



THE STUDY OF THE INSTITUTIONAL INFLUENCE UPON ENTREPRENEURSHIP: A REVIEW AND PATHS FOR FIELD DEVELOPMENT

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Abstract:

Even though contributions in the field of entrepreneurship have mostly focused on emphasising the role of the entrepreneur and their ventures, further understanding of contextual elements that influence entrepreneurship also represents a benefit for field development. Furthermore, according to extant literature, the institutional literature is an appropriate framework to analyse how the contextual elements and mechanisms create influences for entrepreneurship. An increasing interest in the study of these institutional contextual influences creates the imperative to identify trends and research opportunities that are developing within this line of research. As a result, this study has the objective of conducting a review that identifies 61 articles from leading international journals, from 1999 to 2023. This review article presents the key themes found about the contextual influence upon entrepreneurship and proposes ways forward for the enrichment of these identified themes.

Keywords. Entrepreneurship; Institutional Influence; Context for entrepreneurship; New ventures; Institutional Analysis

EL ESTUDIO DE LA INFLUENCIA DEL CONTEXTO INSTITUCIONAL EN EL EMPRENDIMIENTO: UNA REVISIÓN DE LA LITERATURA Y HORIZONTES PARA EL DESARROLLO DEL CAMPO DE INVESTIGACIÓN

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Resumen:

Si bien las contribuciones en el estudio académico del emprendimiento se han centrado principalmente en enfatizar el papel del emprendedor y sus emprendimientos, una mayor comprensión de los elementos contextuales que influyen en el emprendimiento representa también un beneficio para el desarrollo de este campo de estudio. De acuerdo con investigaciones recientes, la literatura institucional es un marco teórico apropiado para analizar cómo los elementos y mecanismos contextuales crean influencias para el emprendimiento. Un interés creciente en el estudio de estas influencias contextuales institucionales crea el imperativo de identificar tendencias y oportunidades de investigación que se estén desarrollando dentro de esta línea de estudio. Como resultado, este estudio tiene el objetivo de realizar una revisión de la literatura que identificó 61 artículos dentro de un grupo importantes revistas académicas internacionales, desde 1999 hasta 2023. Este artículo de revisión presenta los temas clave encontrados en la literatura que estudian la influencia contextual en el emprendimiento, y propone caminos a seguir para el enriquecimiento de estos temas identificados.

Palabras Claves. Emprendimiento; Análisis institucional; Contexto para el emprendimiento; Creación de empresas

O ESTUDO DA INFLUÊNCIA DO CONTEXTO INSTITUCIONAL NO EMPREENDEDORISMO: UMA REVISÃO DA LITERATURA E HORIZONTES PARA O DESENVOLVIMENTO DO CAMPO DE PESQUISA

Resumo:

Embora as contribuições no estudo acadêmico do empreendedorismo tenham se concentrado principalmente em enfatizar o papel do empreendedor e de seus empreendimentos, uma maior compreensão dos elementos contextuais que influenciam o empreendedorismo também representa um benefício para o desenvolvimento deste campo de estudo. De acordo com pesquisas recentes, a literatura institucional é um quadro apropriado para analisar como os elementos e mecanismos contextuais criam influências para o empreendedorismo. Um interesse crescente no estudo destas influências contextuais institucionais cria um imperativo para identificar tendências e oportunidades de pesquisa que estão se desenvolvendo dentro desta linha de estudo. Como resultado, este estudo tem como objetivo realizar uma revisão de literatura que identificou 61 artigos dentro de um grupo de importantes periódicos internacionais, de 1999 a 2023. Este artigo de revisão apresenta os principais temas encontrados na literatura sobre influência contextual no empreendedorismo e propõe caminhos para siga para enriquecer esses tópicos identificados.

Palabras chave. Empreendedorismo; Análise institucional; Contexto para o empreendedorismo; Criação de negócios.

1. INTRODUCTION:

Although contributions in the field of research of entrepreneurship have emphasised the role entrepreneur and their ventures, further understanding of contextual elements that influence entrepreneurship also represent a benefit for field development (Autio et al., 2014; Filatotchev; Ireland, & Stahl, 2022; Welter, 2011) and field revitalization (Hoskisson et al., 2011). As a result, studies embracing the relationships of the context and entrepreneurship play an important role at theoretical, empirical, and practical level (Baumol & Strom, 2007; Bruton, Ahlstrom, & Li, 2010; Busenitz et al., 2003; Phan, 2004). At the same time, institutional literature is recognised as a “contextually sensitive theoretical framework” (Filatotchev, Ireland, & Stahl, 2022, p.2) that is appropriate to obtain explanations about contextual influence upon entrepreneurial phenomena (Tolbert et al., 2011), as entrepreneurship “manifests as a multi-level phenomenon” (Busenitz et al., 2003, p.303).

The intersection of institutional literature and entrepreneurship research was initially defined as “neglected in the past” (Tolbert et al., 2011, p.1340) but recently has started growing in rates of contribution to gaining momentum as a diverse and dynamic line of research (Filatotchev et al., 2022). For instance, literature about the institutional context and entrepreneurship offers knowledge about how macro level structures, or mechanisms, constrain or enable entrepreneurial behaviours (Shane, 2003; Sine & David, 2010; Welter, 2011). This line of research continues bringing important insights that require constant identification and acknowledgement (Shepherd et al., 2019).

While previous reviews about institutions and entrepreneurship have helped to understand the relevance and development of established themes, i.e., institutional context influence upon entrepreneurial commercial behaviour, there is a need for an acknowledgement of recent themes and insights, that along with more traditional themes, will contribute to further development and revitalization of the literature.

Emerging themes also take part in the development of the literature (Hoskisson et al., 2011). While some elements of this line of research, the interface of the institutional context and entrepreneurship phenomena, have been studied giving maturity to some themes and others could also benefit from acknowledgment and further development.

Accordingly, the aim of this review is to identify themes in the literature of institutions and entrepreneurship to gather insights that allow to gain enhanced understanding of the influence of the institutional context upon entrepreneurship. Additionally, and based on the findings, this review also aims to present a set of opportunities ahead for further development.

In sum, this review is aimed to identify key themes and propose ways to enhance research in the identified areas. This study follows the research question: What are the key themes and insights from the research on the influence of the institutional context upon entrepreneurship that contribute further to the development on this line of research?

The following review is organized as follows. The next section will offer an overview of the main elements of the institutional literature that will guide the analysis of the results. The methodology section will address the review approach. After the methodology section, the results of the review will be presented, to finally create a discussion of potential ways these identified themes can be developed.

2. THEORETICAL BACKGROUND:

Following previous review methodologies from the literature (i.e., Kimjeon & Davidsson, 2022) this review is guided by a theoretical background, and as noted in the previous section, this review applies institutional literature, as it is appropriate for the research about the influence of the context upon entrepreneurship (Bruton et al., 2010; Shane, 2003; Tolbert et al., 2011). Institutional literature recognizes the external forces existing in the context that individuals and

organizations face, to analyse from a macro perspective the influence upon microlevels.

Institutions are intended to convey certainty by setting structures to “human interaction” (North, 1990, p.6). These constraints, institutional elements, and mechanisms (Scott, 2008) act as enablers or barriers to create a system of incentives (Baumol & Strom, 2007; Kimjeon & Davidsson, 2022) with formal (written rules and laws devised by regulative authorities), known as the “Underlying rules” (North, 1990 p. 5) and informal (shared values, norms, meanings, and cognitions -immerse in society) (Baumol & Strom, 2007; North, 1990). Individuals (entrepreneurs) and their organizations are influenced by these institutional mechanisms and elements (Scott, 2008) as conforming to these may affect their legitimacy (Scott, 2008; Suchman, 1995) which is crucial to grow, and survive (Sine & David, 2010). At the same time, the formal and informal mechanisms, and elements “shape opportunities and affect whether or not individuals choose to engage in entrepreneurial activity” (Sine & David, 2010, p.2).

The entrepreneur will pursue different goals and missions because of the “opportunity set” (North, 1990, p.5) created by the different institutional elements and mechanisms (Scott, 2008). However, institutional analysis of entrepreneurship is not a limited field, as it is actively enhanced by the inclusion of new subjects about entrepreneurship, the entrepreneur, and their context (Tolbert et al., 2011), which complements the understanding about entrepreneurship as a diverse and dynamic field (Busenitz et al., 2000; Bruton et al., 2010; Hoskisson et al., 2011). After this overview of the theoretical lenses adopted for this review, this chapter presents the methodology.

3. REVIEW METHODOLOGY :

This review follows the methodology proposed by Denyer and Tranfield (2009) for reviewing literature and it also builds on previous reviews in the field of entrepreneurship research (i.e., Hoskisson et al., 2011). Accordingly, the first step was formulating the question that guides the review (“Question

formulation”) (Denyer and Tranfield 2009, p.681), which is: *What are the themes and insights in the study of the influence of the institutional context upon entrepreneurship that contribute to further development on this line of research?*

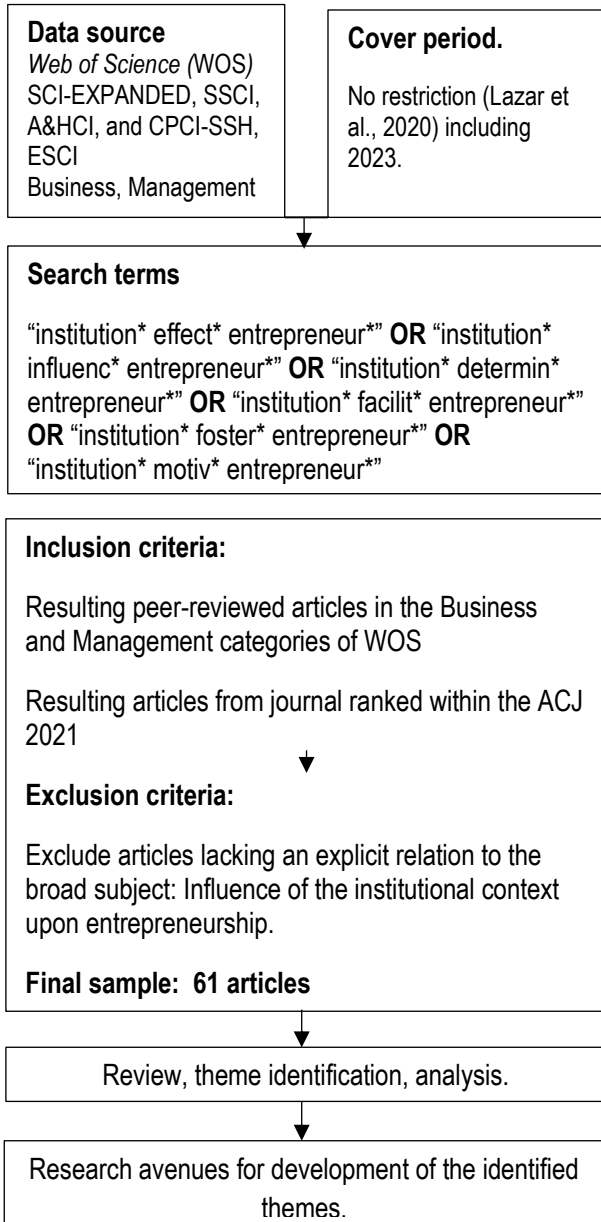
The next step, literature search, used the electronic search as the primary method. The *Web of Science* was the search engine chosen (Menghwar & Daood, 2021; Snihur et al., 2022). The search query employed the following keywords: “institution* effect* entrepreneur*” OR “institution* influenc* entrepreneur*” OR “institution* determin* entrepreneur*” OR “institution* facilit* entrepreneur*” OR “institution* foster* entrepreneur*” OR “institution* motiv* entrepreneur*”. The previous combinations of keywords were formulated to capture the broad sense of each expression by using a star sign *. At this point, the criteria included no restrictions to obtain a broad sample. The Indexes used were the SCI-EXPANDED, SSCI, A&HCI, and CPCI-SSH, ESCI. The analysis continued finetuning the selection of papers within this literature search stage by retrieving only peer-reviewed articles in the Business and Management categories. The following action was using the Result Analysis Tool (“Analyse Results”) to visualize the results by Journal (Source Titles). Visualizing results by journal permits identifying at a glance journal with a focus on the search criteria. At this stage, the only criterion for exclusion was that journals should be ranked in the Academic Journal Guide (AJG) 2021. An inclusion criterion for journals was the number of articles associated with each journal combined with validation of their ranking within the ACJ 2021 list (Saebi et al., 2019). After refining the journals in the search, preliminary articles were obtained. Next, the search query was checked to ensure that it would not obtain results from the “automatic keywords” added by electronic databases algorithms and are not created purposely by the author(s), which might affect the quality of the results.

DEFINITIVE SAMPLE

The third step in the review methodology, “Study Selection and evaluation,” according to Denyer and Tranfield (2009), was executed by following the instruction of reading the title, keywords, abstract, and other sections, if needed, for each article, and by looking for validation that the article was correspondent with the review question.

The definitive exclusion criterion for the definitive sample focused on articles that studied the influence of the institutional context upon entrepreneurship clearly and visibly, as the research question states. From this process, 61 articles resulted and were part of a focused review scope evaluation. The articles were then organized and grouped by the main theme of the paper.

Figure 1. Review Methodology



The resulting time span of the articles in the sample starts in 1999 (Figure 2).

Figure 2. Publications by Year

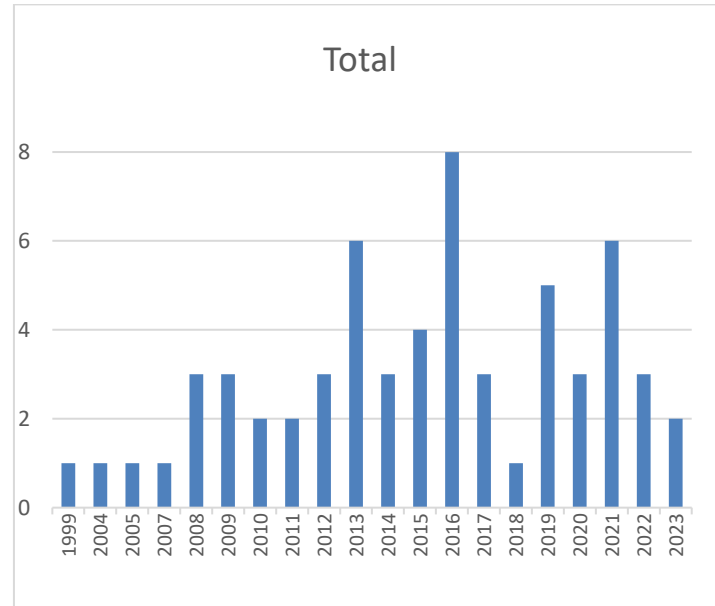


Table 1. Publication Source

Title of Journal	Total
<i>Academy Of Management Annals</i>	1
<i>Academy Of Management Perspectives</i>	2
<i>Academy Of Management Review</i>	4
<i>Administrative Science Quarterly</i>	1
<i>Entrepreneurship And Regional Development</i>	2
<i>Entrepreneurship Theory and Practice</i>	9
<i>International Business Review</i>	1
<i>International Journal of Entrepreneurial Behavior & Research</i>	1
<i>International Small Business Journal</i>	1
<i>Journal Of Business Research</i>	3
<i>Journal Of Business Venturing</i>	11
<i>Journal Of International Business Studies</i>	5
<i>Journal Of Management</i>	2
<i>Journal Of Management Studies</i>	3
<i>Journal Of Small Business Management</i>	2
<i>Journal Of World Business</i>	1
<i>Small Business Economics</i>	8
<i>Strategic Entrepreneurship Journal</i>	4
Grand Total	61

4. REVIEW FINDINGS:

After obtaining the definitive sample, each article was reviewed with detail (step 4 from the adopted methodology). The fifth step was developing the review by grouping papers by the identified themes.

IDENTIFIED THEMES

The institutional context and commercial entrepreneurship

One of the themes found in the literature is studies about the nexus of institutions and commercial entrepreneurial entry and type, explained by the influence of the institutional context. This is a theme that has allowed understanding of conditions that favour and hinder entrepreneurship and given initial driving force for research development (Bruton et al., 2010). This literature has expanded through the study of formal and informal institutions as separate lines of research, and more recently some studies have started to integrate both views (i.e., McMullen, Bagby, & Palich, 2008; Stenholm et al., 2013).

One general insight about the formal institutions is that these can influence the evolution of the whole industry by conveying barriers, or enabling elements, for entrepreneurial entry (Spencer et al., 2005). The formal institutional stream tends to focus on coercive and supportive mechanisms, following seminal literature, i.e., Baumol (1990), North (1990), Williamson (2000), and Baumol & Strom, (2007).

An important number of contributions have studied formal institutions influencing the quantity and rate of entrepreneurship. Most studies on the formal institutional path agree on economic and political notions that individuals enter into entrepreneurship influenced by the institutional mechanisms that enable economic freedom, understood as the maximization of potentialities for individuals to participate in market transactions (Bradley & Klein, 2016; Bradley et al., 2021; Boudreaux & Nikolaev, 2019; McMullen et al., 2008; Valdez & Richardson, 2013). These relationships of mechanisms that enable economic freedom and

entrepreneurship have been mostly explained as influences for commercial entrepreneurial entry when at optimum levels (Gohmann, 2012). For example, entrepreneurial entry has been linked to a strong rule of law, (efficient property rights protection, among other qualities of contracts and ownership protection), and also sound business environment regulation with effective and balanced tax systems, and an appropriate control of corruptive practices from public agents (Aidis, Estrin, & Mickiewicz, 2012; Anokhin & Schulze, 2009; Belitski, Chowdhury, & Desai, 2016; Bjørnskov & Foss, 2016, 2013; Levie & Autio, 2011; Valdez & Richardson, 2013). Seminal literature, i.e., Henrekson & Johansson, (1999) showed that the entrepreneurial entry rate of Sweden was increasingly diminished caused by stringent formal mechanisms, i.e., a burdensome tax system, and a disproportioned size of the government, understood as high involvement in industrial production, were related to the decrease in participation of small new ventures. Additionally, Carbonara, Santarelli, & Tran, (2016) provided evidence about the constitutional underpinnings of an economy as determinants of entrepreneurial activity. They found in a sample of 115 countries that national constitutions conveying principles enabling business freedom, control of corruption, consumer protection, and focus on building human capital, were positively related to entrepreneurial entry.

A stream of research in formal arrangements has focused on understanding weak institutional contexts and its impact upon entrepreneurial entry. This research has emerged mostly as studies about non-western economies, i.e., transition economies. Studies in this line of research have identified formal mechanism that constrain freedom harmful for entrepreneurship entry in these contexts (Gohmann, 2012). A big interference occurs when levels of corruption are severe, along with other ineffective or weak mechanisms, for example with incipient rule of law (Estrin et al., 2016; Levie & Autio, 2011) with vulnerable property rights, thus increasing expropriation risks (Aidis et al., 2008).

As mentioned in the theoretical background, multiple views about the informal institutional context surround the study of entrepreneurship (Li & Zahra, 2012). The literature about institutional influence related to commercial entrepreneurial entry presents diverse studies with different operationalizations of informal institutions (i.e., shared values, social norms, beliefs) (De Clercq et al., 2010). For example, studies have found evidence in social trust as a predictor of entrepreneurial entry (Corradini, 2022). In this study, the author infers that this informal representation enables the exchange of information and knowledge, which is significantly related to new venture entry. Other studies address values and social norms, i.e., Urbano & Alvarez, (2014) who pose that the social acceptance of entrepreneurship as a career, the status that entrepreneurs have in a country, along with the attention entrepreneurship receives in media, influences entrepreneurship entry.

Other studies have followed a different path in the perspective of informal institutions and entrepreneurial entry. Stephan & Uhlaner (2010) discuss entrepreneurial behaviour analysed from an institutional perspective using national level cultural practices (i.e., Hofstede's dimensions of culture) as representations of informal institutions. Two categories of cultural practices were identified, performance-based cultural practices and socially supportive cultural practices to be hypothetically linked to entrepreneurial entry. However, the cultural practices in the performance-based category studied were not directly related to entrepreneurship.

Lastly, contributions about the antecedents of entrepreneurial entry also focus on explaining based on the relationships and configurations of formal and informal institutions. This research about formal, alongside informal institutional elements and mechanisms (Scott, 2008), and entrepreneurial entry, is noticeably more multidisciplinary, thus the approaches are taken from diverse perspectives with debated views. For instance, Stenholm, Acs & Wuebker, (2013) include dimensions of informal institutions related to entrepreneurship to formal

institutional mechanisms. Building on previous literature about entrepreneurship (i.e., Busenitz et al., 2000; Casson, 2003), they hypothesise entrepreneurial entry can be explained by the status that entrepreneurs have in a country, along with the media coverage or attention that entrepreneurship receives. One relevant set of insights argues that the misaligned inter-relatedness of formal and informal institutions can become a barrier that hinders entrepreneurial activity, when the institutional asymmetry of informal and formal dimensions collides (Williams & Vorley, 2015). Sine, Haveman, & Tobert, (2005) showed that the formal and informal contexts can impulse the surge of a new industry. This seminal study about venture creation in the electricity generation sector in the United States demonstrated that new laws that allowed for private firms to start offering these services impulse the emergence of the new sector. State support followed the inclusion of new regulations, alongside court rulings reinforcing the economic and legal viability, and certainty, of the new sector, which influenced venture creation. The study shows that along with formal mechanisms, the informal institutional forces (i.e., increased media coverage with neutral and positive accounts) played a part in influencing the rate of electricity start-ups.

Even though institutions and entrepreneurship literature has benefited from the study of institutional conditions for commercial entrepreneurial entry, which entails the quantity side of entrepreneurship entry, extant literature has also discussed the relevance of further mechanisms affecting the quality of entrepreneurship. Understanding the quality of entrepreneurship offers a detailed picture of the benefits of entrepreneurship for individuals, the society, and the economy (Levie & Autio, 2011; Bjørnskov & Foss, 2016). However, research about entrepreneurship constructs related to quality, has increased in slower frequency than the study of entrepreneurial entry rate, in entrepreneurship and the institutional influence literature (Bjørnskov & Foss, 2016).

On this subject, Sobel (2008), building on previous frameworks about institutional conditions and entrepreneurship that benefit entrepreneurs and the society, (i.e., Baumol, 1990), claimed that institutions that allow the transfer of wealth through business regulation and taxation, and offer secure property rights, are considered with high quality, and thus can create systems of incentives that foster productive entrepreneurship. Productive entrepreneurship, in words of Baumol (1990), offers benefits for economic and political dimensions, whilst unproductive entrepreneurship brings mostly individual profits at a political and social cost; it may create financial rewards to entrepreneurs, but a detriment to others (Sobel, 2008). Furthermore, institutions that facilitate coordination and cooperation in economic exchanges, are aimed to reduce uncertainty and thus convey efficient incentives to increase productive entrepreneurship (Baumol & Strom, 2007; Bjørnskov & Foss, 2013, 2016). On the contrary, rent seeking, rather than productive activities, are incentivised within institutional contexts with higher comparative levels of corruption (Du & Mickiewicz, 2016)

Contributions on this category also recognize that formal mechanisms that permit economic freedom also influence the productivity of entrepreneurship, in addition to the fundamental effect on entry rates (Anokhin & Schulze, 2009; Bowen & De Clercq, 2008; McMullen, Bagby, & Palich, 2008; Levie & Autio, 2011). For example, appropriate taxation influences entrepreneurial type by offering stability and flexibility to the market (Young, Welter, & Conger, 2018). This occurs as stability, which allows for inferring less impact by abrupt changes in the rules of the game, and flexibility that gives a margin to make changes they find valuable or strategic. A more stable and flexible environment for entrepreneurship tends to favour innovative entrepreneurship as it is argued that creates barriers that disincentivize imitation (Young, Welter, & Conger, 2018).

Furthermore, these mechanisms are positively related to opportunity-based entrepreneurship, identified by previous research as an element of quality, that

opposes to necessity-based entrepreneurship (Boudreaux, Nikolaev, & Klein, 2019; Young, Welter, & Conger, 2018). On the contrary, weak, and ineffective, and fragile institutional contexts have been linked to entrepreneurship that is unproductive for society and prosperity (Bowen & De Clercq, 2008; Anokhin & Schulze, 2009; Levie & Autio, 2011) and are associated to necessity entrepreneurship (Amoros et al., 2019).

Dencker et al., (2021) discuss necessity entrepreneurship as influenced by the formal institutional context as it creates differences in the way entrepreneurs, even with similar levels of human capital, perceive an opportunity in relation to the fulfilment of their basic needs. For example, entrepreneurs in developing economies largely pursue opportunities for necessity because the structure of institutional support, financial or venture creation training, is weak or inexistent; however, necessity entrepreneurship is still present in developed and developing environments (Dencker et al., 2021). The focus of their study is establishing a framework to develop the knowledge about institutional levers, and levels of human capital, that provide, or not, munificent conditions for the entrepreneurial process for necessity entrepreneurs.

As seen in the previous paragraphs, Informal mechanisms materialized in normative support, enable entry behaviour. At the same time, these can influence the type of entrepreneurship. For example, Sine, Haveman, & Tobert, (2005) found that state-level approval, predilection, and legitimacy given to a specific technology will become the main option for entrepreneurs joining a new sector (i.e., electric services). Other technologies available were not applied as there was not normative support. Lastly, Boudreaux, Nikolaev, & Klein, (2019) found formal institutions influencing effective economic freedom as significant moderators of the relationship of personality traits (perceived self-efficacy, alertness to opportunities, and fear of failure), and entrepreneurial opportunity driven entrepreneurial activity.

The institutional context and its influence upon social entrepreneurship

Another identified theme in the review focuses in investigating the institutional context and its influence upon social entrepreneurship behaviour. This line of research offers explanations and implications of the macro situational mechanisms that relate to entrepreneurs intending to impact society along with, or beyond, their own advantages (Saebi et al., 2019). This category has evolved through a broad debate mainly due to research that identifies social entrepreneurship behaviour as a response to supportive institutional environments and, on the contrary, literature identifying entrepreneurial social behaviour, reacting to weak and inefficient institutional mechanisms configured in the institutional context (De Beule, Klein, & Verwaal, 2020; Saebi et al., 2019; Stephan, Uhlaner, & Stride, 2015).

Regarding the first identified group of contributions, Stephan et al., (2015) have offered evidence backing the positive influence that supportive formal and informal mechanisms exert upon social entrepreneurship behaviour. Building on previous literature they discussed that government activism, understood as appropriate government size and, at the same time, government spending, and redistribution of income via progressive taxations, is positively related to social entrepreneurship behaviour. Informal institutions were also found to explain social entrepreneurship behaviour. In this study, post materialistic values and national level ideas of cooperation, and friendliness are positively related to social entrepreneurship behaviour. On the same line of research, Hoogendoorn, (2016) also found empirical evidence to pose that appropriate regulatory quality of formal institutions and levels of public sector expenditure influence social entrepreneurship. Social norms, studied as “high self-expression”, also were found to participate as antecedents of social entrepreneurship.

Furthermore, Sahasranamam & Nandakumar, (2020) have found that formal institutions, operationalized as macro policies regarding education, and the stability of

the political and the financial systems, could moderate the relationship of Individual human capital, and investment capital, positively influence social entrepreneurship behaviour. This study found evidence about the moderating influence of the political system upon the relationship of private investment social and entrepreneurship behaviour. On the same line, Brieger, Baro, Criaco, & Terjesen, (2021) have contributed offering a demonstration of the positive influence of supportive institutional environment where prosocial behaviour is explained in relation with the age of the entrepreneur. This study poses that there is a pronounced inverted U relationship between age and social entrepreneurship behaviour. According to this, young and older entrepreneurs engage more in activities related to prosocial behaviour, while entrepreneurs considered in their middle age are more focused on exploiting opportunities that give financial returns and personal wealth. The institutional context, understood as appropriate levels of economic freedom, social freedom and political freedom were found as significant moderators of this relationship, as higher levels of institutional quality, freedom, strengthen the inverted U-shaped relationship of age and social entrepreneurship behaviour. On the contrary, low levels of freedom appear to flatten the curve, reducing the effect of age upon social entrepreneurship behaviour. De Beule et al., (2020) have also offered supportive evidence about the positive influence of strong institutional environments in the maximization of the positive impact of social enterprises in countries at the Base of the Pyramid (BOP). They studied and compared diverse countries with weak, and strong, formal, and informal institutional elements to conclude that the relationship of institutions and the outcome of social entrepreneurship behaviour presents better performance in supportive institutional environments. In sum, and according to this supportive structure perspectives formal institutions have positive influence upon social entrepreneurship behaviour. Ault (2016) studied the institutional context under the concept of state fragility and found that formal structures that are strong are related to social entrepreneurial behaviour. In contrast, this study offers evidence that

entrepreneurs' social entrepreneurship behaviour drifts away towards commercial activities when state fragility is substantial, thus social entrepreneurship behaviour is less prominent (Ault, 2016).

On the contrary, and under the institutional voids perspective, social entrepreneurship behaviour has been explained by an institutional framework with neglected levels of government activity, operationalized as the size of government (Estrin et al., 2013). Under this perspective, a context of low government activism, will be related with high levels of social entrepreneurship behaviour. Additionally, Estrin et al., (2016) hypothesised that economies with weak levels of constitutional level quality were more vulnerable to expropriations and confiscation of their private rents, creating an incentive to entry into entrepreneurial activity with social goals, rather than private commercial goals. However, this study infers social entrepreneurs might not be able to create substantial gains to operate in the long term as per the perverse incentives created. Furthermore, and including elements of human capital theory, they pose stronger levels of the rule of law will affect positively the entry of individuals with entrepreneurial experience into commercial rather than into social entrepreneurship ventures. Fox, Muldoon, & Davis, (2023) have also argued that the institutional environment support shows not direct relationship with social entrepreneurship intentions. They surveyed a sample of 577 adults from the United States which according to the authors is a starting point for further studies that cover bigger samples and a broader set of countries.

Further on, and in relation with informal institutional structures, Pathak & Muralidharan, (2016) built on previous institutional literature to explore how shared understandings associated with normative values and beliefs, in this study referring to in-group collectivism, and interpersonal trust, play a role in influencing social entrepreneurship behaviour in entrepreneurs. In the case of collectivism, or the identification of collective goals as "relevant", they found a positive and significant relationship, giving the notion that countries identified as collective tend to focus on community or societal

benefits through their activities. In the case of interpersonal trust, this dimension was found to be relevant for both social and commercial entrepreneurship behaviour. Brieger & De Clercq, (2019) created a framework posing the informal institutional context, in this case understood as the cultural environment (under Hofstede's culture framework), influences the relationship of entrepreneurs' resources and social entrepreneurship behaviour. They apply Hofstede's four dimensions of national culture (power distance, uncertainty avoidance, individualism vs. collectivism, and masculinity vs. femininity). They find that power distance plays a role in what they consider a manifestation that countries with high power distance possess an implicit duty of those in more privileged positions to include societal benefits their entrepreneurial objectives. Uncertainty avoidance is a cultural dimension that influences social entrepreneurship behaviour, as entrepreneurs expect to offer certainty to societal groups in less favourable environments. Individualism also was found to be relevant by empowering educated entrepreneurs towards social entrepreneurship behaviour. Entrepreneurs with higher levels of education and a good level of financial funds were found to be participating in social entrepreneurship behaviour in cultures considered feminine. Lastly, Miller et al., (2012) suggest that conducive institutional environments, where a high legitimacy (i.e., moral legitimacy) for social entrepreneurship is perceived, will contribute to influence positively engagement in social entrepreneurship.

The institutional context influencing informal entrepreneurship.

Another theme found in the sample has investigated the influences that the institutional environment induces upon entrepreneurs to position their venture operations and offerings in a formalized market, or on the contrary, to operate in the informal sectors of the economy (Webb, Khoury, & Hitt, 2020; Williams, Martinez-Perez, & Kedir, 2017). In this sense, institutional theory has been a pertinent theoretical

framework applied to understand entrepreneurship in the informal economy (Dau & Cuervo-Cazurra, 2014; Filatotchev et al., 2022; Webb et al., 2013). Furthermore, the study of entrepreneurial informality has allowed to understand with more depth the complexities and influence of institutional environments (Bruton, Sutter, & Lenz, 2021; Filatotchev, Ireland, & Stahl, 2022; Webb et al., 2013; Williams et al., 2017).

The informal economy is defined under an institutional lens as the economic transactions that take place outside of formal institutional boundaries (thus regarded as not legal) but are related to informal institutional boundaries (regarded as normative legitimate for large groups in the society) (Bruton et al., 2021; Nason & Bothello, 2023; Webb et al., 2009). Under this perspective, incurring in formal or informal entrepreneurship results from evaluating the level of formal enforcement or barriers compared to the opportunities in the market going informal (Webb et al., 2013). Research also poses that besides economic rationality, entrepreneurs apply strategic responses to formal institutional pressures that motivate informal entrepreneurship (Kistruck et al., 2015; Webb et al., 2014). However, recent contributions have enhanced understanding by including informal institutional elements that also have a role in the engagement, or not, in informal entrepreneurship (Sutter et al., 2017). For example, informal mechanisms, social values, norms, and beliefs, (in this study the value of supportive teamwork as relational orchestration method), have been influential in the transition of informal farmers to operate in formal markets (Sutter et al., 2017).

Fredström, Peltonen, & Wincent, (2021) advanced knowledge in this line of research by focusing on the incongruence of formal and informal institutions that results in informality entrepreneurship, as a large-scale phenomenon. Institutional incongruence, (when legal rules and regulations do not relate to normative values and social norms), has been a relevant topic in the study of entrepreneurial informality (Kistruck et al., 2015; Williams et al., 2017; Welter, Smallbone, & Pobol, 2015). Fredström et al., (2021) argue formal regulative efforts should be made with caution to avoid

counterproductive results. Entry rates into the informal economy surges when formal institutions are stringent. Furthermore, higher institutional incongruence results in higher informality in entrepreneurship (Williams et al., 2017). Additionally, authors on this stream pose that when formal institutions offer stability and are well designed and enforced, (expressed as appropriate levels of economic freedom and quality of formal institutions agents), levels of informality tend to be reduced, when compared to formal entrepreneurial activities (Dau & Cuervo-Cazurra, 2014; Saunoris & Sajny, 2017). For instance, least developing and developing countries present issues enforcing formal institutions, or reaching optimal and efficient levels of regulation, that inhibit business freedom, or weak rule of law with rampant organized crime, creating alternative ways of recognition and exploitation of opportunities for informal entrepreneurs (Webb et al., 2009; Mallon & Fainshmidt, 2022).

There is evidence, however, that informal entrepreneurship helps reducing inequality levels in developing economies and this influence is contingent on the institutional environment (Bruton et al., 2021; Nason & Bothello, 2023; Webb et al., 2014). Williams et al., (2017) pose unregistered ventures in developing markets create a competitive advantage, compared to new ventures that start as fully legal entities, as the formality's costs are on average high, and will not influence positively performance, productivity growth or annual sales. The study invites to policy makers and academics to conceive formal institutions as supportive more than regulative-coercive, as the benefits of starting according to formal regulations sometimes does not offer a competitive edge in the market. Nason & Bothello (2023) also invite policy makers and academics to understand a localised concept of informal entrepreneurship. The authors claim some regions of the world might present entrepreneurial activity with positive effects on economy that otherwise would be disregarded as informal in other cultures. However, this notion has been challenged as it has been posed that informal entrepreneurship negatively affects the overall macro-level productivity of entrepreneurship, thus regulation requires a balance

between formal and informal mechanisms to find an optimum set of incentives to incur in formal entrepreneurship (Fredström, Peltonen, & Wincent, 2021). Extant literature also poses (formal) coercive, regulative, and supportive mechanisms can be changed or introduced relatively faster than any potential changes that occur in the informal context, which widens an even bigger gap between formal and informal dimensions. This creates further informal entrepreneurship opportunities (Webb et al., 2013).

Recent literature (i.e., Webb et al., 2020) has contributed to extend the understanding of how formal and informal institutions jointly influence entry into informal markets. The authors apply the concepts of formal and informal institutional voids that create barriers and disincentives for formal entrepreneurship. Formal institutional voids relate to inefficient or weak formal mechanisms that benefit only certain sectors of the population, thus acting as incentives for also joining the informal economy. In this line of research Informal institutional voids are not considered as the absence of societal norms. Rather these are understood as the inability of societal values and norms to facilitate stability and certainty of transactions by the existence of highly influential mechanisms of economic exclusion based on, for instance, gender, ethnicity, religion, or any social feature, that hinder entrepreneurial participation in the formal economy (Webb et al., 2020). The authors also suggest that informal institutional voids may flourish in highly culturally diverse environments where lack of trust may be generalized, creating a context where available formal institutional mechanisms may act as incentives for entrepreneurs to comply with the legalities of formalized markets, thus incurring in formal entrepreneurship.

Institutions and commercial entrepreneurship

As seen in the review, a theme with advanced development in entrepreneurship research is the study of institutional influences upon commercial entrepreneurship entry (Dacin, Dacin, & Matear, 2010). However, this does not inhibit to mention opportunities for future research. For instance, cross country research poses that taxes, and other national level business regulations tend to favour and create privileges for incumbents, and these benefits hinder entrepreneurship entry rates and type (Henrekson & Johansson, 1999; Bradley & Klein, 2016). Future research can address this subject by studying formal institutions and the comparative influence upon entrepreneurs compared to incumbent players in the market. Additionally, and extending previous works, for example, by Aidis et al., (2008), longer samples of countries with diverse levels of development can be compared to identify differences in the ways barriers and legitimation issues under diverse formal and informal mechanisms.

Aidis et al., (2008) pioneered by looking at comparative differences among Russia, Poland, and Brazil and their vital contributions can be analysed in the light of new data. This requires the integration of non-western institutional contexts with essential differences that nurture theory and practice (Hoskisson et al., 2011). Further development of this stream can be obtained by analysing formal coercive and supportive efforts on a country case study, or global study, in which unintended effects can be identified. As previous literature shows some macro and micro policies can create counterproductive results, for example rent seeking compared to productive entrepreneurship (Du & Mickiewicz, 2016) affecting the rate and type (quality) of commercial entrepreneurship (Bradley et al., 2021).

5. FUTURE DIRECTIONS AND CONCLUSION:

Institutional influence upon social entrepreneurship

The analysis of institutional context influence upon social entrepreneurship behaviour is a rich source of understanding of the institutional factors that affect entrepreneurs that have social goals, across the globe. Further development of this stream requires insights to clarify ongoing debates. A main debate found in this literature is the discussion of perspectives of the unfavourable institutional conditions, compared to institutional support upon social entrepreneurship (Hoogendoorn, 2016; Stephan et al., 2015). This debate is still open, requiring further insights that cast light on explanations on the effect of formal and informal institutions in diverse institutional contexts.

Furthermore, studies about the interface of institutions and social entrepreneurship behaviour require additional analysis of the diverse institutional contexts, for example, across levels of development (Hoogendoorn, 2016; Stephan et al., 2015). Some groups of nations present relative similar conditions that create opportunities for comparative studies that enhance understanding of institutional contexts and its influence upon entrepreneurship. Examinations of these differences will be key for understanding these diverse institutional mechanisms and elements, and their influence upon social entrepreneurship behaviour (Stephan et al., 2015). Additionally, and following calls from previous literature, i.e., Saebi et al., (2019), further development of this line of research can also acknowledge that social entrepreneurship behaviour faces social demands that are not homogenous across all economies. Some situational mechanisms vary, for instance, at different levels of development (Estrin et al., 2013; Lepoutre et al., 2013; Saebi et al., 2019). This is also an implicit interest that multiple studies recommend and suggest in their conclusive sections of their studies. For instance, Stephan et al., (2015) invite to consider more countries at the factor-driven economies level within research, to gain more insights originating from these economies. Estrin et al., (2013b) also have predicted some relationships of the institutional context and social entrepreneurship behaviour within economies comparing levels of development, which their research strategy was not intended to analyse. Hoogendoorn (2016) also

suggests differences in groups of countries, for example, by considering levels of development. Additionally, as seen in the review section, diverse representations of informal mechanisms and elements have been studied to understand their influence upon social entrepreneurship behaviour. However, extant literature has called for including informal elements that could be more related to prosocial behaviour in entrepreneurship (Miller et al., 2012). This call can be also seen in the light of invitations in recent literature (i.e., Terjesen et al., 2016) to expand the lens of study of informal institutions beyond cultural perspectives mainly driven by general categories of culture (i.e., Hofstede's).

Institutional influence upon informal entrepreneurship

The literature about institutional context and its influence upon informality in entrepreneurship behaviour has documented the practical and methodological challenges related to the identification and operationalisation of informality as a research subject (Fredström et al., 2021). The enhancing and development of the literature will be more fluid as new measures and sources of information result available. However, the experiences and data provided from individual entrepreneurs operating in the informal sectors of economy will be a rich source of theory construction of this line of research, while further theory testing literature gains space. Accordingly, and in line with the reviewed literature, further studies across levels of development could present important comparative case focus. Regarding explanations beyond rationality of the ways entrepreneurs are influenced by the institutional context (i.e., Sutter et al., 2017), further informal elements can be combined to construct a set of diverse factors. Value-based justifications of informality are still required for an understanding of the phenomena. At the same time, a more detailed understanding of social values, and norms, along with formal constraints and supporting elements, constraining, or rewarding informality can nourish this line of investigation.

An ongoing debate identified in the review was the potential benefit of starting unregistered while crossing initial stages of the entrepreneurial process. Further research can focus on understanding under what institutional conditions would entrepreneurs be better off as part of the informal sector vis a vis integrating the formal market. Sutter et al., (2017) presented benefits of formalization, while Williams et al., (2017) presented evidence on the contrary. This debate has its roots in seminal institutional theory (North, 1990), where it has been noted that playing in the informal sector can have serious implications for stability and certainty of entrepreneurs as the rule of law will not enforce exchanges. North (1990) implies that besides formal mechanisms, other mechanisms in more informal nature also play a role in the informal entrepreneurship behaviour, for least developed economies (p.67). This relates to current studies that can be enhanced; Are formal support and lower barriers are really fostering formalization? Some normative values and norms might need to be studied to fully understand motivations for starting in the informality (Mallon & Fainshmidt, 2022). Another possible route for developing this literature is the study of the type of entrepreneurship that is affected by the institutional context towards operating in the informality. For example, are social entrepreneurs easily pushed towards informality, compared to commercial entrepreneurs? (Bu & Cuervo-Cazurra, 2020).

This review found themes in the literature about institutions and entrepreneurship with the goal of identifying and enhancing paths for development of the study of the influence of the institutional context upon a multifaceted and diverse field of research. The diversity of entrepreneurship is a rich opportunity for a holistic understanding of the many elements that surround the entrepreneurial process and the multiple expressions of value creation. This review also presented ways forward for emerging and matured subjects. For example, besides opportunities in the study of institutional influence upon entrepreneurial network behaviour, social entrepreneurship behaviour, informal entrepreneurship and international entrepreneurship behaviour, this review offers opportunities for further

development of the study of institutional influences on commercial entrepreneurship.

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