

Article

The Fast Lane of Internationalization of Latin American SMEs: A Location-Based Approach

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Abstract: This paper examines how the institutional environment (from a multi-level approach) and the moderating role of innovation networks and rural location explain which mechanism (institutional fostering or escapism) underlies the phenomenon of accelerated internationalization of small and medium-sized enterprises. By analyzing a dataset of 2289 firms from Argentina, Colombia, and Peru, the results suggest that the access of strategic resources and capabilities may either reinforce an institutional fostering or institutional escapism effect. The findings show that institutional fostering is associated with formal institutional voids and rural location, while institutional escapism is associated with local informal institutions, corporate sustainability certifications, and innovation networks. The institutional escapism effect is higher for firms that have social or environmental certifications. Implications for theory and practice are discussed.

Keywords: location; innovation networks; institutional voids; sustainability; informal institutions; internationalization; Latin America



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1. Introduction

In the past two decades, the phenomenon of accelerated internationalization in emerging markets has attracted much research attention [1]. Despite the limited financial, human, and tangible resources that usually characterize small and medium-sized enterprises (SMEs), some of these firms achieve considerable success in international business early in their development [2–4]. The acceleration of the internationalization process is shaped by the leverage of firm's resources and capabilities [5,6] and external factors such as institutional environment or innovation networks [7–10].

The institutional environment is shaped by the formal and informal norms and values that govern the socio-economic relations [11]. Despite the recent advances, a lot of effort should be devoted to achieving a careful delineation of the influence of the institutional environment on the acceleration of firms' internationalization process [12–14]. This is particularly true in emerging economies where SMEs must deal with institutional voids [15], which may be more relevant to internationalize than the firm's internal resources [16].

A key assumption underlying these arguments is that formal institutional voids can either constrain or enhance the internationalization of SMEs. The institutional fostering argument predicts that the existence of formal institutional voids lessens the possibility of accessing strategic resources and increases the operational costs, reducing the firm's competitiveness [17–19] and relegating the involvement in international operations [20,21]. However, contrarily, the institutional escapism perspective expect that the uncertainty created by formal institutional voids may push firms to develop special advantages and explore international opportunities to diversify risk [22,23]. Recent research has shown that in order to escape, firms require strategic resources and knowledge [24,25]. While this research mostly at macro-level [13] and the non-local context [26,27] has provided

interesting insights within the internationalization field, the role of the formalization of local institutions has been neglected [28].

To reconcile these perspectives, we first opted for a multi-level approach that combines informal institutional voids at the macro-level and institutions' formalization, corporate sustainability certifications, and location at the firm-level. By doing so, we pay attention to the specificity of emerging countries in which the weakness of formal institutions at the macro-level enhances the relevance of firm-level informal institutions as governors of local socio-economic activity [29]. The informal knowledge exchanges promoted by local informal institutions may provoke an escape response [30]. Similarly, corporate sustainability certifications can leverage firm's legitimacy increasing their ability to internationalize [31]. In other words, local informal institutions and corporate sustainability certifications can provide the strategic resources and knowledge needed to escape and achieve accelerated internationalization.

Second, we explore if the influence of institutional environment on accelerated internationalization is not foreign to the nature of the firm's locational context. For instance, previous research claims the importance of the consideration of the city development when explaining internationalization [32]. First and second-tier cities provide agglomeration effects and spatial externalities fostering firms' knowledge access and competitiveness [33], which make them more likely than rural firms to become international [34]. In contrast, firms established in rural cities are usually constrained by an unsophisticated market and difficulty in accessing strategic resources, and therefore present little specialization [17] and difficulty to face international competition [35]. Thus, city location might reinforce an institutional fostering or institutional escapism effect.

Third, we evaluate the extent to which corporate sustainability certifications influence the internationalization process of the firm. Recent research suggest that formal social and environmental practices support international business expansion [36]. To survive, international SMEs use corporate sustainability certifications to gain legitimacy in the host country [37,38]. For example, Husted et al. [39] found that social and environmental certifications help firms overcome the liability of foreignness.

Finally, together with institution, innovation networks are the other external factor that determine the internationalization process. As emphasized in the innovation literature, firms need internal and external sources of knowledge to innovate [40]. Internally, firms can acquire knowledge from research and development activities or its inventor team [41]. Externally, the interaction with networks has been highlighted as crucial for innovation [42,43]. Moreover, firms that combine internal and external factors through innovation networks can access strategic resources and knowledge [44], which in turn spur internationalization [45]. Therefore, innovation networks might provoke an escape response.

The purpose of this study is to develop and test several hypotheses about how the institutional environment, from a multi-level approach, explains which mechanism (institutional fostering or escapism) underlies the phenomenon of accelerated internationalization of SMEs. Moreover, we analyze the moderating role of urban vs. rural location and innovation networks on the effect of the institutional environment on accelerated internationalization.

In line with the institutional fostering view, our findings indicate that high formal institutional voids reduce the likelihood of accelerated internationalization. This situation is accentuated more when the firm is in rural areas. It seems that formal institutional void itself does not explain the institutional escapism argument. However, high formal institutional voids trigger accelerated internationalization when firms have innovation networking. This suggest that firms that use innovation networks can access strategic resources and knowledge, and consequently escape and achieve accelerated internationalization. Moreover, results suggest that institutional escapism is associated with local informal institutions. Firms that have local informal institution have greater likelihood of accelerated internationalization. Nevertheless, if the firm is in rural areas, local informal

institutions seem not to be enough to help SMEs achieve accelerated internationalization. Finally, the results show that corporate sustainability certifications increase the likelihood of accelerated internationalization.

This article contributes to advance institutional theory and accelerated internationalization literature in three important ways. First, we attempt to reconcile the institutional fostering perspective and the institutional escapism view, which have been omitted in the literature of accelerated internationalization of SMEs [46]. Our findings complement the existing literature by empirically examine how formal institutional voids and local informal institutions influence the dynamics of institutional fostering or escapism. Second, research on institutional theory has tended to use the macro-level analysis and neglected the micro-level [47]. Consequently, the impact of local institutions' formalization has remained unconsidered [28]. This study aims to fill this gap by proposing a multi-level approach that considers the local institutional voids at the macro-level and local institutions' formalization at the firm-level. Further, we examine the potential moderating role of the level of the city development on the impact of formal institutional voids and local institutions' formalization on accelerated internationalization. We also explore the extent to which corporate sustainability certifications and innovation networks impact the internationalization process of the firm.

Finally, our findings extend previous research and suggest that formal institutional voids lessen the internationalization of Latin American SMEs [48]. Indeed, the impact of formal institutional voids and local informal institutions might differ from developed to developing countries [11,49]. Thus, we contribute by providing an empirical study based on the emerging market context.

This paper is organized as follows: the next section outlines the theoretical framework for this research. This is followed by the methodology employed and the findings relating to the hypothesis of interest. The paper ends with the empirical results, discusses their theoretical and practical implications, addresses the study's limitations, and suggests avenues for future research.

2. Theory and Hypotheses

2.1. Institutional Environment and Accelerated Internationalization

Following North, institutions are the rules of the game both on the level of personal and organizational interactions. They comprise formal and informal rules and norms that engender a predictable structure for socio-economic interactions and organizational behavior [11]. Research on the relevance of the institutional environment has proved to be a crucial factor for the internationalization process of the firm [50] with special relevance on the international performance of SMEs in emerging economies [51]. As noted earlier, non-developed countries frequently exhibit institutional fragility, specially of formal nature. Formal institutional voids in a geographical context exist when formal "institutional arrangements that support markets are absent, weak, or fail to accomplish the role expected of them" [52].

The institutional fostering perspective argues that formal institutional voids inhibit internationalization for the following reasons. First, it prevents firms to acquire strategic resources and knowledge [53]. While strong formal institutions provide firms privileged access to resources, formal institutions voids undermine this possibility [54]. Moreover, formal institutional voids lessen the firm capability to develop competitive advantages [55]. Finally, the lack of intellectual property rights inhibit innovation activities and the development of advanced knowledge [56]. Thus, formal institutional voids can negatively affect the internationalization process of the firm [57]. Based on this framework, we propose the following hypothesis:

Hypothesis (H1). *The greater the formal institutional voids, the lower the tendency to accelerate the internationalization process of the SMEs.*

From the firm-level perspective, research on institutional environment shows that firms can access resources and capabilities thanks to informal exchanges promoted by local informal institutions [30]. Firms can create local networks governed by informal institutions based on unwritten norms or values that prompt knowledge and resources exchanges in a trustful atmosphere that help them to internationalize [15]. It seems that trust has a central role in the conformation of local informal institutions and in the facilitation of the internationalization process of SMEs established in emerging markets. For instance, trust has been identified as a key element in the internationalization of firms from Ghana [58] and India [59]. Consequently, local informal institutions can help firms to acquire strategic resources and capabilities which let them overcome the formal institutional deficits and internationalize [15]. Moreover, local informal institutions encourage knowledge and resource exchanges [60], informal coordination [61], and act as motivational stimulants to pursue international opportunities [62]. Consequently, it can be argued that local informal institutions help firms to acquire strategic resources and capabilities that let them escape and achieve accelerated internationalization. Thus, we propose the following hypothesis:

Hypothesis (H2). *Local informal institutions accelerate SMEs' internationalization process.*

Corporate sustainability is defined in terms of environmental, social and economic performance [63]. One way to achieve this is by pursuing corporate sustainability certifications such as ISO 9001 (economic goal), ISO 14001 (environmental goal), and OHSAS 18001 (social goal) [64,65]. This approach argues that international certifications help firms to leverage legitimacy in the foreign market [31], contributing to exploiting international market opportunities [66,67]. Moreover, firms that have corporate sustainability certifications are likely to acquire strategic resources and capabilities [68]. Therefore, corporate sustainability certifications may help firms to counter the formal institutional deficits and internationalize [69]. Thus, we propose the following hypothesis:

Hypothesis (H3). *Corporate sustainability certifications accelerate SMEs' internationalization process.*

2.2. Institutional Environment, Innovation Networks and Accelerated Internationalization

Contrary to the fostering perspective, the institutional escapism view suggests that firms deal with the implications of formal institutional voids by developing specific resources and capabilities [70] necessary for fast foreign expansion [71]. Moreover, the risk and uncertainty induced by formal institutional flaws may encourage firms to explore international opportunities [22]. In sum, formal institutional voids foster the development of advantages due to the exposure to uncertainty, which lead firms to accelerate their internationalization. Therefore, the escapism perspective depends on additional mechanisms that help firms to obtain strategic resources and capabilities [54]. The previous arguments suggest that the firm's ability to acquire strategic resources and capabilities can be explained if formal institutional voids hamper or boost an accelerated internationalization.

Among the mechanisms, innovation networks are known to accelerate internationalization by providing strategic resources and knowledge [72–74]. Recent work has begun to explore the mediating role of network on the impact that the institutional environment has on internationalization. On the one hand, Torkkeli [75] found that the ability of the firm to develop and manage networks positively moderates the relationship between institutional environment and the internationalization of Finnish SMEs. On the other hand, Morrish and Earl [76] found that inter-firm networks mediate the positive relationship between formal institutions and internationalization. They found that inter-firm networks of New Zealand wineries allow firms to leverage international legitimacy from formal institutions. Both studies identified how innovation networks positively mediate the relationship between developed countries' institutional environment and internationalization.

To advance the literature, we analyze the impact of firms innovation networks on accelerated internationalization. Collaboration with other actors supports the development of new knowledge, resources, and capabilities [77], and consequently enables firms to develop new products and explore foreign opportunities [78,79]. This happens because innovation networks bring new ideas, solutions, knowledge, resources, and time [80]. Among network partners, it seems that customers easily become involved and contribute to the co-creation processes of new products [81]. Through co-creation of opportunities, firms receive faster feedback at a lower cost and distribute risk and cost among stakeholders [82]. This enables the firm to bring new products to the market sooner [44]. Moreover, innovation networks may complement local informal institutions by fostering trust [61].

Therefore, we argue that firms that use innovation networking can access strategic resources and capabilities that help them escape from the constraints of formal institutional voids and achieve accelerated internationalization, promoting the escapism response. Following this reasoning, we hypothesize that:

Hypothesis (H4). *Innovation networks positively moderate the effect of formal institutional voids and local informal institutions on the likelihood of accelerated internationalization.*

2.3. Accelerated Internationalization, Institutions and the Local Context

What has been overlooked until now is that the level of urban development may moderate the effect of the institutional environment on the likelihood of accelerated internationalization [83]. A recent study suggested that the effect of the institutional environment varies greatly depending on the local characteristics [84]. For instance, firms established in first and second-tier cities benefit from agglomeration economies and spatial externalities, while rural cities face higher costs and less access to strategic resources [85]. The literature suggests that in general terms, cities that faced high formal institutional voids are less prone to present accelerated internationalization than cities in context with low formal institutional voids [20].

Formal institutional voids also imply a lack of institutional support, financial assistance, and international market information [85] which is more accentuated in rural areas [86]. Moreover, it is widely recognized that SMEs in rural areas are less productive than firms in urban areas [87]. Firms established in rural cities are usually constrained by an unsophisticated market, difficulty in accessing strategic resources, and therefore present little specialization [17] and difficulty to face international competition [35]. Another characteristic of rural SMEs is that they are usually less competitive than their counterparts in urban cities. The high competition and operating cost of urban cities push less productive firms to exit in urban areas [88]. Consequently, firms based in rural are less likely to become international than firms established in first or second-tier cities [89]. As a result, we expect that the interaction effects of rural location negatively affect the relationship between the institutional environment and accelerated internationalization, restraining the escapism response. Figure 1 summarizes our theoretical expectations. Based on the previous arguments, we hypothesize that:

Hypothesis (H5). *Rural location negatively moderates the effect of formal institutional voids and local informal institutions on the likelihood of accelerated internationalization.*

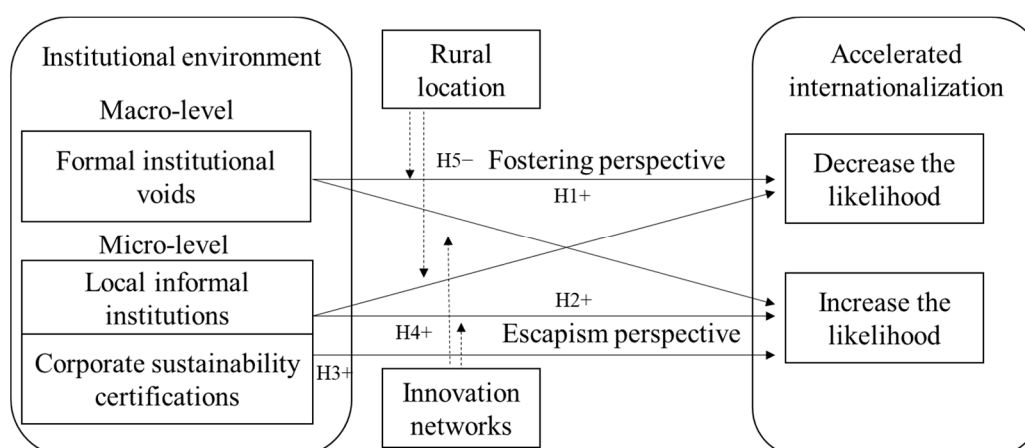


Figure 1. Conceptual model of accelerated internationalization. Source: own elaboration.

3. Method

3.1. Research Design and Context

For our analysis, we use firm-level data for Argentina, Colombia, and Peru from the World Bank's Enterprise Surveys (ES) database. The World Bank collects the data systematically, using standardized surveys and stratified sampling techniques to ensure representative coverage for a given country [90]. This allows comparison among countries. The ES has been used and validated by academics from international entrepreneurship research of emerging markets [90]. Our database of 2289 Latin American SMEs provides a unique opportunity to test the specificity of our theoretical constructs in emerging markets, which may be especially effective due to their well-known formal institutional voids [18,91]. This database is considerably higher than similar international business studies [92,93].

We focus on Latin American countries because this region is underrepresented and has been neglected in international entrepreneurship research [20,48]. Moreover, most of the scarce research on Latin America has focused on multinational enterprises [94]. However, SMEs based in Latin American countries are showing a global orientation that deserves more research [95]. Finally, although it has been demonstrated that formal institutional voids are a key mediator in the internationalization process of Latin American SMEs [96], it has been also suggested that formal institutional voids impact differently on Latin American SMEs' international expansion as compared to SMEs from other regions [20].

3.2. Dependent Variable

The degree of accelerated internationalization is our dependent variable and was obtained from the 2017 release of ES, which includes 726 SMEs from Argentina, 783 SMEs from Colombia, and 780 SMEs from Peru. In total, data from 701 firms were deleted because they either correspond to large enterprises (more than 100 employees) or did not have available data. Consistent with the extant literature [97], we only take into account small enterprises (less than 19 employees) and medium enterprises (between 20 and 99 employees). Accelerated internationalization has been defined in terms of the length of time between inception and first international sales (speed), the number of foreign countries in which sales are generated (scope), and the percentage of foreign on total sales (extent) [98]. This measurement secures higher comparability between studies [99]. Similar to other research [12], we use a four-point coding, which equals 0 if the company is not internationalized. It equals 1 if the firm is internationalized but does not meet any of the three characteristics for accelerated internationalization. It equals 2 if the firm meets one characteristic. It equals 3 if the firm meets two characteristics. Finally, it equals 4 if the firm meets the three characteristics of accelerated internationalization. Considering that the dependent variable is on an ordinal scale, an ordered logistic regression was used [100].

3.3. Independent Variables

This study includes five sets of main independent variables: formal institutional voids, local informal institutions, corporate sustainability certifications, innovation networks, and city location. To measure formal institutional voids, this study uses the 2017 Worldwide Governance Indicators [62]. Even though Argentina, Colombia, and Peru suffer from formal institutional voids [91], Argentina has tended to experience higher formal institutional voids, while Colombia and Peru have lower formal institutional voids [101]. It means that the selected countries have different business environments, thus contributing to the research purpose. Therefore, Argentina, which has the highest formal institutional voids (ranked 59) was coded with 1, while Colombia and Peru, which have lower formal institutional voids (ranked 51 and 48, respectively), were coded with 0.

To determine the local informal institutions, we used the perceived trust and relationship quality [102]. Specifically, we use the question about the importance of the degree of established personal relationships and trust ("Established personal relationships and trust is important to prevent or resolve problems in agreements with customers, considering their effectiveness and/or frequency of use"). We use a dummy variable that takes the value of "1" if it is very much/extremely important and "0" if otherwise.

To explore the extent to which corporate sustainability certifications impact the internationalization process of the firm, we use a dummy variable, coded 1 if the firm has either ISO 9001 (economic goal), ISO 14001 (environmental goal), or OHSAS 18001 (social goal) certifications and "0" otherwise ("Please specify the internationally recognized quality certifications"). Moreover, to differentiate the impact between firms that have social or environmental certifications (ISO 14001 or OHSAS 18001) from those that have economic certifications (ISO 9001), we conduct additional test using a subsample made up of SMEs that have corporate sustainability certifications. We use a dummy variable that takes the value of "1" if the firm has social or environmental certifications and "0" if otherwise. Due to the complexity on the relationship between internal and external resources needed to innovate [103] and the probable substitute relationship among different types of collaboration [104], we measure innovation networks as collaboration on product innovation with customers. Specifically, the survey asks respondents whether any of the new or significantly improved products or services were introduced because of specific customer requests or direct demands ("Were any of the new or significantly improved products or services introduced because of specific customer requests or direct demands?"). We use a dummy variable that takes the value of "1" if a firm has shown innovation networks and "0" if otherwise.

Finally, to capture the development of the city, similar to Agnoletti and the European Spatial Planning Observation Network (ESPON) [105,106], we create an ordinal variable that combines the size of the city (population) and whether or not the firm is in the main business city of the country. We coded 2 for firms that are established in a first-tier city. We coded 1 for firms that are based in a second-tier city. Finally, we coded 0 for firms that are in small cities (population under 1 million people), which are called rural cities [34].

3.4. Control Variables

We controlled for the firm's size, foreign ownership, trade regulations, informal economy, existence of an internationally recognized quality certification, and sector. Firm size (measured by the number of employees) is an important control variable because the size of the firm might determine its resources [75]. Size might also moderate the impact of strong local ties on the likelihood of accelerated internationalization [20,107]. Previous studies suggest that foreign-owned firms are more likely to internationalize because they might have non-local networks and internationalization knowledge [69,108,109]. Consequently, we constructed this variable as a dummy where 1 accounts for having foreign ownership ("What percentage of this firm is owned by each of the following: Private foreign individuals, companies or organizations"). We also controlled for whether trade regulations have hindered the firm's current operations, which is important because it can influence

the firm's strategy and its internationalization process [110]. Therefore, we use a dummy variable coded 1 when trade regulations are an obstacle to the current operations of the firm ("To what degree are trade regulations an obstacle to the current operations of this establishment?").

Finally, the informal economy might push emerging markets firms to seek opportunities in foreign markets [90]. The informal economy is shaped by firms that operate outside the legal and regulatory frameworks. Therefore, we control for whether generalized informal practices have been an obstacle to the current operations of the firm ("To what degree are practices of competitors in the informal sector an obstacle to the current operations of this establishment?"). Accordingly, we construct a dummy variable labelled informal economy and internationalization, which takes the value 1 if the informal sector has been an obstacle to the firm. In addition, we use a dummy variable coded 1 when the SMEs compete against informal firms ("Does this establishment compete against unregistered or informal firms?").

4. Results and Discussion

The correlation matrix allows the identification of any potential problems of multicollinearity that interfere with the analysis. Table 1 shows the means, the standard deviations, the correlation coefficients and the variance inflation factor scores. As can be seen, multicollinearity is not a problem because none of the correlations appear to be large [111].

The aim of this analysis was to establish associations between location, formal institutional voids, innovation networks, and corporate sustainability certifications on the accelerated internationalization of Latin American SMEs. To test the hypotheses, the logistic regression was run in three steps. First, Model 1 shows the fundamental model, which only includes the control variables. Model 2 includes the five main independent variables of the study to test hypotheses 1, 2, and 3. Model 3 shows the results of the interaction effects included in hypotheses 4 and 5. The Chi-square test of Model 3 is significant ($p < 0.01$), and the Nagelkerke pseudo R² shows that the model improves with the independent variables and moderator variables. To interpret our results, we used the odds ratio, which shows the probability of an event occurring [112–114].

Table 2 shows the probability estimations of the ordinal logistic regression model. We find a significant positive association between the sector and the size of the firm on the accelerated internationalization (Model 1). Our analysis shows that the primary sector proves to be very effective in increasing the odds of accelerating internationalization by a factor of 2.39. Similar to other studies [115], we found that because exports of Latin American countries are mainly related to the primary sector, firms established in such exporting sectors are more likely to experience accelerated internationalization. This confirms that, unlike developed economies, in emerging markets, accelerated internationalization is not necessarily linked to high-tech sectors [116]. Regarding the size of the firm, we confirm that in general terms, bigger companies tend to reach accelerated internationalization and to a greater degree than smaller firms [117].

Similarly, the existence of foreign ownership increases the odds of accelerated internationalization. Likewise, foreign-owned firms are more likely to experience accelerated internationalization, which is in line with the literature [90]. It seems that the presence of foreign capital in the ownership of the firm may provide access to internationalization knowledge [69]. Further, contrary to expectations, the results suggest that SMEs that consider trade regulations as an obstacle have higher odds of reaching accelerated internationalization. Finally, we found that SMEs in which informal economy is not an obstacle to their operations have a higher probability of reaching accelerated internationalization. It seems that companies that are capable of overcoming informal competitors have a better managerial practices that help them to internationalize faster [118].

Table 1. Descriptive Statistics and Correlation Matrix.

	Mean	S.D.	VIF	1	2	3	4	5	6	7	8	9	10	11
(1) Formal institutional voids	0.68	0.465	1.11	1										
(2) City	1.37	0.628	1.05	0.187 ***	1									
(3) Sector	2.23	0.763	1.05	0.129 ***	0.011	1								
(4) Size	0.44	0.497	1.08	−0.067 ***	0.006	−0.110 ***	1							
(5) Foreign ownership	0.04	0.202	1.05	0.065 ***	0.074 ***	0.033	0.121 ***	1						
(6) Corporate sustainability certifications	0.14	0.350	1.07	−0.011	0.027	−0.093 ***	0.196 ***	0.095 ***	1					
(7) Trade regulations	0.35	0.478	1.08	−0.039	0.077 ***	0.070 ***	0.119 **	0.114 ***	0.156 ***	1				
(8) Informal competitors	0.76	0.424	1.07	0.009	−0.044 **	−0.039	−0.047 **	−0.122 ***	−0.087 ***	0.026	1			
(9) Innovation networks	0.42	0.493	1.04	0.156 ***	0.009	−0.013	0.006	−0.004	0.052 **	0.086 ***	0.068 ***	1		
(10) Local informal institutions	0.78	0.413	1.03	−0.092 ***	−0.001	−0.068 ***	0.072 ***	0.028	0.062 ***	0.086 ***	−0.019	−0.01	1	
(11) Informal economy and internationalization	0.14	0.352	1.05	0.091 ***	0.034	−0.033	−0.022	−0.019	−0.041	0.038	0.184 ***	0.021	0.046 **	1

Significance at * $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$.

Table 2. Estimates of ordinal logistic regression model.

	Model 1		Model 2		Model 3		Model 4		Model 5		Model 6		Model 7	
	β	Exp(β)	β	Exp(β)	β	Exp(β)	β	Exp(β)	β	Exp(β)	β	Exp(β)	β	Exp(β)
Size	0.374	1.45 ***	0.377	1.45 ***	0.359	1.43 ***	0.38	1.46 ***	0.381	1.46 ***	0.376	1.45 ***	0.367	1.44 ***
Foreign ownership	1.133	3.10 ***	1.034	2.81 ***	1.036	2.81 ***	1.042	2.83 ***	1.044	2.84 ***	1.037	2.82 ***	1.058	2.88 ***
Trade regulations	1.086	2.96 ***	1.033	2.80 ***	1.039	2.82 ***	1.034	2.81 ***	1.041	2.83 ***	1.031	2.80 ***	1.048	2.85 ***
Informal competitors	−0.29	0.74 **	−0.331	0.71 **	−0.337	0.71 **	−0.334	0.71 ***	−0.319	0.72 **	−0.325	0.72 **	−0.324	0.72 **
Informal economy and internationalization	−0.283	0.754	−0.409	0.66 **	−0.417	0.65 **	−0.403	0.66 **	−0.419	0.65 **	−0.41	0.66 **	−0.422	0.65 **
Primary sector	0.874	2.39 ***	0.945	2.57 ***	0.935	2.54 ***	0.941	2.56 ***	0.971	2.641	0.949	2.58 ***	0.958	2.60 ***
Secondary sector	1.353	3.86 ***	1.341	3.82 ***	1.331	3.78 ***	1.334	3.79 ***	1.347	3.846	1.343	3.83 ***	1.334	3.79 ***
Formal institutional voids			−0.624	0.53 ***	−0.852	0.42 ***	−0.615	0.54 ***	−0.853	0.42 ***	−0.617	0.53 ***	0.031	1.03
Local informal institutions			0.288	1.33 **	0.294	1.34 *	0.01	1.01	0.301	1.35 *	0.134	1.143	1.146	3.14 **
Corporate sustainability certifications			0.540	1.72 ***	0.530	1.70 ***	0.539	1.71 ***	0.535	1.71 ***	0.545	1.72 ***	0.519	1.68 ***
Innovation networks			0.478	1.61 ***	0.48	1.61 ***	0.484	1.62 ***	0.342	1.40 **	0.239	1.27	0.154	1.16
Rural city			0.112	1.119	−0.829	0.14	−1.026	0.35 *	0.094	1.09	0.112	1.119	−1.932	0.14 ***
Second tier city			−0.339	0.71 ***	−0.461	0.01 ***	−0.864	0.42 ***	−0.336	0.71 ***	−0.339	0.71 **	−0.97	0.37 ***
Moderation of formal institutional voids					0.503	1.65 **							0.506	1.65 *
Innovation networks														
Moderation of local informal institutions							0.288	1.334					0.234	1.26
Innovation networks														
Moderation of formal institutional voids Cities									−0.568	0.56 **			−0.547	0.57 *
Moderation of local informal institutions Cities											−0.633	0.53 **	−0.625	0.53 **
Nagelkerke	16%		19%		19%		19%		19%		19%		19%	
Chi-square	615		2.988		2.988		3.001		2.976		2.97		2.996	
n total	2.289		2.289		2.289		2.289		2.289		2.289		2.289	

Significance at * $p < 0.10$; ** $p < 0.05$; *** $p < 0.001$.

The results of model 2 (Table 2) show that the coefficients for formal institutional voids are significantly negative, supporting H1. We found that the greater the formal institutional voids, the lower the tendency to accelerate the internationalization process of the SMEs. This confirms that formal institutional voids prevent firms from acquiring strategic resources and knowledge [53], innovation [56], and competitive advantages [55] to accelerate their internationalization. Regarding the micro-level analysis, the results show evidence to support hypothesis 2. As expected, SMEs that have local informal institutions are more prone to achieve accelerated internationalization. Informal institutions motivate knowledge sharing and resource exchanging and, therefore, accelerated internationalization [15]. In line with recent findings, it also seems that the trust atmosphere of the local informal institutions predicted the probability of SMEs of reaching internationalization [58]. It also suggests that local informal institutions play a relevant role in emerging markets. Meaningful and significant results also emerged from examining the impact that corporate sustainability certifications have on accelerated internationalization. Sustainable certifications help SMEs from emerging markets to leverage legitimacy in the foreign market [31].

The results of model 2 also confirm that firms that use innovation networks have a higher likelihood of accelerated internationalization. Customer collaboration on product innovation increases the odds for accelerated internationalization [119]. When testing the moderation effect of innovation networks (models 3 and 4), we found that the influence on formal institutional voids is positively significant. This finding indicates that the external knowledge that SMEs acquire through innovation networks help them to escape from the constraints of formal institutional voids and achieve accelerated internationalization. Although the effect of innovation networks on local informal institutions is not significant, the combined effect is greater than the individual one.

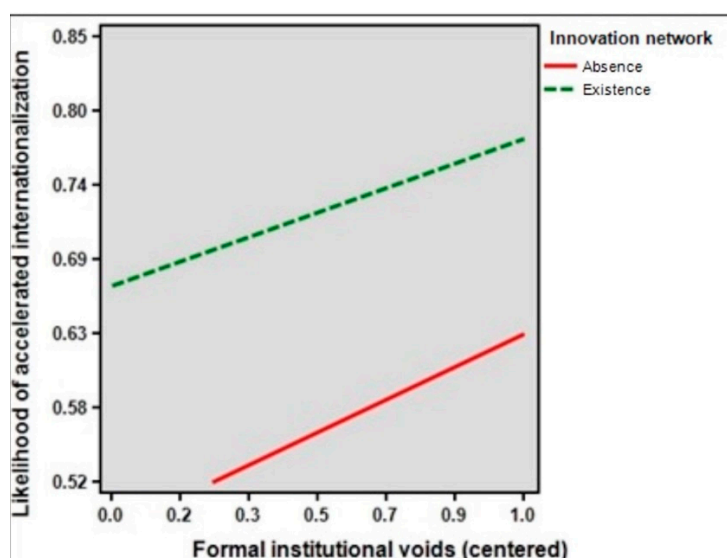
In accordance with H5, model 5 and 6 (Table 2) show that, on the one hand, rural location increases the negative impact that formal institutional voids have on the likelihood of accelerated internationalization. On the other, results evidence that the negative effect of rural location changes the positive effect that local informal institutions have on accelerated internationalization. This change could be explained by the additional difficulties that rural firms have to access strategic resources and capabilities [17].

Regarding the impact between firms that have social or environmental certifications (ISO 14001 or OHSAS 18001) from those that have economic certifications (ISO 9001), Table 3 shows that firms which have sustainable certifications have a higher likelihood of accelerated internationalization. Table 2 shows that having corporate sustainability certifications increases the likelihood of accelerated internationalization by 1.67 (see $\text{Exp}(\beta)$). However, the impact of having social or environmental certifications has a greater impact, increasing the odds of accelerated internationalization by 2.877. Thus, the institutional escapism effect is higher for firms that have these kinds of certifications.

To provide a better understanding of the moderating nature of innovation networks and rural location, Figures 2–4 depict their moderation effect [120]. Figure 2 shows the positive and significant interaction effect existing between innovation networks and institutional voids on the likelihood of accelerated internationalization. This plot suggests that in context of high formal institutional voids, innovation networks are an effective way for firms to accelerate internationalization. Figure 3 displays the moderating effect of city location on the relationship between the formal institutional voids and the likelihood of accelerated internationalization. The results reveal that the negative relationship between formal institutional voids and the likelihood of accelerated internationalization is stronger in rural cities. This corresponds to the logic underlying the institutional fostering perspective. Finally, as it can be observed in Figure 4, there is a negative and significant interaction effect existing between rural location and local informal institutions in the likelihood of accelerated internationalization. It shows that in rural cities, local informal institutions may not be enough to escape the negative effects generated by high formal institutional voids.

Table 3. Probability estimations of corporate sustainability certifications.

	Model 1		Model 2	
	β	Exp(β)	β	Exp(β)
Size	0.652	1.919 **	0.653	1.921 **
Foreign ownership	0.95	2.585 ***	1.004	2.729 ***
Trade regulations	0.324	1.383	0.326	1.385
Informal competitors	−0.405	0.66 **	−0.427	0.652 **
Informal economy and internationalization	−0.288	0.750	−0.293	0.746
Primary sector	1.099	3.00 ***	1.127	3.086 ***
Secondary sector	0.482	1.619**	0.5	1.648 **
Formal institutional voids	0.311	1.365	−0.141	0.868
Corporate sustainability certifications	1.101	3.00 ***	1.057	2.878 ***
Local informal institutions	0.061	1.063	−0.088	0.916
Innovation networks	0.753	2.123 ***	0.267	1.306
Rural city	0.515	1.674	0.755	2.128
Second tier city	0.156	1.169	0.315	1.370
Moderation of formal institutional voids Effectual networking		0.906	2.474 **	
Moderation of local informal institutions Effectual networking			0.183	1.201
Moderation of formal institutional voids Cities			−0.031	0.969
Moderation of local informal institutions Cities			0.16	1.174
Nagelkerke	15%	16%		
Chi-square		1.119		1.094
n total		378		378

Significance at * $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$.**Figure 2.** Moderating effect of innovation networks on the relationship between the formal institutional voids and the likelihood of accelerated internationalization. Source: Own elaboration.

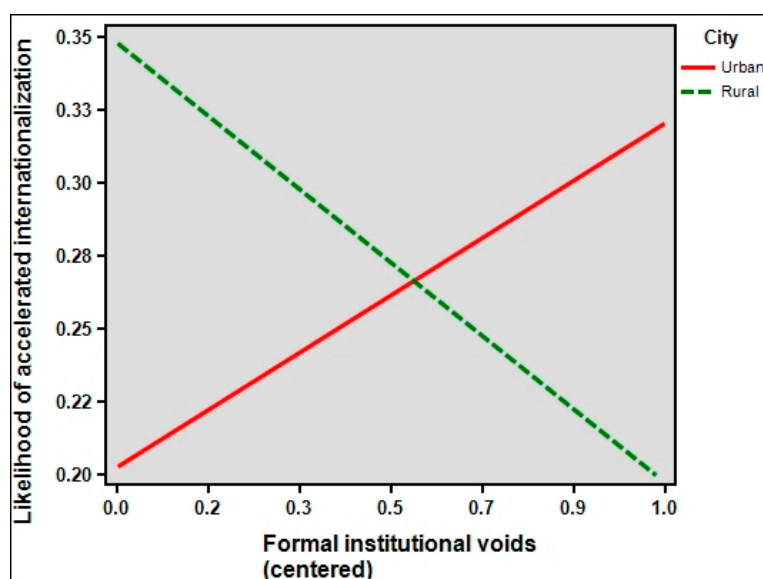


Figure 3. Moderating effect of city location on the relationship between the formal institutional voids and the likelihood of accelerated internationalization. Source: Own elaboration.

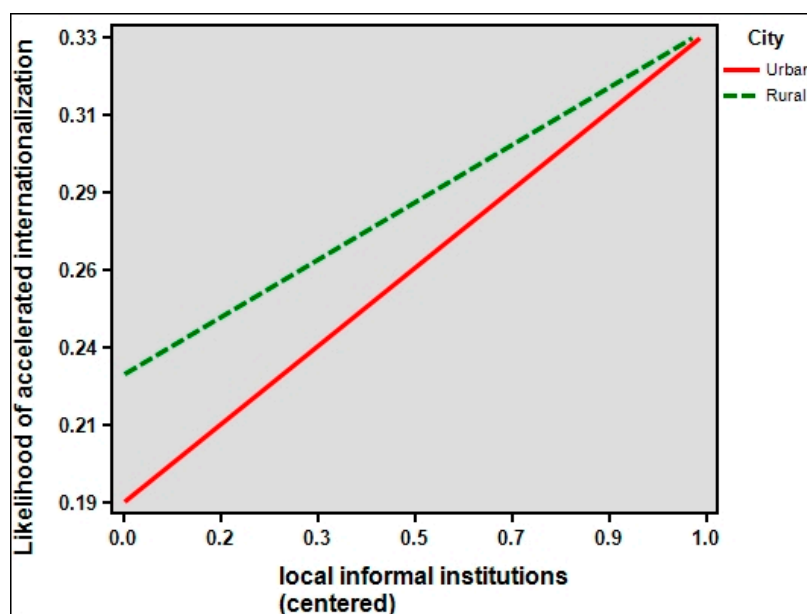


Figure 4. Moderating effect of city location on the relationship between local informal institutions and the likelihood of accelerated internationalization. Source: own elaboration.

Robustness Checks

It is important to note that one of the advantages of the World Bank's Enterprise Surveys database is that longitudinal/panel data are available. Therefore, we conduct additional tests using data of the year 2010 and maintaining the dependent variable of 2017 to ascertain the robustness of the first stage results. Table 4 replicates the estimations with data from 719 SMEs which have observations in both years (2010 and 2017). It is also important to consider that according to the Worldwide Governance Indicators of 2010, Colombia had higher formal institutional voids than Argentina and Peru. Consequently, Colombia (ranked 52) was coded with 1, while Argentina and Peru, which had lower formal institutional voids (ranked 49 and 48, respectively), were coded with 0. The coefficients for the control and independent variables remain quite stable across the models, and their significance is similar to them due to the reference model (Table 2).

Table 4. Probability estimations of the robustness test.

	Model 1			Model 2		
	β	Exp(β)	Sig	β	Exp(β)	Sig
Size	0.566	1.761	0.003 ***	0.609	1.839	0.002 ***
Foreign ownership	0.713	2.040	0.091 *	0.672	1.958	0.120
Trade regulations	1.085	2.959	0.000 ***	0.971	2.641	0.000 ***
Informal competitors	−0.469	0.626	0.022 **	−0.485	0.616	0.021 **
Informal economy and internationalization	−0.368	0.692	0.008 ***	−0.298	0.742	0.033 **
Primary sector	1.105	3.019	0.000 ***	1.03	2.801	0.000 ***
Secondary sector	0.762	2.143	0.001 ***	0.663	1.941	0.005 ***
Innovation networks		0.452	1.571	0.016 **		
Local informal institutions		15%		0.356	1.428	0.144
International certification				0.416	1.516	0.058 *
Formal institutional voids				0.274	1.315	0.200
Rural				0.229	1.257	0.524
Second tier city				0.618	0.539	0.005 **
Nagelkerke			18%			
Chi2		426			1.810	
N		719			719	

Significance at * $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$.

Table 4 shows the probability estimations of the robustness test. Results of model one corroborates that size, foreign ownership, and the primary sector, and trade regulations prove to be very effective in increasing the odds of accelerating internationalization. Likewise, we confirm that SMEs in which informal competitors are inexistent or not an obstacle to their operations have a higher probability of reaching accelerated internationalization. Model two shows also similar results to the obtain in the original model. The results confirm that formal institutional voids and rural cities negatively influence the acceleration of the internationalization process. Although local informal institutions are not significant in this model, the results suggest that they increase the odds of reaching accelerated internationalization. Similarly, corporate sustainability certifications and innovation networks increase the likelihood of accelerated internationalization. These additional robustness tests provided consistent evidence across major variables and confirmed the importance of the local institutional environment and innovation networks on the odds of achieving accelerated internationalization.

5. Conclusions

From a theoretical standpoint, our study extends the institutional theory and accelerated internationalization literature by doing a multi-level analysis of the institutional environment and its impact on the likelihood of accelerated internationalization. We complement this analysis with the study of the potential moderating roles of innovation networks and the level of the city development. By doing this, we aim to reconcile the institutional fostering perspective and the institutional escapism view which have been omitted in the literature of accelerated internationalization of SMEs [46]. Results suggest that the access of strategic resources and capabilities may either reinforce an institutional fostering or institutional escapism effect. On the one hand, our findings indicate that high formal institutional voids reduce the likelihood of accelerated internationalization. This situation is accentuated more when the firm is in rural areas. Therefore, it seems that formal institutional voids and rural location harm the possibility of accessing strategic resources, reducing firm's likelihood of accelerated internationalization.

However, formal institutional voids trigger accelerated internationalization when firms have innovation networks. This suggests that firms which use innovation networks can access strategic resources and capabilities and consequently escape and achieve accelerated internationalization. This happens because firms that collaborate with customers on product innovation have a better chance of leveraging strategic resources and capabil-

ities [18,91]. Moreover, the results suggest that institutional escapism is associated with local informal institutions and corporate sustainability certifications. Firms that have local informal institutions can also leverage strategic resources and capabilities and consequently have a greater likelihood of accelerated internationalization. Nevertheless, if the firm is in a rural area, local informal institutions seem not to be enough to help firms to achieve accelerated internationalization. Furthermore, corporate sustainability certifications increase the likelihood of accelerated internationalization. Interestingly, the results of the subsample indicate that the institutional escapism effect is higher for firms that have social or environmental certifications. Finally, consistent with the literature on international entrepreneurship, we found that size, foreign ownership, trade regulations, and not being affected by the informal economy and sector increase the odds of reaching accelerated internationalization [90].

Our research therefore advances both theoretically and empirically the existing literature on institutional environment, which is essential for understanding the internationalization process of SMEs [75]. In terms of theory, we examine the effects that different levels of the local institutional environment have on the accelerated internationalization of SMEs. Consequently, we provide a holistic perspective by analyzing the formal institutional voids, the formalization of institutions at firm-level, the impact of corporate sustainability certifications, and city development. We also respond to recent calls to analyze the influence of innovation networks on accelerated internationalization [82], the impact of location on accelerated internationalization [75,121], and more studies on Latin American SMEs [48]. Furthermore, we contribute by providing an empirical study based on emerging market context which is quite different from the developed markets context and literature [11,49].

5.1. Policy and Managerial Implications

The findings also provide some important policy and managerial implications. First, the results offer guidance to policy makers interested in encouraging accelerated internationalization in countries characterized by formal institutional voids. SMEs in this context suffer from a number of disadvantages, such as an unsophisticated market, difficulty in accessing strategic resources, and lower specialization and competitiveness [17,88,122]. Therefore, policymakers need to develop strategies to promote the development of local informal institutions and co-creation activities by facilitating the innovation networks process. Second, our results may also enable policymakers to formulate programs to encourage small firms to implement corporate sustainability certifications. For instance, policies to promote environmental certifications such as ISO 14001 or OHSAS 18001 may be important.

Our results provide managers with a clear understanding of the fact that local informal institutions, corporate sustainability certifications, and innovation networks increase the likelihood of accelerated internationalization. SMEs should create local informal institutions to share knowledge and resources. Likewise, SMEs should collaborate with their partners with emphasis on their customers to co-create opportunities, such as new products. Finally, our findings encourage SMEs to strategically harness foreign capital to gain access to non-local ties and internationalization knowledge.

5.2. Limitations and Future Research

This study has several limitations. First, the cross-sectional nature of the data imposes certain constraints on making causal statements. The strength of the causality between the institutional environment, innovation networks, and accelerated internationalization is limited. Thus, longitudinal studies would further enhance this research. For example, by analyzing how changes in the local informal institutions affect the innovation networks of the SMEs. Second, as local informal institutions are a multidimensional factor, further research is needed to study other dimensions such as how different behavioral norms or cultural differences (collective and societal) affect the accelerated internationalization of

the SMEs. Finally, we did not capture the innovation networks with other partners such as investors or suppliers—we leave these to future research.

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