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Institutional governance matters in the context of social capital and international entrepreneurial entry: A multi-level perspective

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ABSTRACT

Purpose. The main aim of current research is to come about with a better comprehension for institutional governance factors impacting the relationship between social capital possessed by the entrepreneurial ventures and their ability to enter into the international market.

Design/Methodology/Approach. The current study utilizes the data of social capital and internationalization collected from Global Entrepreneurship Monitor (GEM) between 2002-2013 with 696882 observations and covering 70 countries emphasizing on early stage entrepreneurs as explained by TEA index (nascent and new) involved in considerable international entrepreneurial entry. For statistical analysis a Multi-level Modelling approach is used to test the hypothesis by using STATA.

Findings. Possession of strong social capital facilitates international entrepreneurial entry. Keeping in view the overall aggregated impact of institutional governance on internationalization of new ventures is negative but the individual indicators of institutional governance moderates positively between the relationship of social capital and internationalization.

Limitations/Implications. The study is based on the institutions from world governance indicators that states the importance of institutions as means of exercising the authority in a country, using a comprehensive sample size and multi-level modelling. Whereas, various

other institutional indicators are remained to be considered that might effect international entrepreneurial entry. For the policy makers results depicts that the explained institutional governance indicators favorably correlate with international entrepreneurial entry when individuals have strong social capital, therefore policy makers should structure a safe governance framework to facilitate internationalization process for new ventures.

Originality/Value. The existing study tends to examine five dimensions of formal institutions i.e. -voice and accountability, political stability, government effectiveness, regulatory control, rule of law- in a single study within the context of social capital and international entrepreneurship. By utilizing all the five dimensions the existing research theoretically explains empirically observes the effect of individual level social capital on international entrepreneurial entry made by entrepreneurial ventures.

Keywords. Social Capital, Internationalization, International Entrepreneurship, Formal Institutions, Institutional Governance

INTRODUCTION

Social capital is quiet an essential element specifically for smaller firms and new ventures due to the dilemma where most of the time these ventures came across facing the liability of being new (Aldrich and Auster, 1986; Stinchcombe, 1965) and also being small at their initial phase of venturing (Hannan and Freeman, 1984). Therefore, social capital stands out to be a very essential foundation for acquiring legitimacy, resources and amount of knowledge required for the new ventures (Prashantham, 2005). Most of the time these new ventures possess inadequate financial and managerial resources for acquiring necessary knowledge and build important relationship to expand into the international markets (Chetty and Campbell-Hunt, 2003). In a network of relationships there is an important consideration which prevails regarding social capital as a resource available to the set of individual actors (Adler and Kwon, 2002) and that resource gives them a unique benefit when utilized effectively. And its impact specifically in the context of new ventures has got much importance over the years. In the formation of new venture and also during its growth period social capital has been addressed as a significant contributor in several ways and specifically in terms of motivating nascent entrepreneurs in their early startup processes (Davidsson and Honig, 2003) and also facilitating them in internationalizing their operations (Coviello, 2006; Wright et al., 2007).

The social capital concept within context of internationalization performance for startups has been well documented by various scholars (Arenius, 2005; Jones and Coviello, 2005; Johanson and Vahlne, 2003, 2006; McNaughton and Bell, 1999; Oviatt and McDougall, 2005b) in the literature over the years and have highlighted a positive relationship between them. Due to incremental usage of social capital in the research mostly the concept is defined to explain relationships between the firms. Scholars have highlighted about

prevailing uncertainty regarding the logic of social capital and also its effects (Koka and Prescott, 2002). Therefore Bourdieu (1986), in the light of this uncertainty defined the social capital concept as “an cumulative measure of the actual or possible resources which are actually linked with the control of a durable network of extra or fewer institutionalized associations of shared acquaintances or recognition” this definition accommodates the various aspects of social capital in terms of its property of being within embedded resourcefulness and its availability through and also being further derived from the relationship network are all valuable resources.

For entering into the international market social capital can play varying roles while highlighting the new ventures context (Agndal et al., 2008). Previously Crick and Jones (2000), highlighted that the relationships allow ventures to expand internationally by providing access to various resources, out of which information regarding international market entry is a key factor. At one hand presence of information serve as a key resource in facilitating new ventures internationalization on the other end absence of it can create hurdles for entering into the international market (Leonidou, 2004). Further, there are various other factors of social capital which highlighted the phenomena of new ventures internationalization, such as provision of information regarding international business practices, advice on product and distribution activities and guidance regarding suitable strategic actions required for the further international development (Harris and Wheeler, 2005).

So, in order to flourish it is necessary for social capital as to be embedded within and linked along with the country’s formal institutions (Hall, 1999; Stolle, 2002). Further scholars have also argued that social capital instead of only existing in isolation it rather varies in accordance with the changing government rules, policies and the effect of political institutions that further channels the quantity and type of social capital. We advanced our institutional arguments on the basis of stream of research related to the perspective of economics utilized in the institutional theory presented by North (1990), and social capital theory, that focused on explaining the part which political, social and economic structures contribute in order to determine the social and organizational behavior. In the existing study these various theoretical perspectives have been integrated and extended into a different domain, and within the process, study focused on theorizing a fundamental research question: How institutional governance framework indicators impacts the relationship between entrepreneurs social capital and international entrepreneurial entry?

Further, studies in the international entrepreneurship literature specifically in case of emerging economies have highlighted the limited knowledge regarding institutional influence on internationalization strategies of new venture firms (Kiss et al., 2012) therefore, the institutional-based view is an important theoretical base which can be used for discovering various opportunities and limitations associated with growth of the new ventures (Szyliowicz and Galvin, 2010; Yamakawa, Peng and Deeds, 2008; Yamakawa et al., 2011) which is the objective of the study as well. To measure the institutional

governance, we used five aspects derived from the World Governance Indicators shared by the World Bank (Friedman, 2011). The WGI is a multifaceted composite indicator which apprehends several institutional constraints related to voice and accountability, political stability, government effectiveness, regulatory quality and rule of law. As literature also suggests that the various indicators of World governance capture policies which are alternates of each other as well.

LITERATURE

Social Capital and International Entrepreneurial Entry

Scholars have highlighted that social capital simplifies the process for entering into new foreign markets (Coviello and Munro, 1997; Oviatt and McDougall, 2005; Yli-Renko et al., 2002). One of the fundamental elements recognized in the entrepreneurial process is the entrepreneurial behavior (Slevin and Covin, 1997) which is quite evident in their venture activities. Research suggests that at the beginning when entrepreneurs perceive an international opportunity they are engaged in an entrepreneurial behavior (Oviatt and McDougall, 1997; Zacharakis, 1997). Therefore, entry into international market can be considered as an act of an entrepreneur with measured outcomes and recognizable events (Jones and Coviello, 2005). As the new venture entrepreneurs initiate, develop and over the passage of time deepen their ties for the sake of entering into the international market therefore the process can be observed as development of and an approach for acquiring social capital (Johanson and Vahlne, 2006). For the international entrepreneurial entry social capital was linked with entrepreneur's efficacy role which further refers it as useful for the new ventures in facilitating their internationalization process (Agndal et al., 2008; Chetty and Agndal, 2007). For instance, Yli-Renko et al., (2002), suggests that the interaction between the firms facilitates knowledge sharing which further lead towards exploring the new opportunities in the market that enhances efficacy of the ventures social capital.

The information asymmetries can be alleviated by social capital through embracing social exchanges, value structures, trusts and ties (Liao and Welsch, 2005; Nahapiet and Ghoshal, 1988). Particularly social capital assists in acquiring novel and original information that can facilitate entrepreneurs in discovering unique and favorable plans (Laursen et al., 2012) which have potential to assist international entrepreneurial entry. Social capital is created through the process of network interactions and it displays essential resources for the new ventures that contains both improving their abilities to go international and also influence the strategic direction and organizational activities for their process of internationalization. Social connections among the individuals can be useful for various purposes that might end up beneficial for the individuals involved in the network of relationships (Adler and Kwon, 2002; Nahapiet and Ghoshal, 1998). In the context of social capital, a most frequently utilized definition in the literature states that "It is a sum

of actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or social unit” (Nahapiet and Ghoshal, 1998). Due to the possession of dynamic nature social capital role varies overtime and particularly while shaping the course of new ventures internationalization the impact of social capital is subjected to change as internationalization is not composed of a single activity to be performed but it’s a complete process (Lu and Beamish, 2001; Wright et al., 2007). As growth and decay of relationships is quiet a natural phenomenon therefore it requires a dynamic strategy to keep the relevant resources intact. At the same time as the new ventures have very limited knowledge and resources to spend on international market research (Chetty and Campbell-Hunt, 2003) therefore, they are forced to look for external parties proactively for the resources needed in order to reduce the uncertainty and get the guidance about taking effective decisions while entering into the international markets (Reid, 1984). Knowing someone previously serve as a bridge (Adler and Kwon, 2002; Ellis and Pecotich, 2001) between the venture and international market. In short social capital is formed and maintained overtime by effectively participating in international and other related activities (Axelson and Johanson, 1992). Building on we postulate that for an entrepreneur to know someone internationally facilitates in acquiring relevant information required for international entrepreneurial entry and we hypothesize the following:

H1: There is a positive relationship between social capital and international entrepreneurial entry.

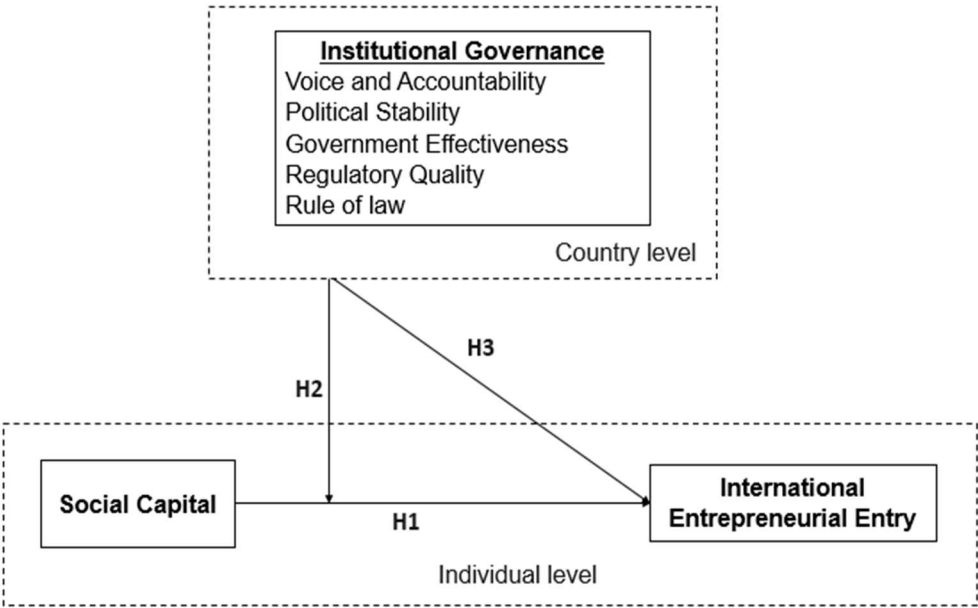


Figure 1 Research Model

Institutional Governance and International Entrepreneurial Entry

Despite the variation in the quantity and quality of new entrepreneurial activity (Bosma et al., 2009; Reynolds et al., 2002) across countries not enough is known about the causes of such a variance. The framework of institutional governance in the emerging economies hold various challenges for the entrepreneurs who are engaged in establishing new ventures or trying to enter into international market. Setting the rules to structure social relationships is the fundamental role of institutions in the economy (Hodgson, 2006; Knight, 1992) which gives confidence to the entrepreneurs and reduces the prevailing uncertainty in the environment for doing business locally or internationally. But on the other hand, failure to establish such friendly policies can push the local entrepreneurs to take their businesses into the international markets. The governance defined by Kaufmann et al., (2007), is used in the study which states “Governance as a mechanism through which power in a country is employed on the various set of traditions and institutions, and the governments capability in effectively formulating and administering the policy matters, and finally the respect shown by the citizens for its government”. Brunetti and Weder (1998), also emphasized on the prevalence of a negative association in the context of institutional uncertainty and the investment. Research suggests that institutional animosity significantly lasts a negative impression on the internationalization of new ventures and this negative perception of institutional governance (i.e. negative perception of judicial system, tax legislations, political instability) in the home country will hinder internationalization and forces the entrepreneurs to venture abroad (Tsukanova and Shirokova, 2012).

Entering into the international market involves various risks, i.e. social dissatisfaction, political instability in the target market, exchange rate fluctuations, expropriation, language differences, insufficient infrastructure, religion, norms and the legal systems. Generally large firms having strong social capital most of the time successfully tackle these risks and manage to survive but on other hand due to limited social capital possessed by entrepreneurial ventures face difficulties especially in managing their operations in an international domain.

Research suggests that the governance structure of institutional environment poses a great amount of bureaucratic pressures on entrepreneurial ventures which further creates greater uncertainty leading towards higher transaction and operational costs (Puffer et al., 2010). In such situations entrepreneurs are exposed to unclear and constantly changing rules and regulations in the business environment (Aidis et al., 2008; Manolova and Yan, 2002). Further the reforms in formal institutions mostly favors large scale businesses because the intension of the government is basically to attract foreign direct investment (Hegerty, 2009) but on the other hand this increased competition in the local market displaces the small entrepreneurial ventures which in turn for their survival move into the new foreign markets by internationalizing their operations in an environment that favors entrepreneurial ventures. Building on we postulate that the constantly changing regulations specifically suitable for large enterprises and uncertainty in the institutional governance forces nascent

entrepreneurs towards internationalizing their operations and therefore we hypothesize the following:

- H2a:** There is a negative relationship between voice and accountability and international entrepreneurial entry.
- H2b:** There is a negative relationship between political stability and international entrepreneurial entry.
- H2c:** There is a negative relationship between government effectiveness and international entrepreneurial entry.
- H2d:** There is a negative relationship between regulatory quality and international entrepreneurial entry.

Further, Levie and Autio (2011), suggested that it matters a lot the way regulations are being enforced in a society. The prevalence of rules of law in a society determines the potential for the safety of entrepreneur's property rights which will push entrepreneurs to explore more opportunities and vice-versa. This exploration of entrepreneurial opportunities subsequently give rise to the positive loop of learning (Foss and Foss, 2008). Therefore, considering the positive response of rule of law we postulate the following:

H2e: There is a positive relationship between rule of law and international entrepreneurial entry.

Social capital, International Entrepreneurial Entry and Institutional Governance

From the previous research various scholars (Andersen and Buvik, 2002; Ellis, 2000; Ellis and Pecotich, 2001) have highlighted that the relative importance of social capital is higher as compared to other factors especially when it comes to entering into a foreign market. Also, the social capital which shape trust and cooperative networks is linked with viable institutions (Dasgupta, 2000). The institutional framework perspective recognizes that the resources and incentives provided by the formal institutions shapes the human behavior and this preposition has been considered in the extant literature (Bruton, Ahlstrom and Li, 2010; Scott, 2005; Whitley, 1994) yet seldom being tested empirically (Stephan et al., 2015). Our study used multilevel model for a national level institutional governance on individual level international entrepreneurial entry proposed the main and moderating effects of formal institutions.

Previous research has highlighted that weakness in the single or multiple formal institutional indicators might have slight effects (Batjargal et al., 2013; Tzeng et al., 2011). The institutional weakness with regard to the confluence of several weak and inefficient formal institutions are quiet expected to form hostile environment for the new venture entrepreneurs. In this type of complex environment, it is quiet challenging to pursue an

international entrepreneurial activity because it leads to increased transaction cost and constrains to access the desired resources (Batjargal et al., 2013). In the light of these notions we suggest that weak institutional governance will affect the association of entrepreneurs social capital and their capacity to enter into the international market.

After the formation of rules and regulations its implementation in a society is a very challenging task. Also, the research suggest that it is difficult to enforce formal agreements in the context of weak institutional environment (Bachmann and Inkpen, 2011; Lai et al., 2010). Barro (1997; 2000), highlighted that the countries vary a great deal when it comes to implementing laws and regulations and it includes various dimensions contingent upon some specific operational and theoretical constructs (see for example; Haggard and Tiede, 2011). However, in the present study we deal with the following dimensions taken from World Governance Indicators (WGI), i.e. voice and accountability, political stability, government effectiveness, regulatory quality and rule of law.

In the context of weak institutional environment, it is quiet important to develop trust base social capital in order to secure access for information and knowledge required for the success of new ventures (Batjargal, 2007a), because in the case of weak institutional governance, it is difficult to access formal sources of information and knowledge because they are seldom unreliable and unavailable as well (Bachmann and Inkpen, 2011). Therefore, in such situations entrepreneurs face great amount of challenges in pursuit of identifying international growth opportunities and also becomes difficult to develop effective business strategies (Batjargal, 2007a; Batjargal et al., 2013). So, in short due to the weakness in the mechanism of institutional governance, the new venture entrepreneurs will mostly try to take benefit from the readily available information and knowledge transfer connected with collaborators within their social capital. Building on we postulate that the weak institutional governance indicators i.e. voice and accountability, political stability, government effectiveness, regulatory quality and rule of law positively moderates the overall relationship between social capital and international entrepreneurial entry and therefore we hypothesize the following:

- H3a:** The relationship between social capital and international entrepreneurial entry is positively moderated by voice and accountability.
- H3b:** The relationship between social capital and international entrepreneurial entry is positively moderated by political stability.
- H3c:** The relationship between social capital and international entrepreneurial entry is positively moderated by government effectiveness.
- H3d:** The relationship between social capital and international entrepreneurial entry is positively moderated by regulatory quality.
- H3e:** The relationship between social capital and international entrepreneurial entry is positively moderated by rule of law.

METHODOLOGY

Multiple sources were used to obtain data for our research. In order to test the hypothesis multilevel data set was considered i.e. analysis of a data set at individual level and analysis of a data set at country level. To observe the behavior of an entrepreneur at individual level i.e. social capital and international entrepreneurial entry we obtained data from Global Entrepreneurship Monitor's adult population survey (APS) that provides data, which is considerably reliable, valid and rich (Reynolds et al., 2005) for conducting cross country level research. GEM provides extensive data in adult population survey regarding social capital and international entrepreneurial entry and for our research data from 2002 to 2013 is used which is also publically available on its official website (www.gemconsortium.org). The project of Global Entrepreneurship Monitor was started in late 1990's with the focus to collect individual level (APS) data from many countries around the globe and is offered publicly every year (Bosma, 2013). Each country under study represents a sample of at least 2000 representatives (aged between 18 to 64 years) who are contacted using various means like via telephone or also to some extent by a face to face interviews as well. Due to the richness of data international entrepreneurship research heavily rely on GEM data (Bowen and De Clercq, 2008, Elam and Terjesen, 2010; McMullen et al., 2008).

We focused on governance as our country level variable for which the information is extracted from World Governance Indicators (WGI) a project of world bank (Djankov et al., 2002; Kaufmann et al., 2007; World Bank, 2004, 2007) for same years. We merged the individual level data with country level data that provided 696882 observations and covering 70 countries from 2002 to 2013. Detail of mean values for each participating country is provided in table 1.

Table 1

Sample Descriptives

COUNTRY	IEE	%IEE	VAC	POLS	GOVTEFACT	RGL	ROL
Algeria	4882	2.07	-0.96	-1.35	-0.56	<u>-1.25</u>	-0.8
Angola	2143	16.61	-1.1	-0.3	<u>-1.08</u>	-1	<u>-1.27</u>
Argentina	7563	2.92	0.27	-0.14	-0.19	-0.79	-0.66
Australia	5680	4.15	1.45	0.99	1.72	1.61	1.74
Austria	4937	5.39	1.43	1.27	1.64	1.56	1.86
Bangladesh	1932	0.47	-0.32	-1.39	-0.76	-0.8	-0.71
Belgium	8861	2.63	1.38	0.9	1.73	1.29	1.31
Bolivia	4286	6.44	-0.06	-0.53	-0.54	-0.81	-1.04
Botswana	1001	11.99	0.5	1.11	0.44	0.69	0.66
Brazil	20232	1.04	0.46	-0.05	-0.12	0.09	-0.19
Canada	1241	0.00	1.53	1.14	1.95	1.56	1.66

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Table 1 (Continued)

Chile	23499	8.84	1.06	0.57	1.23	1.47	1.3
China	11250	2.58	-1.6	-0.53	0.04	-0.26	-0.43
Colombia	29820	10.94	-0.13	<u>-1.47</u>	-0.01	0.31	-0.35
Costa Rica	2999	4.00	1.05	0.65	0.41	0.54	0.48
Czech Republic	3292	7.23	0.96	1.06	1	1.16	0.93
Denmark	15754	1.97	1.62	1.06	2.2	1.82	1.95
Dominican Republic	2708	9.49	0.14	-0.06	-0.64	-0.21	-0.64
Ecuador	6440	4.35	-0.29	-0.65	-0.69	-1.15	-1.2
Egypt	5556	3.11	-1.03	-0.99	-0.49	-0.27	-0.21
Finland	11624	2.60	1.56	1.46	2.17	1.77	1.94
France	8254	2.27	1.17	0.57	1.46	1.15	1.4
Germany	29557	3.58	1.38	0.9	1.61	1.54	1.64
Ghana	3371	5.13	0.45	0.06	-0.06	0.12	-0.05
Greece	10144	4.20	0.86	0.11	0.55	0.72	0.66
Guatemala	5052	0.81	-0.33	-0.85	-0.7	-0.12	-1.04
Hong Kong	2790	3.98	0.3	0.92	1.63	1.85	1.37
Hungary	10884	2.71	0.94	0.81	0.75	1.09	0.79
India	4911	2.48	0.39	-1.18	-0.09	-0.37	0.01
Indonesia	1578	4.75	-0.14	-1.4	-0.34	-0.34	-0.73
Iran	10083	1.91	-1.56	-1.34	-0.51	<u>-1.55</u>	-0.92
Ireland	8253	4.80	1.37	1.02	1.48	1.7	1.73
Israel	6862	3.13	0.59	-1.34	1.26	1.12	0.91
Italy	5784	1.88	0.98	0.47	0.42	0.89	0.39
Jamaica	4157	8.28	0.43	-0.2	0.08	0.26	-0.46
Japan	3689	1.17	1.04	0.97	1.33	0.88	1.26
Kazakhstan	1258	3.02	-1.13	0.58	-0.56	-0.35	-0.87
Korea	7775	3.90	0.69	0.26	1.14	0.88	0.96
Malaysia	7931	2.27	-0.44	0.08	1.07	0.54	0.52
Mexico	9169	2.21	0.13	-0.65	0.23	0.36	-0.56
Netherlands	11452	3.62	1.58	1.07	1.85	1.77	1.78
New Zealand	560	14.82	1.66	1.21	1.74	1.64	1.85
Nigeria	3547	10.91	-0.73	-2	<u>-1.04</u>	-0.7	<u>-1.2</u>
Norway	9915	4.21	1.63	1.31	1.87	1.45	1.91
Pakistan	4741	3.25	-0.86	-2.72	-0.79	-0.65	-0.86
Panama	5137	3.08	0.51	-0.06	0.19	0.4	-0.12
Peru	10380	7.92	0.07	-0.89	-0.33	0.38	-0.67
Philippines	1538	3.38	-0.09	<u>-1.65</u>	-0.06	-0.15	-0.41
Poland	4966	5.16	1.05	0.94	0.61	0.9	0.72
Portugal	3953	4.55	1.06	0.72	1	0.72	1.04
Romania	2687	5.06	0.4	0.12	-0.32	0.53	-0.04
Russia	11992	0.36	-0.84	-0.89	-0.41	-0.34	-0.82
Saudi Arabia	3077	3.31	<u>-1.75</u>	-0.34	-0.01	0.18	0.22
Singapore	7571	6.52	-0.08	1.21	2.06	1.85	1.66
Slovakia	3541	7.91	0.97	1.01	0.83	1.02	0.52
South Africa	11426	3.88	0.6	-0.09	0.51	0.54	0.09
Spain	132329	2.14	1.11	-0.23	1	1.16	1.13
Sweden	6678	2.41	1.62	1.21	1.99	1.77	1.92
Switzerland	11007	3.54	1.58	1.28	1.93	1.63	1.83
Syria	1370	3.58	<u>-1.64</u>	-0.49	-0.59	-0.95	-0.49
Taiwan	5095	3.42	0.82	0.89	1.16	1.16	1.03

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Table 1 (Continued)

Thailand	9289	2.02	-0.36	-0.98	0.29	0.26	-0.06
Tunisia	1234	0.65	-0.72	-0.41	0.11	-0.12	-0.01
Turkey	9014	1.03	-0.14	-0.9	0.3	0.33	0.07
UK	72189	3.07	1.35	0.47	1.68	1.77	1.7
United Arab Emirates	6803	5.98	-0.92	0.93	0.99	0.55	0.44
United States	16931	7.05	1.18	0.4	1.59	1.47	1.57
Uruguay	7002	5.71	1.08	0.84	0.54	0.37	0.62
Venezuela	1577	2.35	-0.94	-1.13	-1.14	-1.5	-1.65
Zambia	2677	19.91	-0.21	0.54	-0.67	-0.45	-0.45

IEE represents the total number of *International entrepreneurial entry* observations from each country;

IEE (%) shows the percentage of *International entrepreneurial entry* in each country;

VAC shows aggregated score for *Voice and Accountability*; POLS explains the score for *Political stability*; Govtfeet explains the score for *Government effectiveness*; RGL explains the score for *Regulatory quality*; ROL explains the score for *Rule of Law*;

Sources: Adult Population Survey (APS) from Global Entrepreneurship Monitor (GEM) 2002–2013;

Individual level Dependent Variable: International Entrepreneurial Entry

Following Muralidharan and Pathak (2017), International entrepreneurial entry is used as dependent variable in the study in which early-stage entrepreneur will be asked to estimate the proportion of customers who live outside his/her country. GEM classifies entrepreneurs into three broad categories, nascent entrepreneurs are those who are in the process of attempting to start a business and have expectations for full- or part-time ownership, new entrepreneurs are owner-managers of start-ups who have paid wages for between 3 to 42 months and established entrepreneurs are those who started business that have paid wages for more than 42 months. We emphasize on early stage entrepreneur as explained by TEA index (nascent and new) involved in substantial international export. Explicitly, we measured international entrepreneurial entry by knowing from the proportion of new business, comparative to the entire number of new business that specified at least 25% of their customers were positioned in overseas (Reynolds et al., 2005). And only those business were selected where entrepreneurs have at least a minimum number of overseas customers in their businesses.

Country level Predictor Variable: Governance

The country level formal institutional variable has been used in the previous research by Kaufmann et al., (2007, 2013). This study used data from world governance indicator which is a combined measure of five indicators which are; a) Voice and accountability b) Political stability c) Government effectiveness d) Regulatory Quality e) Rule of law.

Voice and accountability is explained as by an extent where individuals in a country are involved in various activities like selection of government, freedom of expression and association.

Political stability is defined as the likelihood that a government will be destabilized by any unconstitutional means.

Government effectiveness is explained as the degree of independence for the public and civil services from the political pressures and autonomy in formulating and implementing policies and assurance of the commitment with those policy decisions.

Regulatory quality is the perception regarding the quality of formulating and implementing policies favorable for the development of private sector.

Rule of law perception about the degree to which individuals have confidence on rules of the society, enforcement of property rights, system of law enforcement courts and agencies, and the control on violence and crime as well.

Individual level Independent Variable: Social Capital

The individual level data from GEM adult population survey for social capital together with international entrepreneurial entry was estimated and accordingly the countries were also selected further a cross sectional panel dataset was used in the study. Each participating country in GEM adult population survey interviews an arbitrarily selected sample of individuals aged between 18 to 64 years. In order to measure the variable social capital GEM asks entrepreneurs “Do you know someone personally who started a business in the past 2 years”(Global entrepreneurship research 2013). In our sample 696882, entrepreneurs reported the presence of experienced individuals to whom they know personally from 70 different countries during the period of 2002 to 2013.

Control Variables:

Variety of control variables at both individual-level and country-level have been used in the study which have been characterized in the previous research as main antecedents for conducting multilevel research in the context of institutions and behavior (Boudreaux et al., 2019; Raza et al., 2018; Schott and Sedaghat, 2014). We included age , gender and household income as our individual-level control variables which have been used quite extensively in cross country entrepreneurship studies (Estrin, Mickiewicz, and Stephan, 2013; Lloyd-Reason and Mughan, 2002; Van Stel, Storey, and Thurik, 2007). Age of entrepreneur used as continuous variable from 18 to 64 years old; Gender used as dichotomous variable 1=male and 0=female and Household Income used in three categories low average=1, average=2, above average=3. In consideration to the literature regarding economic development level of the county and various measures for entrepreneurial behavior (Boudreaux et al., 2019) at our country-level we used GDP capita, GDP growth, population and population growth as our control variables taken from World Bank data set.

RESULTS

Considering the underlying aim of the existing study as of to determine the effect of individual-level social capital over international entrepreneurial entry of an individual entrepreneur and the interaction effect through which formal institution indicators taken from WGI at country-level moderates the overall relationship at individual level. Table 1 depicts sample descriptive for each country participated in this study. The correlation matrix in Table 2 depicts the score for individual-level and country-level predictors and controls that are being utilized in the underlying study. And the regression results of our study are depicted in the table 3.

Correlation Matrix

	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Individual Level Variables														
1. International Entry	1													
2. Age	-.043**	1												
3. Gender	-.051**	.015**	1											
4. Household Income	.054**	-.034**	-.091**	1										
5. Social capital	.116**	-.123**	-.098**	.108**	1									
6. GDP capital	-.020**	.164**	-.001	-.034**	-.066**	1								
7. GDP growth	.036**	-.106**	.009**	-.060**	.066**	-.368**	1							
8. Population	-.013**	-.029**	-.006**	-.028**	.033**	-.205**	.287**	1						
9. Population growth	.030**	-.098**	-.043**	.019**	.043**	-.049**	.151**	-.049**	1					
Country Level Variables														
10. Voice and Accountability	-.019**	.172**	.023**	-.054**	-.067**	.688**	-.393**	-.342**	-.341**	1				
11. Political Stability	-.009**	.115**	.010**	-.054**	-.032**	.621**	-.168**	-.211**	-.160**	.663**	1			
12. Government Effectiveness	-.025**	.171**	.010**	-.049**	-.073**	.795**	-.297**	-.204**	-.183**	.794**	.767**	1		
13. Regulatory Quality	-.010**	.173**	.018**	-.055**	-.073**	.741**	-.286**	-.255**	-.201**	.847**	.695**	.929**	1	
14. Rule of law	-.023**	.184**	.009**	-.051**	-.075**	.812**	-.354**	-.216**	-.214**	.848**	.750**	.963**	.943**	1

N= 6,96,882 observations

Table 3 shows the random effect logistic regression models effecting the international entrepreneurial entry of the new venture. A three-step strategy was adopted for the hypotheses testing. In the initial phase of the study, we included all control variables that are associated with individual-level and country-level variables in order to evaluate the share of explained variance. Further proceeding to the second phase all the predictors were added in order to evaluate their influence on international entrepreneurial entry (as depicted in Table 3, in Column 2). Finally, in the last step the interaction relationships of every institutional (Country-level) dimension were added (i.e. as depicted in Table 3, from Columns 3 to 7). Additionally, the interaction process was performed by multiplying the individual county-level institutional indicator with the individual-level social capital to produce five interaction terms for international entrepreneurial entry.

Figures depicted in the table 3 (from Column 3 to 7) reports the β coefficients of the mixed effects of logistic regression. Indicating that the individuals on average with high social capital ($\beta > 1.09$) are more likely to enter into the international market than those with low social capital and this finding provides support to our individual-level hypotheses 1, in a way that international entrepreneurial entry is positively associated with social capital possessed by an entrepreneur. The study reports interesting findings by reporting the direct impact of country-level institutional variables on international entrepreneurial entry which depicts that indicators like voice and accountability ($\beta = -0.03$; $p < 0.1$), political stability ($\beta = -0.18$; $p < 0.001$), government effectiveness ($\beta = -0.07$; $p < 0.1$) and regulatory quality ($\beta = -0.78$; $p < 0.001$) have negative relationship while rule of law ($\beta = 1.14$; $p < 0.001$) has positive relationship and provides support for our hypothesis H2, A-E.

In order to investigate hypothesis (H3, A-E) a cross-level moderation effects between social capital and institutional governance indicators were introduced (as depicted in Table 3, from Column 3 to 7). Further, the result for moderating role of the interaction between social capital and institutional governance voice and accountability indicator ($\beta = 0.13$; $p < 0.01$), political stability ($\beta = 0.11$; $p < 0.01$), government effectiveness ($\beta = 0.17$; $p < 0.01$), regulatory quality ($\beta = 0.15$; $p < 0.01$) and rule of law ($\beta = 0.16$; $p < 0.01$) revealed positive and significant relationships and thus we find positive support for our remaining hypothesis i.e. H3, A-E.

Table 3

Predicting Individual level New Venture International Entrepreneurial Entry

		1	2	3	4	5	6	7
Fixed Part Estimates								
Control Variables (Individual level)								
Age		-0.01*** (0.00)	-0.01*** (0.00)	-0.01*** (0.00)	-0.01*** (0.00)	-0.01*** (0.00)	-0.01*** (0.00)	-0.01*** (0.00)
Gender		-0.52*** (0.01)	-0.44*** (0.01)	-0.44*** (0.01)	-0.44*** (0.01)	-0.44*** (0.01)	-0.44*** (0.01)	-0.44*** (0.01)
Household Income		0.29*** (0.01)	0.22*** (0.01)	0.22*** (0.01)	0.22*** (0.01)	0.22*** (0.01)	0.22*** (0.01)	0.22*** (0.01)
Control Variables (Country-level)								
GDP capita		0.75*** (0.02)	0.87*** (0.03)	0.87*** (0.03)	0.88*** (0.03)	0.88*** (0.03)	0.88*** (0.03)	0.88*** (0.03)
GDP growth		0.07*** (0.01)	0.11*** (0.02)	0.11*** (0.02)	0.11*** (0.02)	0.11*** (0.02)	0.11*** (0.02)	0.11*** (0.02)
Population		0.00+ (0.00)	0.00* (0.00)	0.00* (0.00)	0.00+ (0.00)	0.00+ (0.00)	0.00+ (0.00)	0.00* (0.00)
Population growth		0.06*** (0.01)	0.07*** (0.01)	0.07*** (0.01)	0.07*** (0.01)	0.07*** (0.01)	0.07*** (0.01)	0.07*** (0.01)
Main Effects (Individual level)								
Social Capital	H1		1.09*** (0.01)	1.00*** (0.01)	1.10*** (0.01)	1.10*** (0.01)	1.09*** (0.01)	1.00*** (0.01)
Main Effects (Country level)								
Voice and Accountability	H2A		-0.03+ (0.08)	-0.12+ (0.08)	-0.03+ (0.08)	-0.03+ (0.08)	-0.03+ (0.08)	-0.03+ (0.08)
Political Stability	H2B		-0.18*** (0.04)	-0.17*** (0.04)	-0.24*** (0.04)	-0.17*** (0.04)	-0.17*** (0.04)	-0.17*** (0.04)
Government Effectiveness	H2C		-0.07+ (0.07)	-0.07+ (0.07)	-0.07+ (0.07)	-0.18* (0.07)	-0.07+ (0.07)	-0.07+ (0.07)
Regulatory Quality	H2D		-0.78*** (0.08)	-0.78*** (0.08)	-0.77*** (0.08)	-0.77*** (0.08)	-0.87*** (0.08)	-0.78*** (0.08)
Rule of Law	H2E		1.14*** (0.11)	1.13*** (0.12)	1.13*** (0.11)	1.12*** (0.12)	1.13*** (0.12)	1.03*** (0.12)

Continue on next page

Table 3 (Continued)

		1	2	3	4	5	6	7
Fixed Part Estimates								
Cross level Interaction Terms								
Social Capital X Voice and Accountability	H3 A			0.13*** (0.01)				
Social Capital X Political stability	H3 B				0.11*** (0.01)			
Social Capital X Government Effectiveness	H3 C					0.17*** (0.01)		
Social Capital X Regulatory quality	H3 D						0.15*** (0.01)	
Social Capital X Rule of law	H3 E							0.16*** (0.01)
Random Part estimates								
Number of observations		696882	696882	696882	696882	696882	696882	696882
Number of groups (countries)		70	70	70	70	70	70	70
Model Fit Statistics								
Degree of freedom (No. of variables)		7	13	14	14	14	14	14
Chi-square		4866.13	11044.44	11124.30	11085.79	11161.78	11162.14	11173.11
Prob > Chi-square		***	***	***	***	***	***	***
Log likelihood		-105640.58	-102175.68	-102132.48	-102135.78	-102099.04	-102116.42	-102105.81
LR test for goodness of fit		***	***	***	***	***	***	***

Notes: Standard errors were reported in parentheses. Bold represents the hypothesis. All significance are reported at two-tailed test, *** p < 0.001, ** p < 0.01, * < p 0.05, + < p 0.1

RECOMMENDATIONS AND FUTURE RESEARCH

1. Existing research focused on the positive dimensions of entrepreneurial social capital as a resource that can be at the same time a constraint as well and could be expensive to acquire specifically for the early stage entrepreneurs, therefore research on dark side of entrepreneurial social capital is also required to examine the impact of overreliance on these networks because as a rule when someone provides you with suitable resources in the form of advice or consultancy, or even financially it mostly comes at cost.
2. In the presence of a strong institutional environment, the society's few relevant formal institutional factors were considered in the existing research which influence on individuals decision-making behavior. But as there are various other institutional factors that have their importance as well, which can be considered for the future studies in the institutional context.
3. Further the study has focused on the formal institutions and there will be an interesting future avenue to explore the impact of informal institutions as well, because these institutions are the important components in shaping the behavior of the society.

CONCLUSIONS

The aim of paper is to develop a theoretical model for social capital possessed by entrepreneurs to achieve better international entry in the context of hostile institutional environment. While in general context entrepreneurs possessing a strong social capital are in a better position to get access to the required resources for entering into the international market specially in the context of weak institutional governance, they were able to benefit from their social capital to achieve the desired outcome, in this case it's international entrepreneurial entry.

1. Even though the role of social capital in entrepreneurs decision making process has been explored previously and has been reported as being beneficial in overcoming the deficiencies in the formal environment (Ahlstrom and Bruton, 2010) but previous research lacks how social capital possessed by nascent entrepreneurs can be beneficial for entering into the international market in the context of weak formal institutional environment which is what our study has empirically provided its evidence which helps us to generalize our findings.
2. Keeping in mind the significance of multi-level research in the field of entrepreneurship having an excessive reliance on economic institutions which actually

sets the competition in the market and forces entrepreneurs to rely on their valuable tangible and intellectual resources (Kirzner, 1982; McMullen and Shepherd, 2006). With the passage of time the interest of scholars in multilevel context is growing and however studies have started to explore the relationships among variables at different level of analysis (e.g. Autio et al., 2013). This gaining momentum of research has served the motivation for our study to conduct empirical analysis at multilevel and observe the behavior of country-level institutions on individual-level entrepreneurial behavior.

3. Finally, study has implications for the institutional agencies which will assist them in minimizing transaction cost, reducing the perceived risk attached with the internationalization of new ventures and providing the support for entrepreneurs to step into unknown international markets. Further the study has used GEM data set for its analysis at individual level and it collects data for a specific time therefore it can't be generalized for a longer time frame and for which a longitudinal research is a better option.

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