <p>“...no, because we work for a long time, we passed all those roads, and everything happens in its own way, and I do not need anything additional...” (Firm E)</p> <p>“...everywhere there are pluses and minuses ... you live with what you have, if the base of law was not right for us, we would go to another country...” (Firm D)</p>
Avoidance strategy, tactics of escape	<p>“...we tried to solve the problem and go around those, let’s name them, ineffectively working companies...” (Firm B)</p> <p>“...our decisions were non-standard, we reformed the links of our sellers and drivers, the customer support ... people changed, the manager used to go for the maintaining contact, solution of technical problems and everything was formed as going in transit. He takes goods and everything together, and the transport good transit movement was not forbidden. This way, you do not have to go to quarantine when you get back and solve the problem. I am telling the flaws, that governmental institutions can like this...” (Firm A)</p>

## Results and Discussion

This research contributes to examining the theory of responses to institutional pressures by firms (Oliver, 1991) from an internationally active manufacturing SMEs point of view, especially in identifying the most fatal institutional voids. The research findings revealed that SMEs are most likely to act in two ways: either to conform to the institutional voids imposed on them or to reduce their activities to a great extent to escape conformity, conclusively employing two responses to institutional voids strategies: acquiesce or avoidance. The study extends the literature on formal institutional voids that arise from regulatory institutions or structures of national law that are nationally weak or absent (DiMaggio & Powell, 1983; Scott, 1995). This research also answers Doh et al. (2017) call for increased research on institutional voids as well as Oliver's (1991) call for the research on the likelihood of conformity or resistance to institutional factors. Moreover, the study adds to this literature with contextual contribution by evaluating the response strategies to institutional voids by Lithuanian exporting



manufacturing SMEs and identifying institutional voids faced by the mentioned firms. The study found that the institutional voids within Lithuanian exporting manufacturing SMEs raise several problems for the interviewed firms, from the taxation system or burden of bureaucracy to the overall system of an institution within the country. The study's findings portray a strong link between institutional voids and responses of exporting manufacturing SMEs. While the application of the theory of responses of firms to institutional voids is relatively new within the context of Lithuanian exporting manufacturing SMEs, the incremental benefit to the existing knowledge is evident.

Moreover, the research has shown that the number of partners and their reliability is an essential factor in the strategies of exporting manufacturing SMEs to institutional voids. Those firms with a number of permanent business partners they export to and receive most of the orders from tend to take a more passive response to institutional voids. The study has also revealed that the experience of the director of the firm determines the strategy of response to institutional voids: the less international experience the director of the exporting manufacturing SME has and the longer the director managed the same company, the more passive the response strategy to institutional voids will be. Finally, the empirical research has portrayed that the more ambitious goals of expansion the SME has, the more active their strategy of reaction to institutional voids.

### Limitations and future research

The limitations of this research enable further research directions. Firstly, the research focuses on a single industry in a target country. Furthermore, the research is performed on firms that are constituted as SMEs that operate in the manufacturing sector and performs foreign trade activities; hence the findings should not be generalised for the aggregate sample of SMEs, as the results may differ for a different size or sector firms as well as for firms operating in other countries. In order to achieve the research range, the subsequent studies on this topic may include different-sized companies or different industries. Future research could also involve the responses of firms to institutional voids of different types of institutions: regulatory, economic and political. Finally, the subsequent studies on this topic could include interviews with the informants from institutions to provide the corresponding perspective regarding imposing institutional voids on exporting manufacturing SMEs.

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