Submitted: 01/02/2018 - Accepted: 02/03/2018 - Published: 28/07/2018

The Impact of Institutional Obstacles and Facilitators on Innovative Firms in Kosovo

Albulena Kadriu

DOI: 10.26417/ejme.v1i1.p7-9

Abstract

In transition economies, institutions undergo rapid and dynamic transformations, creating a volatile operational landscape where static institutional models fail to capture the reality of business growth. Grounded in institutional theory, this study examines the dual impact of institutional obstacles and facilitators on innovative small and medium enterprises (SMEs) in Kosovo. It explores how regional and European cooperation schemes act as vital strategic bridges, enabling local entrepreneurs to overcome domestic institutional voids, access missing resources, secure financial capacity, and expand research and development capabilities. The paper details the mechanism of deinstitutionalization, demonstrating how cross-border partnerships disrupt traditional practices and drive a process of re-institutionalization toward internationally recognized standards and institutional legitimacy. Furthermore, the analysis addresses the systemic trade-offs of entering international alliances, balancing benefits such as knowledge transfer, scale, and competitive positioning against operational risks including loss of control and partner asymmetry. Ultimately, this paper highlights the pivotal role of international integration in mitigating domestic institutional constraints, providing strategic insights for policy formulation and SME management in emerging transition markets.

Keywords: The Impact of Institutional Obstacles and Facilitators on Innovative Firms in Kosovo

Introduction

Theoretical and conceptual issues

Institutional theory views SMEs as entrenched in institutional arrangements (Busenitz, Gomez and Spencer, 2000). These institutional arrangements impact the activities of organizations and individuals in subtle but wide-ranging ways (Scott, 1995, 2002), which in turn affect SMEs decision making to develop and produce (Lau, Tse and Zhou, 2002; Hitt, Ahlstrom and Dacin, 2004) and strategies (Peng, Wang and Jiang, 2008).

This theory assumes that institutions are relatively stable over time and, in fact, can be difficult to change (Brint and Karabel, 1991). Thus, in much of the research for developed economies, the time frame examined may include multiple decades, but in transition economies, change can be more compacted and dynamic. Thus, the typical perception of institutions as static and unchanging is not appropriate for transition economies since they have experienced an emphasized institutional upheaval in a short time (Newman, 2000). One of the main factors for this dynamic change and deinstitutionalization is the cooperation of local firms with international partners (Scott, 2002). The process of deinstitutionalization happens due to different sets of values, practices and systems of partners who find it difficult to integrate them to a common framework without implementing additional adjustments (Parkhe, 2003). The deinstitutionalization and weakening of current institutions lead to a search for re-institutionalization of new adjustments and solutions acceptable by both partners. Although, the presence of international alliances initially weakens current institutional framework, in long term institutions improve because organizations tend to model themselves after similar organizations which are perceived to be more legitimate or successful (Powell and DiMaggio, 1991).

Previous studies have shown that network created by cooperation of firms with each other can increase the creativity and the performance of firms (Powell, Koput and Smith-Doerr, 1996). Firms use networks to gain access to missing resources (Spekman, Isabella and MacAvoy, 2000; Rothaermel and Boeker, 2008) financial capacities, research and development facilities (Premaratne, 2001) and referrals and contacts (Stuart, Hoang and Hybels, 1999). In addition, network boost the ability to compete (Pfirrmann, 1998), increase economies of scale and scope (Gomes-Casseres, 1997), collaboration, learning and opportunities (Hamel, 1991; Massa and Testa, 2008) and efficiency (Ahuja, 2000).

However, firms that are part of network or alliances have to face challenges as well. For example, they can be seized by the larger firm (Alvarez and Barney, 2001) or lose control when cooperating with them (Gomes-Casseres, 1997). In this context, alliances offer opportunities for cheating, poor investment in joint projects, and no fulfilment of responsibilities and commitments (Ahuja, 2000). Despite these network weaknesses, SMEs understand that it is crucial to build a complex network that enables different domestic and international participants to share knowledge, benefit from complementary competencies (Bullinger, Auernhammerb and Gomeringer, 2004) and survive market competitiveness (Dodgson, Gann and Salter, 2006). Finally, foreign firms provide to local SMEs new ideas that help them enter market with new products (Liefner, Hennemann and Xin, 2006).

Data collection

To critically investigate the impact of institutional obstacles and facilitators on innovation and explore European and regional cooperation schemes of innovative entrepreneurs in Kosovo we will be using interviews as a qualitative method. This approach starts from the expected relationships as identified in the existing literature and involves a movement from theoretically derived propositions to the collection of data with which to test those propositions.

Considering that structured interviews reduce the opportunity to extract more information and validate the researcher's preference (Gray, 2013), I have decided to use semi-structured interviews, in which the researcher allows respondents to disclose more information on their own. Semi structured interviews aim to collect qualitative data and act as a guideline to the interviewer, while allowing a certain degree of control to the researcher. Initially, 40 interviews designed as per existing protocol in literature (Gray, 2013; Easterby-Smith, Thorpe and Jackson, 2012) are planned to be conducted. This number may change referring to that point at which we sense we have encountered the amount of repetition that gives us the confidence to write and make analytical generalisations (Baker, Edwards and Doidge, 2012).

Methodology

The approach to be adopted for data analysis will be based on the instructions generated by earlier researchers (Creswell, 2003; Denzin and Lincoln, 1998). Initially raw data obtained from the questionnaires will be coded for descriptive statistics. In addition, the process will continue through following steps: reading through the data, underlining themes and making notes to get an overall sense of its meaning. Initially emerging themes will be noted and categories will be formed with respective codes attached.

The analysis of qualitative data will be compared through a matrix that has the key themes generated from theory and prior research. In the second step, the grouping and generation of concepts will be done. Mapping and interpretation will be done in the third stage, where similar cases will be grouped. In the final step, the results in narratives including quotes lifted directly from the framework matrix to support my arguments will be written up.

Research Plan

Research plan	May 2018	June 2018	July 2018	August 2018	September 2018	October 2018	November 2018	December 2018
Kick off workshop in Thessaloniki, Greece	■							
Literature review	■	■						
Conceptual Framework and theoretical model			■					
Design of Semi-structured interviews and data collection				■				
Data analysis					■			
Results						■		
Discussions						■		
Revision and submission							■	■

References

[1] Ahuja, G. (2000) 'Collaboration Networks , Structural Holes , and Innovation : A Longitudinal Study Gautam Ahuja', *Administrative Science Quarterly*, 45(3), pp. 425–455.

[2] Alvarez, S.A. and Barney, J.B., 2001. How entrepreneurial firms can benefit from alliances with large partners. *The Academy of Management Executive*, *15*(1), pp.139-148.

[3] Baker, S.E., Edwards, R. and Doidge, Mark (2012) How many qualitative interviews is enough?: expert voices and early career reflections on sampling and cases in qualitative research [Working Paper]

[4] Brint, S. and Karabel, J. (1991) 'Institutional origins and transformations: The case of American community colleges', *The new institutionalism in organizational analysis*.

[5] Bullinger, H.J., Auernhammer, K. and Gomeringer*, A., 2004. Managing innovation networks in the knowledge-driven economy. *International Journal of Production Research*, *42*(17), pp.3337-3353.

[6] Busenitz, L.W., Gomez, C. and Spencer, J.W., 2000. Country institutional profiles: Unlocking entrepreneurial phenomena. *Academy of Management journal*, *43*(5), pp.994-1003.

[7] Creswell, J.W., Plano Clark, V.L., Gutmann, M.L. and Hanson, W.E., 2003. Advanced mixed methods research designs. *Handbook of mixed methods in social and behavioral research*, *209*, p.240.

[8] David E. Gray (2009) 'Doing Research in the Real World', in. Sage Publications.

[9] Denzin, N.K. and Lincoln, Y.S., 1998. The landscape of qualitative research: Theory and issues.
[10] Dodgson, M., Gann, D. and Salter, A., 2006. The role of technology in the shift towards open innovation: the case of Procter & Gamble. *R&D Management*, *36*(3), pp.333-346.
[11] Easterby-Smith, M., Thorpe, R. and Jackson, P. (2012) 'Management research'. Sage
[12] Gomes-Casseres, B., 1997. Alliance strategies of small firms. *Small Business Economics*, *9*(1), pp.33-44.
[13] Hamel, G., 1991. Competition for competence and interpartner learning within international strategic alliances. *Strategic management journal*, *12*(S1), pp.83-103.
[14] Hitt, M.A., Ahlstrom, D., Dacin, M.T., Levitas, E. and Svobodina, L., 2004. The institutional effects on strategic alliance partner selection in transition economies: China vs. Russia. *Organization science*, *15*(2), pp.173-185.
[15] Lau, C.M., David, K.T. and Zhou, N., 2002. Institutional forces and organizational culture in China: Effects on change schemas, firm commitment and job satisfaction. *Journal of International Business Studies*, *33*(3), pp.533-550.
[16] Liefner, I., Hennemann, S. and Xin, L., 2006. Cooperation in the innovation process in developing countries: empirical evidence from Zhongguancun, Beijing. *Environment and Planning A*, *38*(1), pp.111-130.
[17] Massa, S. and Testa, S., 2008. Innovation and SMEs: Misaligned perspectives and goals among entrepreneurs, academics, and policy makers. *Technovation*, *28*(7), pp.393-407.
[18] Newman, K.L., 2000. Organizational transformation during institutional upheaval. *Academy of Management review*, *25*(3), pp.602-619.
[19] Parkhe, A. (2003) 'Institutional environments, institutional change and international alliances', *Journal of International Management*, 9(3), pp. 305–316.
[20] Peng, M.W., Wang, D.Y. and Jiang, Y., 2008. An institution-based view of international business strategy: A focus on emerging economies. J*ournal of international business studies*, 39(5), pp.920-936.
[21] Pfirrmann, O., 1998. Small firms in high tech–a European analysis. *Small Business Economics*, *10*(3), pp.227-241.
[22] Powell, W. and DiMaggio, P. (1991) *The new institutionalism in organizational analysis*. Chicago: Chicago Press.
[23] Powell, W.W., Koput, K.W. and Smith-Doerr, L., 1996. Interorganizational collaboration and the locus of
[24] innovation: Networks of learning in biotechnology. *Administrative science quarterly*, pp.116-145.

[25] Premaratne,S.P.,2001.Networks,resources,andsmallbusinessgrowth:TheexperienceinSri Lanka. *Journal of small business management*, *39*(4), p.363.

[26] Rothaermel, F.T. and Boeker, W., 2008. Old technology meets new technology: Complementarities, similarities, and alliance formation. *Strategic Management Journal*, *29*(1), pp.47-77.

[27] Scott, W.R., 1995. Institutions and organizations. Foundations for organizational science. *London: A Sage Publication Series*.

[28] Scott, W.R., 2002. The changing world of Chinese enterprise: An institutional perspective. In *The management of enterprises in the People's Republic of China* (pp. 59-78). Springer, Boston, MA.

[29] Spekman, R., Isabella, L. and MacAvoy, T. (2000) 'Alliance Competence: Maximizing the Value of Your Partnerships, John Wiley& Sons', *Inc, New York*.

[30] Stuart, T.E., Hoang, H. and Hybels, R.C., 1999. Interorganizational endorsements and the performance of entrepreneurial ventures. *Administrative science quarterly*, *44*(2), pp.315-349.

[31] Gray, D.E., 2013. *Doing research in the real world*. Sage.