

St Petersburg State University  
Graduate School of Management

MASTER THESIS

THE ROLE OF INSTITUTIONAL CONTEXT IN NEW VENTURE CREATION  
PROCESS: COMPARISON BETWEEN RUSSIA AND SWITZERLAND

Master's thesis by 2nd year student  
Concentration – International  
business  
ANTONIO VENTURA-TRAVESET  
JULVE


Scientific advisor:  
GALINA V. SHIROKOVA

Saint-Petersburg  
2017

**ЗАЯВЛЕНИЕ О САМОСТОЯТЕЛЬНОМ ХАРАКТЕРЕ ВЫПОЛНЕНИЯ  
ВЫПУСКНОЙ КВАЛИФИКАЦИОННОЙ РАБОТЫ**

Я, Антонио Вентура Травесет, студент второго курса магистратуры направления «Менеджмент», заявляю, что в моей магистерской диссертации на тему «Роль институционального контекста в процессе создания нового предприятия: сравнение между Россией и Швейцарией», представленной в службу обеспечения программ магистратуры для последующей передачи в государственную аттестационную комиссию для публичной защиты, не содержится элементов плагиата. Все прямые заимствования из печатных и электронных источников, а также из защищенных ранее выпускных квалификационных работ, кандидатских и докторских диссертаций имеют соответствующие ссылки.


Мне известно содержание п. 9.7.1 Правил обучения по основным образовательным программам высшего и среднего профессионального образования в СПбГУ о том, что «ВКР выполняется индивидуально каждым студентом под руководством назначенного ему научного руководителя», и п. 51 Устава федерального государственного бюджетного образовательного учреждения высшего образования «Санкт-Петербургский государственный университет» о том, что «студент подлежит отчислению из Санкт-Петербургского университета за представление курсовой или выпускной квалификационной работы, выполненной другим лицом (лицами)».

\_\_\_\_\_  \_\_\_\_\_ (Подпись студента)  
\_\_\_\_\_ 21/05/2017 \_\_\_\_\_ (Дата)

**STATEMENT ABOUT THE INDEPENDENT CHARACTER OF  
THE MASTER THESIS**

I, Antonio Ventura-Traveset, second year master student, program «Management», state that my master thesis on the topic “The Role of Institutional Context in New Venture Creation Process: Comparison Between Russia and Switzerland”, which is presented to the Master Office to be submitted to the Official Defense Committee for the public defense, does not contain any elements of plagiarism. All direct borrowings from printed and electronic sources, as well as from master theses, PhD and doctorate theses which were defended earlier, have appropriate references.

I am aware that according to paragraph 9.7.1. of Guidelines for instruction in major curriculum programs of higher and secondary professional education at St.Petersburg University «A master thesis must be completed by each of the degree candidates individually under the supervision of his or her advisor», and according to paragraph 51 of Charter of the Federal State Institution of Higher Education Saint-Petersburg State University «a student can be expelled from St.Petersburg University for submitting of the course or graduation qualification work developed by other person (persons)».

\_\_\_\_\_  \_\_\_\_\_ (Student's signature)  
\_\_\_\_\_ 21/05/2017 \_\_\_\_\_ (Дата)

## ABSTRACT

Master Student's Name	Antonio Ventura-Traveset
Master Thesis Title	The Role of Institutional Context in New Venture Creation Process: Comparison Between Russia And Switzerland
Faculty	Graduate School of Management
Main Field of Study	International Management
Year	2017
Academic Advisor's Name	Doctor of Science, Professor Galina V. Shirokova
Description of the goal, tasks and main results	<p>The main aim of the study is to investigate the relationship between the institutional context and the new venture creation in Russia and Switzerland. The aim is achieved through investigation of how the institutional context influences new venture creation.</p> <p>The institutional context is considered as the framework of rules and requirements to which individual organizations must obey to receive legitimacy and support. The second main topic of this paper is entrepreneurship and new venture creation, a process that is divided into four steps: business idea, collection of resources, registration of the company and the early stage (0-3 years).</p> <p>The design of research – comparative case-study of six Russian and Swiss companies of different sizes and industries. The main source of data – semi-structured interviews and as additional sources: documentation and open internet resources.</p> <p>Results: Understanding how the institutional context affects the new venture creation; which dimensions are more important than others for each country and why is it like this.</p>
Keywords	entrepreneurship, new venture creation, institutional context, Russia, Switzerland

## АННОТАЦИЯ

Автор	Антонио Вентура Травесет
Название магистерской диссертации	Роль институционального контекста в процессе создания нового предприятия: сравнение между Россией и Швейцарией
Факультет	Высшая Школа Менеджмента
Направление подготовки	Международный Менеджмент
Год	2017
Научный руководитель	Доктор наук, профессор Галина Викторовна Широкова
Описание цели, задач и основных результатов	<p>Основная цель исследования - исследовать взаимосвязь между институциональным контекстом и созданием новых предприятий в России и Швейцарии. Цель достигается путем изучения того, как институциональный контекст влияет на создание новых предприятий.</p> <p>Институциональный контекст рассматривается как основа правил и требований, которым отдельные организации должны подчиняться, чтобы получать легитимность и поддержку. Вторая главная тема этой дипломной работы- предпринимательство и создание новых предприятий, процесс, который разделен на четыре этапа: бизнес-идея, сбор ресурсов, регистрация компании и ранняя стадия (0-3 года).</p> <p>Дизайн исследования - сравнительный пример из шести российских и швейцарских компаний разных размеров и отраслей. Основной источник данных - полу структурированные интервью и как дополнительные источники: документация и открытые Интернет-ресурсы.</p> <p>Результаты: понимание того, как институциональный контекст влияет на создание нового предприятия; Какие измерения важнее других для каждой страны и почему это так.</p>
Ключевые слова	Предпринимательство, создание нового предприятия, институциональный контекст, Россия, Швейцария

## Contents

Introduction .....	6
Chapter 1. Theoretical foundation of institutional context and new venture creation .....	8
1.1. The entrepreneurship definition and entrepreneurship importance .....	9
Entrepreneurial stages .....	11
1.2. Institutional theory and entrepreneurship development .....	12
1.3. Institutional context in Switzerland .....	21
1.4. Institutional context in Russia .....	24
1.5. Comparison between the two countries .....	26
Summary of the first chapter.....	30
Chapter 2. Role of the institutional environment in new venture creation: Evidence from Russia and Switzerland.....	31
2.1. Method .....	31
Interview design.....	34
Interview guide .....	35
2.2. Description of the case companies .....	37
2.3. Results of empirical analysis .....	43
2.4. Discussion on findings.....	52
Conclusion .....	56
Literature .....	58
Appendix 1 .....	63

## **Introduction**

The following master thesis research is dedicated to the institutional context and how it influences new venture creation, *i.e.* entrepreneurship in Russia and Switzerland.

This topic is worth studying because of its own relevance in our today's society and economy. Experts consider entrepreneurship as an important asset for the development of the economy and society through employment, innovation and welfare effects (Schumpeter 1934; Acs and Audretsch 1988; Wennekers and Thurik 1999; Baumol, 2002). Entrepreneurial ventures contribute to the economic development of countries; therefore, understanding the influences on the creation and growth of these ventures is of both theoretical and practical importance (Baumol & Strom, 2007).

I believe that the next sentence by Israel Kirzner reflects what entrepreneurship is: "The entrepreneur is the prime mover of progress." Having said that and considering that we are in a period of bull markets and instability in our economies, I found myself in duty to study and understand how we could bring more wealth into these economies by generating more ideas and ventures through entrepreneurship. Besides that, Baumol (1996) declares, whether entrepreneurship is productive for the society or not, it depends completely on the incentives formed by the institutional context, hence the need of studying the institutions is also strong.

I decided to analyse how these endeavours happen in Russia and Switzerland because Russia is an emerging market and Switzerland is a deep-rooted and stable one. I presume that the significance of institutional contexts in Russia and Switzerland, as well as their underlying importance, may differ one from the other. The comparison between them could reveal noteworthy information about the institutional contexts and their relationships towards new venture creation. This precise study will therefore may extrapolate for studies which goal is to compare different countries in terms of entrepreneurship factors related to, for instance, GUESSS or Global Entrepreneurship Monitor.

The goal of the study conducted is to analyse the several theoretical models that already exist in regards of institutional context and procuring clear guidelines in Russia and Switzerland. The research question of this paper is how the institutional context influences new venture creation. The answer to this question will give entrepreneurs and other stakeholders in the entrepreneurial sphere, an understanding of which factors

impact their current or future start-ups as well as their decision-making; hence they can be more aware of the challenges that they will face and prevent them.

The theoretical part is backed with the study of six start-ups being between zero and three years of life; three in Russia and three in Switzerland. The case study consists of a semi-structured interview with the companies' founders and c-level management. The analysis of the results and fine-tuning of the theoretical model align it to the study findings. The last step of this research is the comparison of the results obtained, a discussion on matches and assumptions of reasons of mismatch, a managerial implication of the results obtained, as well as description of limitations and suggestions for further research.

The rest of this article is structured as follows. In the next section, I discuss theories, studies and definitions related to institutional environment and new venture creation. Then, I disclose the research design and methodology used for the study, the results and conclusions as well as the list of references and the appendixes.

## **Chapter 1. Theoretical foundation of institutional context and new venture creation**

During the last decade, especially after the economic crisis and being at the doors of the 4<sup>th</sup> global revolution, the technological one, the society and the way of creating businesses have changed. Nowadays, creating a business is easier than ever thanks to the numerous technological advances and new legal frameworks, like the sharing economy. It must be said that now like never entrepreneurs have the possibility to create, develop, merge, boost, join-venture businesses.

Every country in the world is shifting their fiduciary resources into the growth of entrepreneurship. Billions of dollars are being invested in entrepreneurship, unicorns and creativity because this new approach of conducting business is the one that is generating profits and benefits to the society and the corporations. Nonetheless, each country is growing at different pace and is focusing in different spheres.

Subsequently, this work, while initially an individual merit, is also the result of a collective production where the exchange and the permanent debate with different people on the various topics that were dealt with fundamental to undertake the vast and great task of writing it.

This part introduces the literature review of academic papers and other works, covering several aspects. The topic of entrepreneurship is widely treated and analysed in our today's society. Given the fact that the weight of entrepreneurship in the GDP of all countries is increasing, the increase in the number of studies in this specific topic and literature is notable too.

Currently, there is a big amount of literature comparing different countries' entrepreneurship levels. In addition, the creation of companies is taking a major rise as a field of scientific research (Brockhaus, 1987; Sexton & Bowman-Upton, 1988; Hisrich, 1988; Stevenson & Harmelin, 1990; Bygrave & Hofer, 1991; Blenker, 1992; Hornaday, 1992; Bowmen & Steyaert, 1992; Johannison, 1992; Veciana, 1999; Lundström & Stevenson, 2001 and 2002; Stevenson & Lundström, 2002, etc.), despite the fact that there is no sufficiently robust and agreed-upon theoretical framework to analyze in depth the factors that condition the creation of companies.

As Blau (1987) and Loveman and Sengenberger (1991) state, there are certain similarities in the re-emergence of small businesses, created by entrepreneurs, in North-America and Europe. This kind of works, give us an understanding and benchmark of



the world's situation in this topic. The advantages are obvious: since more and more research is being conducted by universities, incubators, companies and others, our understanding of how entrepreneurship fluctuates, influences and reacts in the social-economic sphere is deeper; hence we know better how to influence it and therefore influence the economy and society of a region or country.

Nonetheless, if we go a step further, we do not find that much comparisons between specific countries in specific fields. In our case, there is no research in the field of IT, especially companies being 0-3 years, and the institutional context in Russia and Switzerland. How does the institutional context influence the new venture creation for the specific type of companies in these two countries? There is therefore a clear gap.

The importance of the proposed research is one of the reasons I decided to take this endeavour. It will be of relevant interest for entrepreneurs, entities related to business development and governmental organizations, the way that the institutional context helps or fosters the new venture creation for this type of companies.

From this thinking, several research questions and problems appear: How does the institutional context influence the new venture creation in Switzerland and Russia? Which of the four systems is the most important for this kind of venture creation? In which country is the education system more relevant? These questions are the main reason of this study and we will discuss them in the following pages as well as understanding which are the hypotheses that emanate from these queries.

### **1.1.The entrepreneurship definition and entrepreneurship importance**

In its broadest sense, entrepreneurship can be defined as the process of identifying and exploiting economic opportunities through the development, production and marketing of goods and services. Entrepreneurship is therefore fundamental to the functioning of the market economy. However, several other narrower definitions are commonly used, depending on whether one or another aspect of entrepreneurial activity is favoured. It is also very difficult to measure the degree of entrepreneurship in an economy, because a whole range of imperfect indicators can be interpreted very differently.

The works issued by William Baumol (1990, 1993, 2005) and Douglass North (1990, 1994, 1997, 2005) deliver the most relevant theories and ideas about entrepreneurial development in diverse institutional contexts. According to North,

companies will adapt to the market and the institutional framework that is, melding their strategies to survive. These companies, that are set up by entrepreneurs and in some countries, especially in those countries that are more centrally planned and look for a social well-being not for own private interest, may not suit the institutional environment and will grind the gears of the system, and will eventually be set apart (North, 1994).

This is a perfect time to bring up front again the concept of entrepreneurship. It is a term lately widely used around the world. Although entrepreneurship has always been present throughout human history, as it is inherent in this, in the last decades, this concept has become of paramount importance, given the need to overcome the constant and growing economic problems (Schumpeter, 1934).

The word entrepreneurship comes from the French language “entrepreneur” (pioneer), and refers to the ability of a person to make an additional effort to reach a goal or objective, being also used to refer to the person who started a new company or project, a term that then applied to entrepreneurs who were innovative or added value to an existing product or process. In other words, entrepreneurship is that attitude and aptitude of the person that allows him to undertake new challenges, new projects; it is what allows the person to go one step further, to go beyond where it has already arrived.

Why is entrepreneurship important? Experts consider entrepreneurship as an important asset for the development of the economy and society through employment, innovation and welfare effects (Schumpeter 1934; Acs and Audretsch 1988; Wennekers and Thurik 1999; Baumol, 2002).

Entrepreneurship today has gained great importance because of the need for many people to achieve their independence and economic stability. The high levels of unemployment, and the low quality of existing jobs, have created in people the need to generate their own resources, to start their own businesses, and to change from being employees to being employers. However, the understanding of entrepreneurship in each country is different depending on the volume of necessity (Acs & Varga, 2005).

In many countries, for many professionals, the only option to earn a decent income is through the development of a project of their own. Unemployment levels, in most of our economies, are around 20%, so it is extremely urgent to look for alternatives to generate employment that improve the quality of life of the population. Governments have understood very well the importance of entrepreneurship, so much that they have started programs to support entrepreneurs to help them in their purpose of creating their own productive units (Takehiko Yasuda, 2009).

Almost all countries have entities dedicated exclusively to promoting the creation of companies between professionals, and between those who have sufficient specific knowledge to be able to offer a product or a service. The supply of labour usually grows at a faster rate than the economy grows, making it impossible to offer employment to the entire population. Considering that some states do not have the capacity to subsidize unemployment, as some European countries can, the only alternative to guarantee the population access to the resources necessary for their livelihood is to try to turn the wage earner into an entrepreneur.

From this perspective, research showed again that entrepreneurial activity is a relevant player of growth in economic terms (Ericson and Pakes, 1995; Hopenhayn, 1992; Klepper, 1996; Thurik and Wennekers, 2004; van Stel, Carree, & Thurik, 2005; Wennekers & Thurik, 1999). Consequently, this idea has led to research that aims to understand what the antecedents of entrepreneurship are, especially, those aspects that could clarify the level of entrepreneurial activity (by the number of self-employed persons or the rate of new business start-ups) within and across countries (Parker, 2004).

At a minor level, researchers have used occupational choice models to try to point out the matters of why individuals embrace self-employment, in other words entrepreneurship, instead of traditional employment (Blanchflower & Oswald, 1998; De Wit, 1993; Kihlstrom & Laffont, 1979; van Praag, 1999).

### **Entrepreneurial stages**

Adding up to the above-mentioned framework, on the other side, there are the start-up stages. Each of these stages mean a step in the cycle of the new venture creation. At first, the concept of building a start-up may seem simple, but as the entrepreneur goes deeper into the subject, he realizes the number of aspects that must be taken into account. The Harvard Business Review<sup>1</sup> suggests five different phases in which startups grow: existence, survival, success, take-off and resources maturity. Other authors, like Aidin Salamzadeh (2015) contemplate only three main step: boot-strapping (individual effort, family and friends, low investment and angel investors), seed stage (team work, valuation, average investment, accelerators, incubators, etc.) and finally

---

<sup>1</sup> <https://hbr.org/1983/05/the-five-stages-of-small-business-growth>

creation stage (organizational arrangements, corporate finance, high investment, venture capital).

After reviewing some literature and reports on new venture creation, like GUESSS or GEM, I summed it up and depicted a model with four steps when creating a new venture, that we find mostly in all the models: business idea development/opportunity recognition, resources gathering, company registration and start-up stage (0-3 years). As we see, we find 3 pre-start-up stage and 1 after-stage. We could add a fifth stage, which would be the growth stage after 36 or 48 months, but since we are focusing the study in the new venture creation, I am not going to add it to the figure 1. Later, we will see how each dimension affect each one of these four steps.

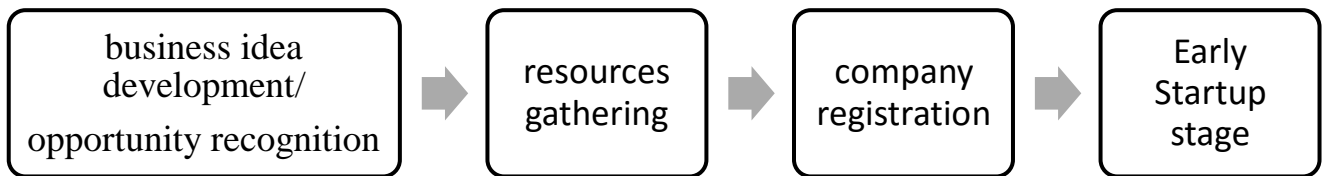


Figure 1. New venture creation stages

## 1.2. Institutional theory and entrepreneurship development

In this paper, we thoroughly analysed three main authors and their frameworks related to the institutional context: North, Scott and Whitley.

Jütting (2003) distinguishes three main typologies in the economic approach of institutions: the first based on the opposition between formal and informal; the second based on a hierarchical order of institutions; the third based on the distinction of several "areas" (economic, political, legal and social). North's analysis encompasses these different categories. To study entrepreneurship in a successful way, we need to come up with common definitions of the concept of the institutional environment first, since there could be some variations in the definition itself from different authors and in different countries like Switzerland and Russia. Starting with the concept and definition of institutional context, we see that the institutional context can either create or destroy entrepreneurship (Aldrich & Wiedenmayer, 1993).

Each society and geographical area is characterized by many organizations and institutions that carry out certain activities. They may work together to have complementary or competing activities because they have conflicting interests. Often

organizations seek their own direction without much interest in others. However, for effective and efficient development interventions, it is necessary to know what other organizations do in the same field and to incorporate this information into the strategy as well as understanding in which environment or context the organization is standing.

It is useful both for the design phase and for the implementation phase of a development intervention to know the context, that is, the scenario in which all actors play a role, including the relationships between actors. It is important to know who does what, who communicates with whom and who provides services to whom, etc. Richard Scott (1995, p. 23) provides us with a clear definition of what the institutional environment is:

“Institutional environments are characterized by the elaboration of rules and requirements to which individual organizations must conform to receive legitimacy and support.”

Regarding entrepreneurship, institutions and their frameworks embody a range of rules that shape the different relationships between the economy, the society and the politics and individuals and companies. These relationships carry the accountability for the business development of each country (Thornton et al., 2011); Estrin et al., 2013; Urbano & Alvarez, 2013).

### **Douglass North (1990)**

The American researcher suggested that institutions could be formal (constitutions, regulations, property rights protection, etc.) or informal (attitudes, values, norms of behaviour, etc.) While analysing "Institutions, Institutional Change and Economic Performance" (North, 1990), it is necessary to make explicit that this author is one of the main authors of the current neoinstitutionalism. The new institutionalism is a theoretical approach that appeared, according to Vergara's prologue to the book of March and Olsen (1997: 16-17), in the Anglo-Saxon social sciences during the last 15 years, as a reaction against the success of the rational approach which timidly considered the context in which agents operate, where the interaction between them is free of all friction, so it is sufficient to know their preferences and assume the premises of the rational approach to predict their behaviour.

In contrast, the new institutionalism gives a fundamental importance to the institutional contexts (political, social, economic) where the agents operate, affecting and influencing their behaviour. Integrating institutions within an economic theory and

an economic history is an essential step in the effort to improve this theory and history. The study offers the outline of a theory of institutions and institutional change, explaining the evolution of institutional frameworks that induce stagnation and economic decline as well as explaining their successes. Figure 2 shows his approach to the institutional context.

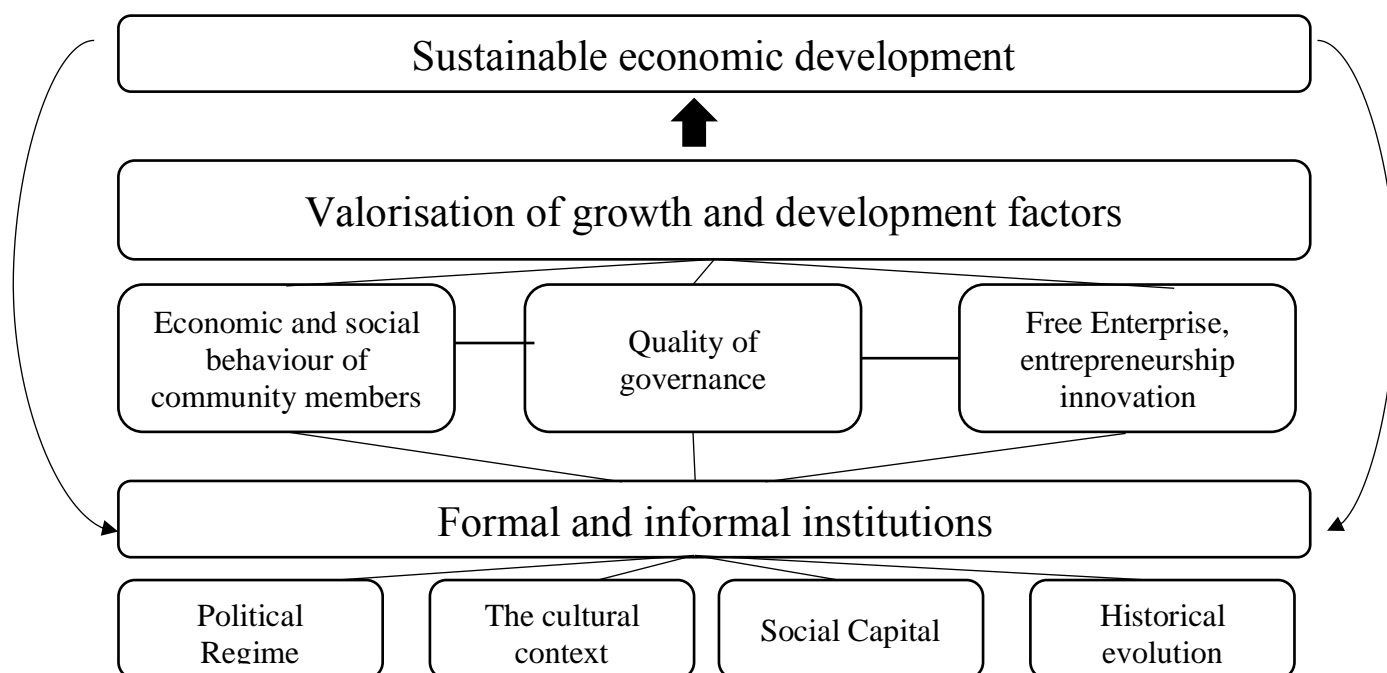


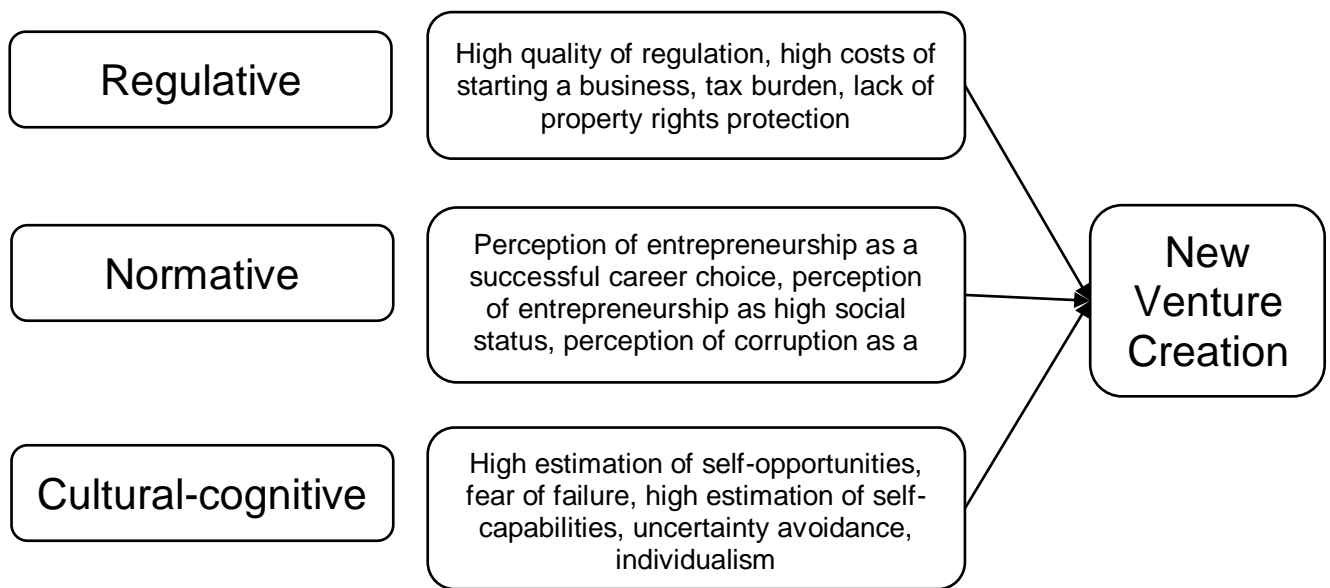
Figure 2 – North framework

North (1990) states that the main function of institutions in society is to reduce uncertainty by establishing a stable (not necessarily efficient) structure of human interaction. Based on agreements, codes of conduct and norms of behaviour, statutory laws, written law and contracts between individuals, institutions are evolving and altering the choices within our reach. Institutional change is a complicated process because changes may be a consequence of changes in norms, informal constraints, and various kinds of effectiveness and coercive observance. Institutions change in an incremental way not in a discontinuous way.

The how and why they change incrementally, and why discontinuous changes (e.g. revolution or conquest) are not one, are never wholly discontinuous, a result of the casing of informal limitations in societies. Although formal norms can change overnight result of political, legal decisions. Informal limitations: customs, traditions and codes of conduct are much more resistant or impenetrable to deliberate policies.

## Richard Scott (1995)

The theoretical basis of the presented research is also supported by the approach proposed by Scott (Scott, 1995) and developed in (Kostova, 1997; Busenitz, Gomez, Spencer, 2000). Scott identified three main sources of institutions - regulative, normative and cognitive - and indicated that they can have different bases of subordination and legitimacy, as well as implementation mechanisms and expected effects (Scott, 2013). Figure 3 is a representation of the model that he created.



*Figure 3 – Scott framework*

Regulatory institutions refer to formal rules that regulate the behaviour of organizations and individuals through sanctions and rewards. These are coercive rules as a key element in controlling the activities of individuals and organizations, and the legitimacy of institutions is determined by the laws prescribing the rules of activity. The basis of the functioning of normative institutions is the rules that make prescriptive, valuation and obligatory areas in social life. It is the norms that specify what should happen. In such a situation, the legitimacy of institutions is determined by morality (Scott, 2013).

Moreover, regulative institutions restrict and regulate behaviour. The fewer barriers to creating a business, the higher the level of entrepreneurial activity (Veciana, Urbano, 2008; Dreher, Gassebner, 2013). A smaller number of procedures leads to an increase in the number of registered firms and the transition of entrepreneurs from the informal to the formal economy (Bruhn, 2011). Entrepreneurs considering the creation

of a business as a forced measure for obtaining means of subsistence can refuse to open a company if they encounter difficulties. Therefore, we can assume that the administrative barriers to the creation of business will have a stronger impact on the forced entrepreneurs.

The costs of creating a business can also negatively affect the level of entrepreneurial activity (Branstetter et al., 2014). It should be borne in mind that they are related to its complexity. Since forced entrepreneurs, as a rule, are not ready for significant investments, increasing these costs will negatively affect the level of entrepreneurial activity. An important factor affecting business is the level of taxation. With a high tax burden, an individual may find it unreasonable to start a business. The high level of tax rates adversely affects the level of entrepreneurial activity (Djankov et al., 2002). The forced entrepreneur will measure the possible net incomes not only with alternative incomes, but also with how much he will be able to get, remaining unemployed.

The reduction of taxes can stimulate the activity of entrepreneurs (Acs, Szerb, 2007), including forced ones. In addition, for countries with a greater tax burden, a higher level of social guarantees is characteristic (Bjørnskov, Foss, 2008), so it can be assumed that in these countries the level of activity of forced entrepreneurs will be lower. The lack of guarantees for the protection of property rights may impede the decision to open a business (Stenholm, Acs, Wuebker, 2013; Diaz-Casero et al., 2012; Tonoyan et al., 2010). Uncertainty about the possibility of generating income from invested capital negatively affects entrepreneurial activity in general and the activity of forced entrepreneurs in particular.

The second dimension that Scott mentions is the normative endeavour. Normative measurement of the institutional environment is associated with social values that are perceived by individuals as preferable, and with social norms that determine the ways of behaviour and the perception of one or another behaviour. Among the regulatory factors affecting the level of entrepreneurial activity in general and the level of activity of forced entrepreneurs traditionally distinguish the perception of entrepreneurship as a successful career choice and the perception of the entrepreneur as a person with respect in society (Busenitz, Gomez, Spencer, 2000). To make the decision to open a business, an individual need to realize that his actions are supported. The results of previous studies indicate a positive relationship between the regulatory component and the level of entrepreneurial activity (Valdez, Richardson, 2013).



Moreover, for compelled entrepreneurs, the need for support may be more significant than for those who seek to use opportunities. It should be borne in mind that in a group of countries with a lower level of economic development, a positive perception of an entrepreneurial career is higher than in countries with a high level of economic development. This is due to a smaller choice of employment options (Singer, Amorós, Arreola, 2015). Therefore, in countries characterized by high assessments of the status of an entrepreneur and the choice of an entrepreneurial career, a higher proportion of forced entrepreneurs will be noted.

Another aspect of the normative component is related to the perception of corruption in society. Integrity of economic agents is traditionally regarded as one of the most significant factors of the institutional environment, among which corruption is an important component hampering entrepreneurial activity (Bowen, De Clecq, 2008). The wide spread of bribery means for entrepreneurs an increase in the costs of creating and managing a business. In assessing corruption in the country, it should not only be about formal institutions, but also about the attitude towards corruption in society (Tonoyan et al., 2010).

The third and last concept is the cognitive institutions. Unlike the normative component, which explains what individuals are doing to gain approval, and reflects the collective principles of decision-making, cognitive factors are linked to the individual experience and beliefs of individuals who, in turn, are influenced by the culture and traditions that exist in society. Culture can determine attitudes toward risk, independence of thinking and the desire to show initiative (Hayton, George, Zahra, 2002). In the process of making a decision to create a business, an individual analyses the benefits of its creation and functioning with the costs that are required for the organization of this business. Therefore, as far as the external environment is perceived as favourable for entrepreneurial start, it can influence the entrepreneurial activity in the country.

Another cognitive factor is fear of failure. The entrepreneur from an employee is distinguished by his willingness to take on risks associated with independent business conduct. The attitude to risk - one of the characteristics of the personality - is influenced by institutional factors and the transparency of the rules of doing business. The perception of risk affects the level of entrepreneurial activity (Stenholm, Acs, Wuebker, 2013). The higher in society the number of those who are afraid of failure, the lower the activity of forced entrepreneurs.

Confidence of the entrepreneur in his knowledge and skills is one of the factors that stimulate entrepreneurial activity (Shane, 2000; Bowen, De Clecrq, 2008). This is not about formal education, but about the perception of their knowledge. The necessary knowledge is determined by the complexity of the business, therefore, countries where the bulk of businesses are not connected with complex production and technology, are characterized by a higher level of confidence of individuals, even at a lower educational level.

### **Richard Whitley (1999)**

The last framework introduced is the framework that I end up analysing with more detail because it fits the needs of my study.

In the last years, we have seen a lot of literature appear within this field of research, in part because of the appeal and all the marketing that has surged around it. Nevertheless, nowadays, exiting from an economic crisis and entering a new technological revolution, it is conspicuous that institutions are critical determinants of economic behaviour (North, 1990) and economic transactions (Williamson, 1998) in general, and they can impose direct and indirect effects on both the supply and demand of entrepreneurs. That is why, there has been a migration of entrepreneurs and companies towards cities and area that support, foster and benefit the new venture creation.

One of the most relevant works in regards of the institutional context is that of Lim (Lim, Morse, Mitchell and Seawright 2010) who developed on the framework model of Whitley (1999), in which we get not only an understanding of the main topic itself, but also how and which influences it has in entrepreneurship. Among them we find cultural values, past experiences, social contexts, personal differences, and gender (Busenitz & Lau, 1996; Gatewood, Shaver, Powers, & Gartner, 2002; Mitchell et al., 2000; Mitchell, Smith, et al., 2002).

Moreover, this paper is especially relevant because it already gives us some hints on the Russian institutional context, mentioning that Russia's weak institutional environment (indicated by perceived corruption) helps to explain its relatively low levels of entrepreneurship (Aidis, Estrin, and Mickiewicz, 2008; Baumol, 1990; North, 1990). And why is then institutional context so relevant? Because the institutional context impacts economic behaviour (Choi, Raman, Usoltseva, & Lee, 1999; North, 1990; Peng, Sun, Pinkham, & Chen, 2009; Whitley, 1999, 2002) and entrepreneurship (Baumol, 1990).

Besides, the concept of *National Business System* developed by Richard Whitley (in particular: Whitley, 1999) focuses around the idea that firms do not behave in a social vacuum, but are economic performers affected by many influences from the environment. Companies that operate in markets and business sectors, must comply with laws and regulations. Many of these influences are linked to the nation in which the firm is operating. A small number of influences can be geographically restricted to the home region of the firm, while another set of influences is linked to international institutions like the EU or the Schengen space. However, most of the forces that determine the ways firm act are strongly embedded in the national culture of the firm.

There are several explanations to take the state as the basic geopolitical unit for studying the operation of firms. States remain the primary unit of political competition and mobilisation. Thus, individual and collective actors usually organise themselves at the national level to compete for state resources and legitimacy. National legal systems usually standardise the nature of property rights in an economy, especially how shareholders' rights are to be protected (Whitley, 1999).

Market regulations governing industry entry and exit, dispute resolution and competitive behaviour are usually promulgated and policed by national agencies. Finally, the organisation and control of labour markets are often governed by national institutions such as labour law and court systems. Whitley's model is a strong improvement over the cultural values based models like those of Hofstede (1980) or Trompenaars (1997). More precisely, the concept of *National Business Systems* builds on the foundation laid by the national culture models. National culture, as a set of values, have consequences for the way people belonging to that nation interact, it is reflected in the laws of the land, it is replicated in the institutions of that country, etc.

The institutional environment has a significant impact on the development of entrepreneurial business (Bruton, Ahlstrom, Li, 2010). The development of the economy takes place under the influence of the interaction of institutions and organizations, when the former determines the "rules of the game", while the latter are "players". Institutions are rules that are observed by individuals and determine their behaviour (DiMaggio, Powell, 1983). Institutional theory can serve as a theoretical foundation for studying various areas of entrepreneurial research (Stenholm, Acs, Wuebker, 2013). The study of the level of entrepreneurial activity and qualitative characteristics of entrepreneurship will be incomplete without an analysis of the institutional context in which entrepreneurs exist (Baumol, 1996).

In Lim's work (2010) we find Mitchell et al. (2000) conceptual model (underneath) explaining how the institutional context influences entrepreneurship via the entrepreneurial cognitions.

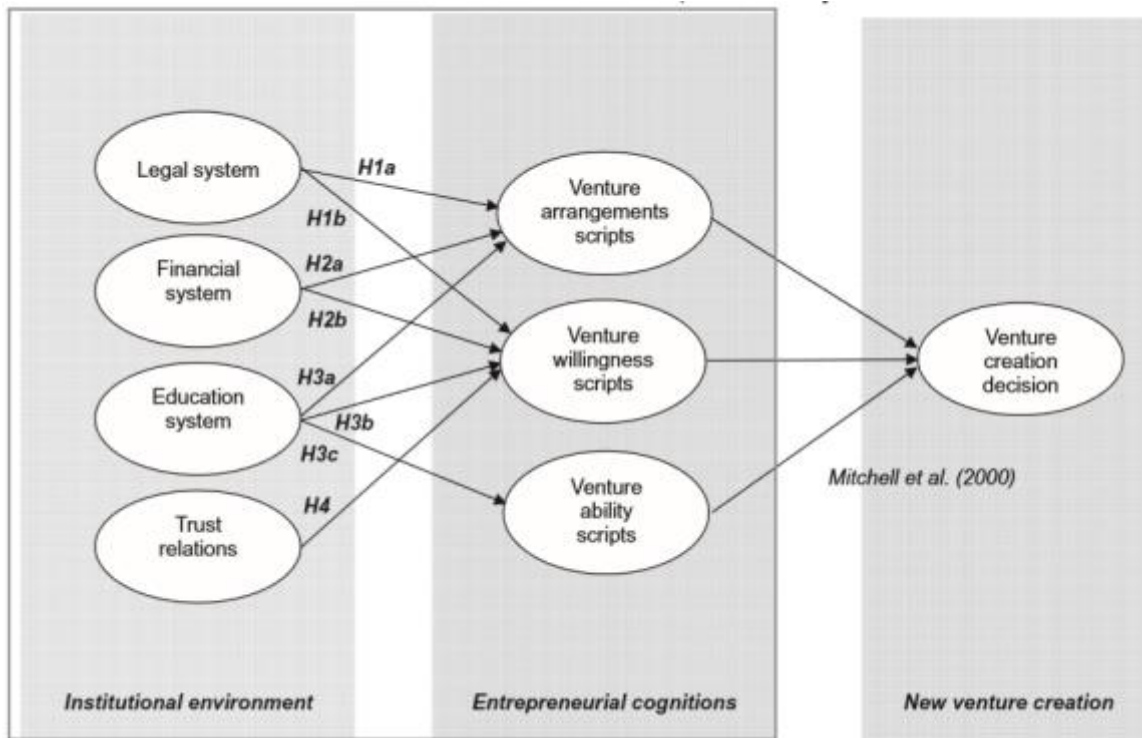


Figure 4: Influence of dimensions in new venture

Whitley's (1999) framework discloses four groups of institutional factors. These groups integrate economic decision-making and behaviour within a country and hence, influence entrepreneurial actions and entrepreneurship itself: the legal system, financial system, education system and the trust relations.

Trust relations is the “framework” institutions that impact the authenticity of the parties in economic transactions significantly leverage the type of economic behaviour that takes place within a country (Whitley, 1999). For example, we know that entrepreneurship is seriously affected by the level of corruption within a country, which is the extent to which public power is misused for private benefit in business transactions (Bowen & De Clercq, 2008; Soto, 2000). Corruption is the revelation of inefficient, weak institutions organising trust relations (Djankov et al., 2002).

Based on Whitley's (1999) framework, I restructured the different factors to obtain a straight influence of the four dimensions to new venture creation (figure 5).

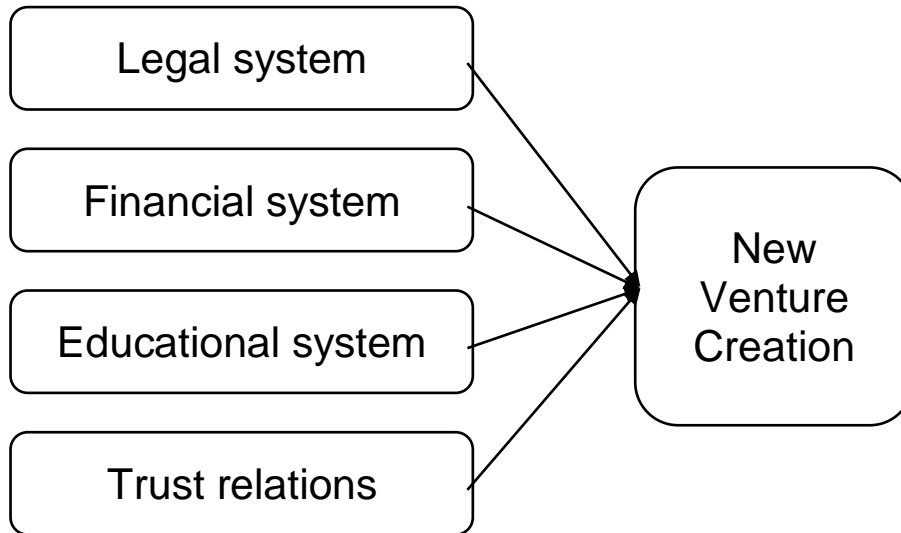


Figure 5: Influence of dimensions in new venture

### 1.3. Institutional context in Switzerland

Switzerland is a very modern market economy. Its standard of living, industrial productivity, the quality of its education system and its health system are among the highest in Europe. After experiencing a slowdown during the Eurozone crisis, Swiss economic growth reached 1% in 2016, as in 2015. It is estimated that growth could be 1.3% in 2017. For the first time since inception of the euro area, Swiss growth is below the European average. Domestic consumption is one of the main drivers of the Swiss economy.

Switzerland remains a prosperous country with a large fiscal surplus. However, the country suffers from its strengths: the Swiss franc has become a safe haven for investors, and exports are becoming more expensive. This was reinforced by the decision of the Swiss National Bank in January 2015 to abandon the exchange rate pegged to the euro, which further increased the value of the franc. Exports, especially pharmaceuticals and watchmaking, are still an economic pillar, as Swiss exports are renowned for their quality. Nonetheless, Switzerland, like all other countries in the world, is seeing a growth in the levels of new venture creation, *i.e.* entrepreneurship and new firms.

The Global Entrepreneurship Monitor (GEM) Global Report shows that, at a global level, entrepreneurs enjoy a high-status image and two-thirds of adults around the world believe that starting a business is a good career choice. According to the Global GEM Report 2016/2017, the Global Entrepreneurship Survey published this month, 66% of adults perceive entrepreneurship as a good career choice, and more than half of

the population of working age considers itself capable of setting up a company. Thus, 21% of adults would intend to undertake in the next three years.

In the GEM report, one of the indicators of entrepreneurship measurement is the Total Early-Stage Entrepreneurial Activity (TEA) Index. This is the total amount of emerging entrepreneurial activity. In Switzerland, this index is 8.2%, which places the country in 44th position out of 65 countries analysed. This index, declining in recent years with a small increase of 0.2% in 2016 (8.2% in 2014 and 7.1% in 2015) shows that entrepreneurship is developing with great hesitation in Switzerland.

As for the analysis of attitudes towards entrepreneurship compared to last year, the Swiss feel more competent and better prepared to become entrepreneurs (44% in 2016 against 41.6% in 2015). However, they perceive a little less the good business opportunities (41.8% in 2016 against 42.3% in 2015), and are more afraid of failure (33.8% against 29%). This fear is a real brake on entrepreneurship in Switzerland, slowing down the exploitation and development of opportunities and hindering the conversion of the desire to undertake in real activities, thus placing the country in 34th position among the countries most cautious in the matter Entrepreneurship.

GEM distinguishes three categories of economies: factor-driven economies (countries dominated by subsistence agriculture and resource extraction), economies driven by efficiency (countries that are accompanied by industrialization and Economies of scale) and economies driven by innovation (the economy is based on knowledge and the service industry).

According to the survey, in all economies, the highest level of entrepreneurial activity is found among the 25- to 44-year-olds, *i.e.* those in the early and mid-career stages. Almost one-half or more of entrepreneurs with factor and efficiency savings operate wholesale or retail. While in innovation-driven economies, almost half of entrepreneurs have founded their businesses in the information and communication sectors and in the service industry (finance, vocational training, health, education and other). According to the report, many entrepreneurs in the world are motivated by opportunity rather than necessity. They account for 78 per cent of innovation-driven economies, and 69 per cent of economies driven by factors and effectiveness.

Coming back to Whitley's (1999) framework, for Switzerland, the legal system is bureaucratic, yet effective. Based on the World Bank study "Rule of Law" 2015, Switzerland places itself at the 6<sup>th</sup> position, just after Norway. This shows us that in terms of legality, Switzerland is one of the safest places on earth, where law protects the

people in the country in all senses. Unfortunately, since Switzerland is not transparent in terms of information, there is no data about the country in the Rule of Law Index 2016 by the World Justice Project.

Regarding the financial system, Switzerland is with no doubt one of the big players in the world. In the Global Competitiveness Report 2014-2015, Switzerland is in the first position. On this report, we discover the strong Swiss financial structure, as well as the results to some stress tests to its financial system. The banking system in Switzerland is known around the world for its very discreet and sophisticated services. UBS and Credit Suisse, the two largest Swiss banks, are considered among the world's leading banks.

Swiss banks are considered as leaders in private banking and asset management, and Switzerland is home to hundreds of international banks, private banks and investment groups. Many of the Swiss banks are investment banks, which specialize exclusively in wealth management and adapt to wealthy investors. This money is being redirected to other investment products, such as startups. Some accelerators like Swiss Startup Factory and Impact hub, both located in Zurich, take part in this process, receiving money from investors and investing it in startups.

The third dimension in Whitley (1999) framework is the education system. A particularity from the Swiss educational system is that students, when they finish school, the start working directly and after two years they enrol in a master degree; it's the opposite of what happens in most countries in the world. Switzerland ranks number nine out of 65 countries and economies in a recent OECD / PISA survey on educational standards among 15 year olds. Most local and international schools are free, but they still exist at the expense of parents paying extremely high taxes. Compulsory education lasts from 9 to 11 years, some children begin compulsory education when they are four years old and others at age six, up to 15 years. Moreover, since most students are educated in state schools, they will be learning in an environment that is rich in a variety of cultures, including variations in linguistic backgrounds, like German, French, Italian and Romanche. However, when it comes to entrepreneurship, only between 5 and 10 years ago, a big number of governmental programs focused on entrepreneurship appeared. Switzerland is one of the least entrepreneurial countries in the world, despite being the top 1 in innovations.

The last of the four dimensions of Whitley is the trust relations, which explains the easiness of doing business in terms of corruption and trust between partners, clients,

suppliers, etc. Based on the report “Corruption Perceptions Index 2016” by Transparency international, Switzerland ranks number 5 of 176 countries. Needless to say, corruption in this country is almost inexistent.

#### **1.4. Institutional context in Russia**

On the other hand, Russia is an emerging market with a lot of economic power. There is a relevant paper that I thoroughly analysed: Saul Estrin, Ruta Aidis and Tomasz Mickiewicz (2007): “Institutions and Entrepreneurship Development in Russia: A Comparative Perspective”. In it, I found a stable vision on how the institutional context is formed in the Russian Federation.

Russia, being a centrally planned country, has lived along with communism for several decades, and these facts had influenced the economic behaviour of the country. It is necessary to mention that during the soviet period, entrepreneurship was minimum because entrepreneurs were perceived as system-breakers, trying to make a profit out of the system. Conversely, the economy was settled for an easy way of working and being obedient to the system (Ellman, 1994).

Analysing the first dimension in Whitley’s (1999) framework, the legal system, we see several trends. The fact the there was almost no commercial law (people could not be defended or sue someone) and the fact that the environment was not fostering the venture creation led to an institutional context that was weak in terms of entrepreneurship. Obviously, these ideas remain today in the country and keep shaping a part of it. Situation has changed but some authors like Baumol (2005) wrote that Russia is not yet a “workable free-market economy”. Djankov and Murrell (2002) identify the formal institutional environment as the main limitation for the development of entrepreneurship.

North and Baumol put in advance the idea that if the institutional environment fosters the entrepreneurial development, productive entrepreneurship will be at high levels. However, in a weak institutional environment, where the incentives for productive entrepreneurship are weak, that is, do not fit the entrepreneurs own private interest, productive entrepreneurship will be at low levels.

Bringing up the weak institutional environment, reliable literature discloses that the quality and veracity of the commercial code, the absence of market-supporting institutions, the aggressiveness of legal enforcement and the barriers in terms of administration and bureaucracy, may be a menace to entrepreneurship (McMillan and



Woodruff (1999, 2002), Djankov et al (2004)). Moreover, the non-reliable framework of property rights is also an issue towards the development of the private sector (Johnson et al, 2000).

The Soviet system has led its footprints in the Russian Federation of nowadays. Since today's system is mixed with many regulatory documents from the Soviet area, there are incongruences. These incongruences lead to confusion in terms of application of laws and consequently to an impact in businesses and regulators (OECD, 2005). We also know that in Russia, law enforcement is strong, that is why over 80% of Russian entrepreneurs have suffered from broken contracts (Radaev, 2002), and since a person's network is extremely important, in times of discussions and disagreement, court systems do not play a key role in the resolutions of conflicts (Johnson et al., 1999). Today, the Rule of Law index 2016 by the World Justice Project, ranks Russia in the 92<sup>nd</sup> place out of 113. A clear example of that is the amount of foreign direct investment. Based on the world bank data, in 2015, foreign countries invested 6,478,400,000\$, *i.e.* around 60 times less from what foreign countries invested in the USA.

We could connect the above-mentioned ideas with another dimension of Whitley, the trust relations. An interesting factor of the institutional context in Russia is that according to the Corruption Perceptions Index created by Transparency International, a common trend in transitional countries is focused on the fact that the levels of corruption are more elevated in comparison to other more advanced western countries. Nonetheless, the highest corruption levels happen to be in the former Soviet region of the Commonwealth of Independent States (CIS). It is necessary to mention too that, Russian entrepreneurs are more likely to be corruptible than the population as a whole (Djankov et al. 2005), because they are more related to extortion by the government officials.

The Business Environment and Enterprise Performance Survey (BEEPS) conducted by the European Bank for Reconstruction and Development (EBRD) shows that in 2005 more than 39 percent of the respondents in Russia agreed that they should make some irregular payments or gifts for activities related to customs, taxes, licenses, regulations and services frequently. This gives us a clear picture on the way of doing business. To a certain degree, we could attribute the poor institutional environment to Russia's long communist era; however, it does not explain everything since other countries belonging to the CIS and having inherited the same political regime, do not

behave the same way. Nonetheless, things are changing and the situation is becoming better and better, year after year with the opening of Russia towards the world.

The third dimension of Whitley is the financial system and Russia ranks the 12<sup>th</sup> position in the GDP world ranking 2015. Despite the latest sanctions suffered by the country, Russia has recovered from the low ruble and oil crisis. Moreover, the Startup sphere is getting more investments and attention.

Finally, the education system is the last dimension that should be discussed. The Russian education system focuses with energy in the numerical and scientific subjects such as mathematics, science, chemistry, etc. However, as shown by the GEM report 2016, Russia is not a very entrepreneurial country and the education is one of its reasons. There are few governmental programs focused on entrepreneurship, however little by little with the big entrepreneurial players of the country, like Skolkovo, the government is funding programs, seminars and courses for people to become entrepreneurs.

### **1.5. Comparison between the two countries**

Having done the introduction to the countries' institutional context, we must now analyse their differences within their societies and economies. Hofstede's framework is a must in terms of comparison between countries and economies. In our case, in figure 6, we see a bar graph illustrating the difference between the 6 dimensions for Switzerland (dark blue on the left) and Russia (light blue on the right). Hofstede identified six key areas in different cultures and called them the six cultural dimensions. This model allows us to compare any two countries to each other and to show what cultural differences exist, and could also explain specific trends or behaviours in those countries.

The reason that I chose Hofstede's framework is because the relationship between culture and new venture creation. Some approaches, such as the institutional one, assume that the sociocultural environment is what determines the decision of the individuals to create a company (Shapiro and Sokol, 1982, Aldrich and Zimmer, 1986, Berger, 1991, Busenitz, Gómez and Spencer, 2000;) in this sense, it is not illogical to think that some cultures favour entrepreneurship more than others (Hayton, George and Zahra, 2002). Moreover, Peter Drucker states that, what leaders do is the same all over the world, the difference is on how they do it. Analysing Hofstede's model, we will understand what are the main differences in culture between Switzerland and Russia.

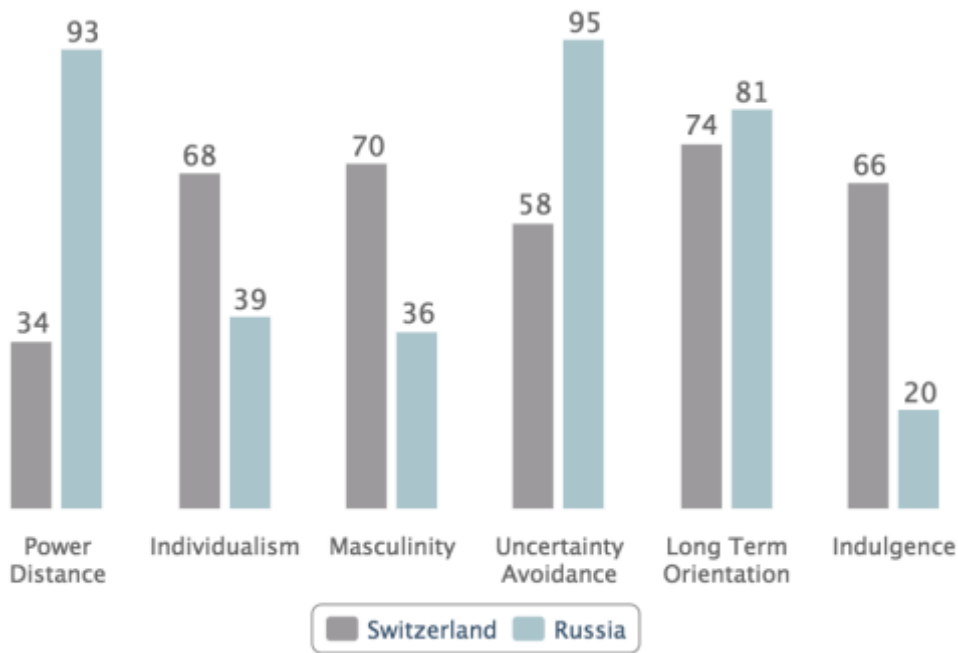


Figure 6: Hofstede's 6 dimensions: Switzerland and Russia

We see that besides the similarities in long term orientation, Switzerland and Russia are completely different countries. The long-term orientation dimension measures the relative importance of long-term and short-term objectives. Thus, a culture with a high score in this dimension values more the long term than the short term, which implies a lesser importance to the deadlines and near objectives. This also defines the commitment to the objectives or tasks in progress, regarding the objectives or result of the project.

In terms of power distance, the gap between the different hierarchical levels within the organization, we observe that while Switzerland has a low score, Russia has a really high one. The evidence is obvious, because in this dimension, low scores imply a flat management structure. A proof of that is the poll system of Switzerland, where every citizen counts and fosters equality between members in decision making. The opposite, Russia's case, is a very hierarchical vertical structure where decisions are made at the higher levels.

That's why in Russia there is such hierarchical bureaucracy. It is interesting to see that in regards of individualism, which measures the importance of personal achievements and needs in relation to the needs of the group, the opposite happens. Switzerland is pretty individualistic whereas Russia is not, probably due to its communist past where each individual worked and lived for the better of the society.

The last dimension that is worth to cover is the uncertainty avoidance because it is extremely connected to entrepreneurship. It indicates the degree of acceptance of uncertainty, as well as its ability to be flexible when facing changes. The higher the score in this dimension, the more rigid the culture; Which implies that this will give greater importance to processes and planning, and will be more reluctant or slow to implement the changes. In this sense, Russia is almost reaching the 100%. At a 95%, Russian society is reluctant to changes and risks, and considering that entrepreneurship is a risky process, there could be a clear explanation behind the accurate results of the Hofstede's model.

We already have seen the differences within these six dimensions and in order to widen the inputs of data for the study, I analyse the whole GEM 2016/2017 report, that I already introduced. For each country, there are six different parts: self-perceptions about entrepreneurship, activity, motivational index, gender equality, entrepreneurship impact and societal value about entrepreneurship. I analysed the most important values in relationship with new venture creation and entrepreneurship. In *Table 1* (underneath), you can see the figures that scored both countries.

**Table 1: Institutional and cultural indices for Switzerland and Russia**

<i>Institutional and cultural indices</i>	<i>Switzerland</i>	<i>Russia</i>	<i>Source</i>
Power distance (score out of 100)	34	93	Hofstede (2016)
Individualism (score out of 100)	68	39	Hofstede (2016)
Masculinity (score out of 100)	70	36	Hofstede (2016)
Uncertainty avoidance (score out of 100)	58	95	Hofstede (2016)
Long-term orientation (score out of 100)	74	81	Hofstede (2016)
Indulgence (score out of 100)	66	20	Hofstede (2016)
Entrepreneurial intentions (% of population/rank out of 65)	7.9% / 59	2.1% / 64	GEM 2016/2017
Total early-stage entrepreneurial activity (% of population/rank out of 65)	8.2% / 44	6.3% / 63	GEM 2016/2017

Established business ownership rate (% of population/rank out of 65)	6.1% / 12	5.3% / 47	GEM 2016/2017
Necessity motive (% of population/rank out of 65)	5.1% / 9	1.3% / 48	GEM 2016/2017
Job expectations (6+) (% of population/rank out of 65)	25.1% / 22	18.7% / 40	GEM 2016/2017
Innovation (% of population/rank out of 65)	37.5% / 8	5.4% / 64	GEM 2016/2017
High status to entrepreneurs (% of population/rank out of 65)	66% / 36	65.7% / 39	GEM 2016/2017
Entrepreneurship a good career choice (% of population/rank out of 65)	38,9% / 61	63.4% / 31	GEM 2016/2017
Government policies: support and relevance (rank out of 66)	13	56	GEM 2016/2017
Government policies: taxes and bureaucracy (rank out of 66)	10	54	GEM 2016/2017
Gov e-ship programs (rank out of 66)	2	65	GEM 2016/2017
E-ship education at school (rank out of 66)	8	32	GEM 2016/2017
E-ship education at post-school (rank out of 66)	3	34	GEM 2016/2017
Commercial and legal infrastructure (rank out of 66)	5	35	GEM 2016/2017

## **Summary of the first chapter**

In this first part, we have seen the main theories assessing the institutional context and new venture creation. Even though we have studied several frameworks from authors like North and Scott, the model that suits better this study is that of Whitley (1999). It offers us a clear view of what the institutional context is and by which dimensions it is composed: legal system, financial system, educational system and trust relations.

After having analysed the institutional context, it was necessary to analyse the new venture creation too. I have studied several studies, reports and frameworks, and I noticed that only four stages were mostly in all the other frameworks suggested in articles and papers by authors, schools, incubators and accelerators. Finally, the model with four different stages would look like this: 1) business idea development/opportunity recognition, 2) resources gathering, 3) company registration and 4) start-up stage.

In the second part of this paper we will see the method that I used in order to do the empirical part of the study and at the end of the chapter we will see the main findings of such study with the creation of a theoretical model based on the results of this paper, related to the influence of the institutional context in new venture creation in Russia and Switzerland.

## **Chapter 2. Role of the institutional environment in new venture creation: Evidence from Russia and Switzerland**

### **2.1. Method**

The case study method is explained with details in the book written by Robert K. Yin “Case Study Research: Design and Methods” (Yin, 2009). According to Yin, the choice of a case study as a research method should be justified by the inherent need of the type of research question, *i.e.* not all research questions can be answered with this methodology. As Yin states, the case study is a type of empirical research which needs the next requirements: a real-life phenomenon, that is a phenomenon in a current context, from which the limits between phenomenon and context are not clear. Moreover, the use of multiple sources of evidence is unavoidable.

Since the main research questions of the paper are “how” and “why” questions, the case study or multiple case-study is appropriate for it since several new ventures are going to be studied. Furthermore, the current study is connected to the analysis of a pure contemporary phenomenon, that is entrepreneurship; and this makes the case study method suitable. The existing research is determined by the next research question: How does the institutional context influences the new venture creation in Switzerland and Russia?

Yin (2009) develops on the fact that is also very useful to look for different sources of information for the case study. In order to gather as much data as possible, I had to consider several sources: documents and archival records belonging to the companies, interviews conducted by myself, and miscellaneous like websites, public financial information, and so on. The author also defines the process of creation of the case study database within the framework of the master thesis: it helps to keep the data structured and provides a transparent flow of information, which helps the reader to get a better understanding.

According to Yin (2009), there are four different types of case study designs: the single-case design, holistic or embedded, and the multiple-case, again holistic or embedded. For my research, the proper case would be a multiple case (holistic) study since with it, it is possible to get more insights to answer the research question. Even though single case studies present more critical, unique and extreme cases, multiple cases can provide a convincing support for the suggestions that we created within the theoretical framework.

Under Yin's directives, the current study, grounded on the multiple case study method will involve the next steps: developing a research design, preparing to collect data, data gathering and analysis of individual case reports, fine-tuning the theoretical framework and propositions according to the new information obtained from case studies, data analysis by checking the case results, cross-case reporting and creation of the conclusions for the paper. In other words, this research is a comparative multiple case study using a deductive approach, based on preliminary study of vast literature review.

In this research work, it was necessary to consider different methods, techniques and instruments that could ensure the empirical fact of research; that is, the basic phase of the investigative experience. The method represents the way forward in the investigation, the techniques constitute the way to transit through that way, whereas the instrument incorporates the resource or means that helps to achieve this path. The factors that influence the selection of one approach over another are condensed to three: the experiences of the researcher, the research problem itself, experiences of, and the audience<sup>2</sup>.

As Hurtado (2000) states, data collection techniques are the procedures and activities that allow the researcher to obtain the information necessary to fulfil their research objective. For Ander-Egg (1995), the technique indicates how to do in order to reach an end or a specific goal; this has a practical and operational character. While an instrument of data collection is any resource used to approach the phenomena and extract from them the information for their research, it is the resource itself that is used to record information or data about the variables. The instrument synthesizes all the previous research work, summarizes the contributions of the theoretical framework when selecting data that correspond to the indicators, and therefore to the variable or concepts used (Hernández et al., 2003).

I had to consider that the selection and elaboration of techniques and instruments is essential in the stage of gathering information in the investigative process, *i.e.* collecting data from the companies or start-ups that I was analysing, because it is the way to find the information required to answer to the question that I try to solve. The basic techniques for collecting information, can be defined as the way through which we

---

<sup>2</sup> Creswell, J. W. (2013). *Research design: Qualitative, quantitative, and mixed methods approaches*



interact with the companies to obtain the necessary information to achieve the objectives set out in our research.

It is essential to point out that the chosen research method sets the guideline for selecting the technique of data collection. In this sense, there is a wide set of information collection techniques, primary or secondary, where some are characteristic of quantitative trends and others with a qualitative orientation. In my case, since there was no secondary data available, I had to search and gather my own information, making it primary data. My study is a qualitative work since I am going to compare the institutional context between Switzerland and Russia using a participatory knowledge claim as philosophical assumption<sup>3</sup>.

Among the four main data gathering tools, three of them were rejected. Questionnaires, observations and focus groups were rejected since they did not suit my needs in terms of information gathering. That is why I decided to stick to the interview method, which could provide me with clear and relevant data.

According to Silverman (2006), the interview is a technique of gathering information through direct contact with people, through an interpersonal conversation, prepared under a dynamic of questions and answers. In my specific case, I contacted CEOs or entrepreneurs that had created a start-up. The interview allowed me to be aware of the position of the informants in any given situation in time, which is an advantage for this study since the data that I was trying to collect was related to past events.

The interview is designed as a research technique, offering relevant information to address a problem and achieve research objectives<sup>4</sup>. The most common classification refers to structured, semi-structured and unstructured interviews:

- Structured interviews: the interviewer asks a series of questions to the interviewee, based on a questionnaire previously prepared, under a script of closed questions, elaborated in a sequenced and directed way.
- Semi-structured interviews: they are carried out starting with a script of open questions that are formulated to the interviewee, without forcing the interviewee to follow a certain order, leaving room for free expression.

---

<sup>3</sup> Creswell, J. W. (2012). *Qualitative inquiry and research design: Choosing among five approaches*. Thousand Oaks, CA: Sage.

<sup>4</sup> Rodríguez, Gregorio. Gil, Javier y García Eduardo (1996). *Metodología de la Investigación cualitativa*. Málaga: Aljibe.

- Unstructured interviews: the interviewee does not face an established list of questions and the interview is openly conducted with greater flexibility and freedom.

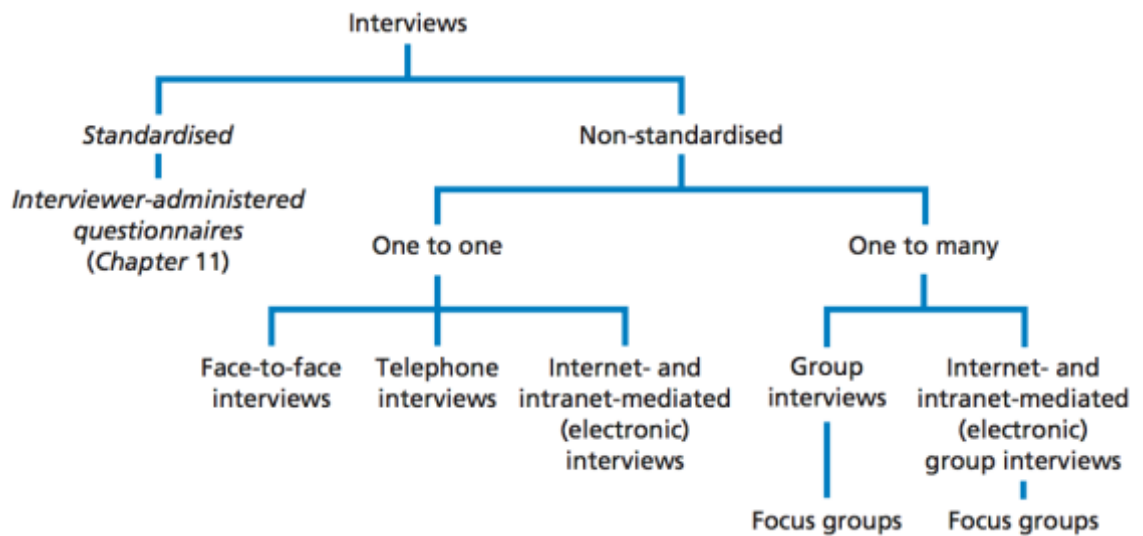


Figure 7: Sampling methods. Source: Saunders, Thornhill and Lewis (2009)

In my case, as you can see in figure 7, I conducted face-to-face semi-structured interviews using a script that I created beforehand. On the other hand, the main disadvantages of this method are connected to the fact that it is conditioned to the desire of participation of the interviewees. Being an interpersonal relationship, if there is no empathy between the interviewer and the interviewee, there may be false or exaggerated answers, the respondent can respond through their memories, thus existing a distance with respect to what actually happened to a certain fact or phenomenon. That is why I tried to create clear questions and be diligent when I conducted the interview with the start-ups.

Moreover, for our specific case, after having analysed the antecedents in terms of data gathering, it was noticed that the interview was also the method used to gather information for the GEM report 2016/2017 and the OECD indicators for entrepreneurship.

### **Interview design**

As I mentioned already, the data that I required for my research was not existing in any databank, so I had to gather primary data by myself. I decided to use a face-to-face structured interview. To make the interview more comprehensible and to unfold any possible flaws, I asked for feedback to my scientific advisor and tested it with other

entrepreneurs. After they completed the interview, I asked for their feedback, evaluated major flaws and made the final fine-tuning.

Since I knew the several disadvantages of the interview, I made my best to make it as precise as possible, in order not to lose people's attention or receive random answers to some questions. The final version of the interview was two pages long, contained 30 questions and could be replied in around twenty minutes.

The questions in the interview can be distributed into two different groups: general questions about respondents and companies they represented and questions about the four dimensions of Whitley: legal system, financial system, educational system and trust relations. All questions were open and tried to engage the interviewee to open-up and share their knowledge and experiences. Moreover, I recorded the interviews and I transcribed the audios into a word file.

Apart from that, I gathered other types of information. The supplementary sources of the data are documentation, Internet resources and public information. All classes of documents were available both on the Internet. Before doing the interviews, the websites of the companies were studied to prove that there was enough knowledge about the company for an enriching discussion. I analysed also the annual reports of the companies that were later used as foundations for the evidence of companies' activity. I also studied articles about the most significant events in these companies to get a detailed image of the all depicted situations.

### **Interview guide**

For Denzin and Lincoln (2005, p. 643, taken from Vargas, 2012) the interview is "*A conversation, is the art of asking questions and listening to answers.*" As a data collection technique, it is strongly influenced by the interviewer's personal characteristics. This overly generic and under-active definition includes any encounter between two people, a researcher and his or her interviewee, in which the researcher asks questions that can range from opinion surveys or questionnaires, *i.e.* highly structured open interviews where it is even possible for the researcher to be questioned and questioned by the informant.

In qualitative research the interview will not be based on closed and highly structured questionnaires, although they may be used, but in more open interviews whose maximum expression is the qualitative interview in depth, where not only a conversation is maintained with an informant, but the meetings are repeated until the

interviewer, reviewed each interview, has clarified all emerging issues or issues relevant to their study. Having stated all this, I introduce the interview guide that I created for our study.

Firstly, the context of the interviews is connected to the institutional context and the new venture creation. The general question of the interview is: In which ways the institutional context influences new venture creation? The idea is to translate this research question into several interview questions. The general strategy would be to ask entrepreneurs to respond to the questions. The qualitative approach is characterized by the possibility of deepening. This deepening is the key to obtaining information that enriches the research.

The premises in this guide for the main interview are:

- a) Beliefs and values about entrepreneurship are hard to acknowledge. I need to make the questions as concrete as possible to get entrepreneurs talk about their real practices and events rather than generalizations.
- b) I will get better replies from teachers if I tell them in advance the questions we will be asking, so that they will have some time to think about them. Therefore, I will send them an outline of the main questions.
- c) People usually do not remember everything that happened in the past. That is why I should repeat some difficult questions or break them into two small questions.
- d) Entrepreneurs, like other successful people, may sometimes overreact or exaggerate. That is why I need to make them understand that truthful answers are extremely important.

The outline of topics to be addressed in the interview are fundamentally the four main dimensions of Whitley. These dimensions consist of the legal, financial, educational system and trust relations. This interview guide translates those topics into a script for how the interview will be carried out. It tells what should be said as the interview moves along, and how should be the responses to things that the interviewee says.

In regards of technical terms, I recorded the interviews to streamline the dynamics during the meeting and thus I have a faithful record of the material collected. All precautions were taken to make the recording audible by using two different microphones (appendix 1).

## Process of the empirical study

This figure 8 refers to the model of the study for this paper, which is divided into 4 different parts. The case study method not only takes into consideration the data generated by the researcher, but also the data that is possible to find in reviews, website, public information, etc.

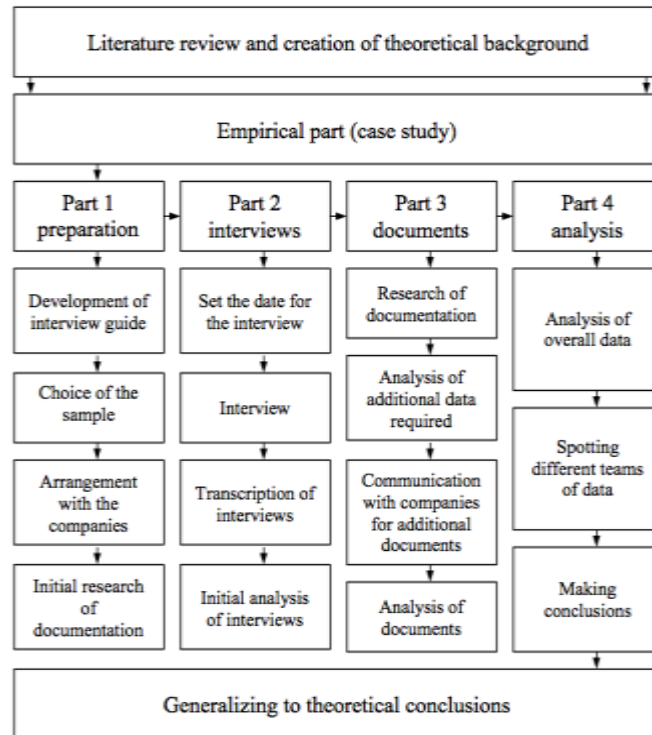


Figure 8: process of analysis

## 2.2. Description of the case companies

The research sample is composed by three start-ups based in Switzerland and three start-ups in Russia. Their business life falls in between 0 and 3 years because the goal of this study is entrepreneurship and new venture creation. As a matter of fact, the first three years of life of a start-up is where we can see whether is going to prosper and develop or not. That is why, nowadays the Venture Capital funds are asking for business plans that are no longer than 3 years in time.

### Swiss Startups

I selected six completely different start-ups to make the results clearer. The Swiss-based start-ups are based in Zurich, conduct business in different industries, have different products and business models and have different sizes. The first company is called “Avrios AG”, and I am working in it as a business developer for Spain and

France. It's a start-up with two and a half years of business track and it is a SaaS provider; they sell software to companies that want to manage efficiently their fleet of vehicles.

They provide a connected, easy to use platform, to manage the vehicles over their entire lifecycle - their procurement, administration, financial controlling and disposal. I did the interview to the CEO and my boss, Andreas Brenner. The offices are located in the centre of Zurich. Andreas Brenner and other 3 people started this company in 2015. Nowadays the company has 4 main departments: software development, marketing, sales and customer success. The company is growing fast and every month, around 4 new people join. In June 2017, Avrios will complete a second series funding. Their website is in several languages: [www.avrios.com](http://www.avrios.com).

Avrios was created by three founders, Andreas, Robin and Roger, which were working and studying at that time (2015). Since Andreas Brenner was working in his father's company, he had an idea that could change the way companies manage their fleets. He noticed that they did that on excel and it was extremely painful and slow. After the selling of the company of his father, he decided to start this project and partnered with a student, Robin, and a developer with experience, Roger. The company received several funds: on the 5<sup>th</sup> of February 2015, they invested 100,000 Swiss francs to register the company as an AG, then the Swiss technology and bank gave them a loan of 1,4 million francs, on March 2015 and December 2015 they received investment from Venture capital firms, 230,000 and 1,9 million francs respectively, and finally Venturekick and Google gave them a prize of 10,000 Swiss francs. Their core business is a SaaS platform for companies to manager their cars; they offer a licence and charge per vehicle per year.

The second start-up is also Swiss but the founders are Spanish. It is called Velohub. The company is a spin-off of a project started at the ETH, the biggest university of engineering in Zurich. The start-up is selling hardware technology: lights for bicycles; the product is called "*blinkers*". I know one of the members, Javier Bilbao, because we studied at the same school back in Barcelona. Four founders started the project in 2016 and the team grew till it was 6/7 people. They started to work in the offices of the university of ETH and they presented the idea at a concourse, the "Swiss Startup Factory". They won a prize and started to take more seriously the project till they received funding from a business angel and did one crowdfunding campaign.

The crowdfunding campaign was to fund their first prototypes, and the amount of capital was 50,000€. Then, through the accelerator “Swiss Startup Factory”, they found an investor who decided to invest 250,000 Swiss francs in their project, asking them to take this project as a full-time job. Nowadays, they are finishing all the prototypes and they are in the second crowdfunding campaign looking for 50,000€ in order to start production. Their website is: [www.blinkers.io](http://www.blinkers.io). Their main business is the production and distribution of smart lights for bicycles, front and rear lights with brake lights that are activated through a threshold sensor.

The third Swiss start-up is Autoplush GmbH and they sell car plushes around the world. The company started 1 year ago when the founder Sebastian Scherrer and a colleague had the idea of producing plush cars with famous forms, like Twingo or Mazda and sell them all over the world. They are producing them in China and distributing them from Zurich, Switzerland. They started with a team of two founders and quickly reach a high growth, specially in the marketing department; now they have 15 employees. They have 3 main departments: marketing, sales and customer service.

In terms of funding, they started doing boot-strapping, using all the resources that they had (connections, network, savings, etc.) till they sold all their products in two days (350 plush cars). Then, they reinvested the money and asked for a 30,000 Swiss francs loan to a bank. Overall, they passed several rounds of funding and are expecting another investment this year from a private investor. I did the interview to the founder and CEO, Sebastian Scherrer. Their website is [www.autoplush.com](http://www.autoplush.com).

A common trait that all three start-ups have is, that they all received funding, starting from 10,000 to 1,9 million dollars. It is because in Switzerland, the rate of entrepreneurship is low (GEM report 2016/2017), however, wealthy people are looking to diversify their investment not only in financial products like bonds or stocks, but also in new investment vehicles like startups. Only five years ago the hype of start-up investment flourished and now that there are antecedents and previous cases, investors are looking more closely to this new way of investment too.

## **Russian Startups**

Regarding the Russian start-ups, they all have connections with the Ingria Incubator of Saint-Petersburg, where I did an internship in the department of Business Development in summer of 2016. Ingria Technopark is a park where we find an incubator, accelerator and prototyping rooms among other areas. The space has a high

intensity of innovative activity, where collaboration between companies in the high technology sector is enhanced thanks to an advanced infrastructure and the handiness of all type of different facilities.

The Technopark makes achievable to change the employment organization of the city he is based, Saint-Petersburg, by creating new jobs in intellectual and knowledge-intensive industries such as machine learning, fintech, and others. It also makes possible the distribution of products with a significant intellectual component, like the startups that I interviewed. My scientific advisor introduced me to several start-ups and I chose with which I was going to work and I arranged interviews face-to-face with their founders.

The first company that I interviewed was Lonna, which is an advertising and marketing services company. Their main business is consulting of marketing for companies that want to outsource their marketing tasks or department or that want to do some projects and they don't have the resources or knowledge. I did the interview to the founder, Roman Loginov. He started relatively young to do business, importing audio goods from Germany and selling them in Russia. Lonna is not the only project that is ongoing now; in his portfolio, also is "the magic project". Right now, there are 8 people working and they have several specialities; each of them is specialist in one area of marketing: website construction, SEO, ad campaigns, etc. They started their business with their own savings, from previous projects. Their website is [www.lonna.ru](http://www.lonna.ru).

The second company that I interviewed for the Russian market was Dilema.me, to its founder Valentin Borisov. That started the project around 2 years ago and the main product that they are offering is a platform of knowledge exchange. The idea behind is to have a website where it's possible to contact with specialists of different topics like food, science, culture, protocol and so on and being able to get advices on questions or queries from them.

They are 7 people on board and are growing and they funded their start-up mainly with personal savings. In November 2015, they invested 2,5 million rubles from their own savings. Almost one year later, in September 2016, they invested 2,3 million rubles and in March 2017 they invested again 1 million rubles. Besides that, in January 2017, they grabbed a loan to the FFF (family, friends and fools) of 200,000 rubles. They are planning to grow and go global, offering this service to all the world.

The last company is an IT venture by Igor Tsarik, based in Saint-Petersburg, called Airtago. Airtago is a developer and manufacturer of original equipment:



Bluetooth LE (iBeacon) and 3D-orientation sensors for Bluetooth LE (iBeacon) beacons. Directional beacons are used in positioning systems in rooms and can improve the accuracy and reliability of positioning of devices or smartphones for instance. The 3D orientation sensors for mobile devices allow you to determine the direction to any Bluetooth LE (iBeacon) beacons. These sensors are used in geo-information systems and augmented reality systems. He and his colleague are producing sensors for geolocation within buildings and are planning to sell in a more B2B way, however they do not say no to the B2C. He and his colleague had a project, after which they created Airtago. Today, they are the same two partners and occasionally another person works with them. Their website is [www.airtago.com](http://www.airtago.com).

As you see, most companies are IT-related and their main distribution channel is via the internet. These startups are companies that are emerging, growing and having a strong relationship with technology. In our case, they are businesses with very innovative ideas, like Dilema, Blinkers or Airtago, definitely whose main point is the new technologies. They are companies with a great capacity of change and adaptation, that develop services or products required by the market very fast and whose design is really customized for each client or a specific target.

Experts assure that companies like these, usually have a fairly small cost compared to the profits that they usually attain; moreover, they grow exponentially due to the big investments that receive. In addition, one of their strengths is the continuous communication with its customers, which give them inputs and insights to correct and redirect the direction that they want to follow in order to reach their growth goals for investors and shareholders.

**Table 2. General information about the sample**

<b>Company name</b>	<b>Avrios AG (CH)</b>	<b>Blinkers (CH)</b>	<b>Autoplush (CH)</b>	<b>Lonna (RU)</b>	<b>Dilema (RU)</b>	<b>Airtago (RU)</b>
Industry	Automobile (SaaS)	Sports	Retail	Marketing	IT	IT
Name of the contact	Andreas Brenner (Founder)	Javier Bilbao (CMO)	Sebastian Scherrer (Founder)	Roman Loginov (Founder)	Valentin Borisov (Founder)	Igor Tsarik (Founder)
Main activities	Provide a connected platform, to manage the vehicles over their entire lifecycle	Produce smart lights for bicycles	Produce plush cars	Consulting marketing agency covering all the spectrum of marketing needs	Internet platform where people with knowledge interact with people that want that knowledge	Beacon producer for geolocation inside the buildings
Established in	2015	2016	2017	2015	2015	2016
Size and number of employees	Medium, 70 employees in Zurich and Kosovo. Many operations realized on outsource in Sri Lanka.	Small, 5 employees and 1 freelancers working occasionally	Small, 15 employees	Small, 8 employees with some freelancers occasionally	Small, 7 employees	Small, 3 employees
Market	B2B, EU focus	B2B, B2C, Global	B2C, Global	B2B, Russia	C2C, Russia	B2B, B2C Russia

### **2.3. Results of empirical analysis**

The theoretical background, developed in the present research, suggests that each dimension of Whitley's framework influences the new venture creation. After seeing Whitley's framework and the entrepreneurial stages, I am going to use both model to explain how the institutional context, that is, each dimension influences each step of the new venture creation. At the end of each dimension you will find a table with the summary of the influence of it on each stage of the new venture creation.

#### **Legal System**

The existence of a legal system is indispensable for the proper performing of the market, this translates into the existence of well-defined property rights, mainly due to the fact that the efficiency in the exchange was not given until the contracts could be freely negotiated and effectively fulfilled through legal reforms.

A well-defined legal system is synonymous with clear rules, which translates into confidence for economic agents, mainly for investors who can carry out their activities, due to the security that guarantees the legal framework of the country where they want to invest. That is why the subject of judicial reform has gained a lot of interest in recent years: an efficient judicial power is needed for markets to work better.

The empirical evidence demonstrates that judicial systems have a positive influence on economic growth, and institutions improve economic performance, and indicators such as compliance with the law and a good legal system influence economic growth, mainly because they improve economic performance. Moreover, the quality of institutions is connected to the generation of credibility and trust. The idea is not only that rules exist, but that they be enforced, that the legal and judicial system function efficiently by lowering transaction costs. In this sense, it is important to consider that as long as the judicial system is not reformed, we will be able to make our institutions credible and trustworthy, because absolutely no one will want to invest in a country where property rights are not guaranteed.

The analysis of the companies which I conducted shows us that this dimension influences the new venture creation. Starting with Russia, we have seen that all companies in the Russia case, *i.e.* Lonna, Dilema and Airtago created their companies in less than two weeks with a "OOO" form, which in English means "Ltd. (Limited)". All the bureaucracy in terms of registration of the company was particularly easy and fast.

Roman Loginov from Lonna.ru says: “We visited a couple of times the administration and two days after the last visit we received the registration documentations. Overall it took around 10 ten days.”

Igor Tsarik also mentions that they registered their company in a matter of days. “We registered our company really fast. The registration process lasted for about two weeks and we did it through a legal company.”

Valentin Borisov also says that they registered “Dilema” in a week and a half. “Register the company was pretty easy. We just fulfilled some documents and after a week and a half we received the status of “OOO”. It is very convenient”

As we see, the process of registration of a company is easy and fast, which fosters the creation of new ventures. Instead of being a burden, creating a company in Russia is easy, takes less than two weeks and are not needed lots of documents. Besides, in terms of hiring and firing people and accounting, the work is also easy and automatized. The law is very flexible and all the paper work is handled in an easy way, specially firing people, comments Valentin Borisov from Dilema.ru. Russia eases the creation of new ventures when it comes to the step of registration; moreover, more and more internet bureaucracy systems are being created to make all the process easier.

Regarding the Swiss registration process, it is a little bit longer, around three weeks. Plus, the form AG (which is like the LLC or the 3AO) takes more than a month and a half. Sebastian Scherrer from Autoplush (with form GmbH, which is Ltd. or “OOO”) says: “The registration of the company was easy but a little bit slow because even if you create the company via the internet, you will still need to sign some papers and receive documents via traditional mail, which makes the process longer. However, it is easy and convenient if you are not in a rush.”

Javier Bilbao and Andreas Brenner mention that in their case, the registration lasted for a month and two weeks till they received all the documents and their company was registered publicly. “The company that runs the acceleration of our start-up did almost everything for us but it still took a little bit of time.” Says Javier Bilbao from Velohub AG.

Andreas Brenner also mentions that since Switzerland was a very safe country, in the middle of Europe and with good relations with all other countries, the security in terms of the legal system was high. “We are not afraid of problems with other companies or clients because we know that if we do things well, the Swiss legal system is going to protect our interests and those of Swiss companies. I think that creating a

company in Switzerland in order to avoid political problems and legal ones is a very good idea; it was one of our requirements when we were choosing a country where to establish our firm.”

Besides, talking about taxes, the Russian system is good to some extent. The taxes that companies must pay are not that elevated in comparison to other countries. All three entrepreneurs said they were not worried about the taxes because they knew that it was not a high cost for their business.

As we have seen in this part, the legal part has a strong influence in some steps of the venture creation. The easier it is to create a company in terms of bureaucracy, the faster people create them. The table 3, underneath, shows the main reflections for every country regarding the legal system.

Influence of the legal system on:	Russia	Switzerland
Step 1: Business idea	The legal system has mainly no effect on the business idea, except if the business model is based on the legal framework.	The legal system has mainly no effect on the business idea, except if the business model is based on the legal framework.
Step 2: Resource gathering	The legal system in Russia makes very easy the step of resource gathering, specially in terms of workforce. The Russian law fosters the employment, but also the firing of employees, so we can expect a hire rotation of employees in a start-up.	The legal system is not a big added value for the resource gathering step.
Step 3: Company registration	In this stage, the legal system plays a big role. In Russia, it is easy and fast to create a company, so it is positive for the new venture creation.	In Switzerland, it is easy but a little bit slow and costly to create a company, so it could be a burden for the new venture creation.
Step 4: Early startup stage	Legality is very important in the last stage. Since in Russia the rule of law not always work, entrepreneurs think about creating their companies because if they get big and powerful, some more powerful people with good connections could just steal them. It has a big influence.	In Switzerland the law protects the company owners and companies themselves, it adds certainty and security to the business, but it does not play a big role.

Table 3: Influence of the legal system on the four stages

## **Financial System**

As we have seen before in the study, the financial system is that set of institutions, markets and means of a determined country whose main objective and purpose is to channel the savings generated by the lenders to the borrowers. The intermediation work is carried out by those institutions that make up the financial system and is considered elementary to carry out the transformation of financial assets issued by investors into indirect financial assets.

The exclusionary mission of the financial system of a market economy will be to capture that surplus of the savers and channel it to the borrowers, whether public or private. That is why nowadays start-ups can receive credit from investors, banks or governmental institutions. Besides, the influence on the internal market is crucial. Among those institutions that make up the mentioned system, banks, private and public ones, whose administration and management oversee the national state, stand out particularly.

It is precisely the banks that offer the new ventures various investment tools. The financial system plays a fundamental role in the economy of any country, as well as entrepreneurship, and in case its good or bad operation has a direct impact on the development of the domestic market. In financial markets, financial systems are of vital importance as they focus on people's savings and transfer them to specific investments, in our case start-ups, which will have a positive impact on the real economy of any country.

Starting with the cost of the registration of the company, we have seen that in Russia, creating a "OOO" or Ltd. company is way cheaper than in Switzerland. For the sake of a clear comparison, creating a Ltd. company in Russia costs about 150\$, whereas in Switzerland costs roughly 20,000\$.

Roman Loginov explained that he paid 10,000 rubles as minimal capital and other 15,000 to register the company. The same thing happened to Borisov and Tsarik. Being able to create a company without investing high amounts of capital fosters the new venture creation since more people can create their businesses. Moreover, as several of the respondents answer, the government offers credit for new companies to start making business. "I was offered the possibility to take credit from a governmental bank in order to fund my project", states Loginov.

Besides, in terms of financial support received, the three companies agreed that in Russia more and more a structure of business angels, incubators and governmental support was growing, making easier the financing of new ventures.

In Switzerland, as I mentioned before, the cost of opening a Ltd. company is 20,000\$, which makes a little bit more difficult the task to create companies. Sebastian Scherrer says: “It passed one year before we decided finally to register the company and start this project. I had to use my own money to invest the minimum capital required for the firm plus all the bureaucratic costs, that were about 6,000\$, considering lawyers and so on.”

Javier Bilbao also complains about the high amount of the minimum capital required. “In our case, we had to split the cost in two times. First, with the first seed round we invested 50,000\$ and then, a few months later we were able to invest the other 50,000\$ to reach the minimum capital required for the AG form. I believe that this is a burden in terms of creating new companies.”

Apart from that, Javier also says that in Switzerland is getting easier and easier to receive funding for the start-ups: “Nowadays, there are some accelerators and incubators that attract a lot of investors and big banks. For us, it was easy to find an investor to fund our start-up. It was a business angel that invested 220,000 Swiss francs. I think that, since people in Switzerland have a surplus of money, they can buy things or invest in other stuff. In our case, our investor was hesitating between buying himself a new Ferrari or investing on us.”

In the table 4, underneath, we see the main influences of the financial system on each of the steps. A thing to consider is that both countries, Russia and Switzerland, have low taxes and this positively affects the new venture creation.

Influence of the financial system on:	Russia	Switzerland
Step 1: Business idea	The financial system has mainly no effect on the business idea, except if the business model is based on the financial framework.	The financial system has mainly no effect on the business idea, except if the business model is based on the financial framework.
Step 2: Resource gathering	The financial system does not have a big influence on this stage in Russia because a lot of startups do not require of big funds in order to start running.	In Switzerland, it is relatively easy to receive some capital from private investors since the offer is equal or higher than the demand. There are few start-ups in the Swiss market due to its business culture and the possibility of making a good living without creating a company. It has a big influence in new venture creation.
Step 3: Company registration	In this case, the financial system has no influence on the registration of companies.	In this case, the financial system has no influence on the registration of companies.
Step 4: Early startup stage	Due to the low taxes in Russia, the financial system has a big influence on the start-up stage because it benefits startups in comparison to other countries where taxes are higher.	Due to the low taxes in Switzerland, the financial system has a big influence on the start-up stage because it benefits startups in comparison to other countries with higher taxes

Table 4: Influence of the financial system on the four stages

### **Education system**

Education emerges as the tool that not only transfers the legacy to current and future generations, but also the environment through which curiosity must be instilled and aroused, the means must be forged to implement and to place constructive criticism as a preponderant element.

Viewed from a global perspective, Wyn (2009, p. 3) mentions how recent society has gone through marked transformations that affect large differences in the skills and abilities that must have to obtain and maintain a job; to the point that formal education institutions often become irrelevant to the younger workforce. The State is responsible for the management and regularization of the education system. Through the Ministry of Education or similar bodies, the rulers lay the foundations for the development of education in a territory.



In the educational system, however, not only the State acts. Although there are state-run educational institutions (which make up what is known as public education), there are also private actors who provide education as a service and, therefore, seek revenue from their activity. In our case, we have analysed how Russia and Switzerland manage this education towards entrepreneurship.

In this dimension, none of the entrepreneurs from both countries had receive any education focused on entrepreneurship in school. Their ages rank from 24 to 40 and therefore have been in school in different generations. However, none of them had receive this kind of knowledge during school.

“At school, I did not know what entrepreneurship really was. We had no courses or seminars on how to create your business or anything related to that. It was only at university that I started to work on these topics. Later, after university, I started to go to all kind of seminars about entrepreneurship, however none of them were done by the government. Things have changed now and the government is supporting this kind of courses.”, says Andreas Brenner, founder of Avrios AG.

Sebastian Scherrer mentions that in Switzerland, there is no point to become an entrepreneur because the salary you can get just by working for someone is high and you can live well with only that. That is why till now there was not this mentality towards entrepreneurship, specially in education. “I’ve never had a topic related to entrepreneurship at school or at university. All what I know, I learnt by myself. Now it’s easier because there are more courses and seminars in which people can learn things about entrepreneurship.”, says Sebastian, founder of Autoplush.

For the Russian start-ups, the case is similar. All three entrepreneurs that I interviewed said that they did not learn how to create businesses at school, they learnt it by themselves doing. Roman Loginov says: “I did not have any course or seminar at school focusing on entrepreneurship. All that I know I learnt it when I started doing business with some friends importing and exporting Hi-Fi audio equipment from Germany and selling it here in Russia. At school or university, they try to teach you with old books that are 25 years old. If you want to learn to do business you have to do and fail, because every time you fail you learn.”

In Russia, the role of incubators and accelerators is really important because they open the doors to the people who want to do business and learn how to do business. Igor Tsarik explained that he applied three times to Skolkovo but he got rejected all three times. He also says that it is interesting how the application works and he thinks

that the access to some clusters of incubators is only for some privileged people with connections.

As we seen, both countries in this field are not really advanced even though things are changing and little by little the governments of both countries are investing more resources into entrepreneurship through courses, seminars, etc.

Influence of the education system on:	Russia	Switzerland
Step 1: Business idea	The education system does not have a big impact on entrepreneurship and new venture creation. In this case, it does not foster it, so it has no influence.	The education system does not have a big impact on entrepreneurship and new venture creation. In this case, it does not foster it, so it has no influence.
Step 2: Resource gathering	It does not have a particular influence.	It does not have a particular influence.
Step 3: Company registration	It is completely neutral.	It is completely neutral.
Step 4: Early startup stage	Startups collaborate with educational institutions but not enough. So it has no influence.	Startups collaborate with educational institutions but not enough. So it has no influence.

Table 5: Influence of the education system on the four stages

### **Trust Relations**

This dimension, called trust relations, relates to the way of doing business and trust between partners, clients and other people taking part of business, and corruption is a part of trust relations. Corruption is one of the main problems all countries face. Ensuring the proper functioning of the public administration, through its institutions, is not a task that is exclusively for the State, but also for the citizens. Corruption in society presupposes, first, an authority or a decision maker, that is, someone who voluntarily assumes the position of making decisions that affect others.

Corruption, therefore, is not a predictable situation for any person, but only those who have assumed the special position mentioned above and who commit themselves to decide according to the criteria that order the social sector that has been

entrusted to him. As Aidis & Mickiewicz (2006) and Barkhatova (2000) state, corruption affects the agility of businesses and the development of entrepreneurship.

Starting with Switzerland, Andreas Brenner said “One of the requirements that we had when we were deciding about the country where we wanted to register our start-up was bureaucracy and problems with the system. We chose Switzerland because the system and people are very legal and if something is wrong the system corrects it. I have been 20 years in Switzerland and I have never heard about a single case of corruption, except from the FIFA case.”

Javier Bilbao answered with a simple “Nothing.” when I asked him about the cases of corruption. The same thing with Sebastian Scherrer. When doing business all three entrepreneurs trusted whom they were doing business with and never had a problem that could not be solved via the legal system. In other words, the level of corruption in Switzerland is practically zero. This helps companies to develop at a steadier pace and being sure that no one is going to come and steal their business; security and confidence fosters the creation and development of new ventures.

Regarding the Russian start-ups and entrepreneurs, they all three heard about corruption. “You can ask anyone in Russia and they will tell you that they know about corruption cases. [...] I have never received money from someone, but they have offered me money.”

Tsarik also says that when he was dealing with customs at the border, he had a lot of problems because they were asking for some documentation that was impossible to get, it was a vicious circle. At the end, he had to pay a person to manage the whole problem and finally got the products that was trying to import to Russia.

As we see, corruption affects the dynamics of business and slows the whole process being a burden for the new venture creation. Based on Aidis & Mickiewicz (2006) and Barkhatova (2000) work “Entrepreneurship, Institutions and the level of development”, one of the measures related to the institutional environment is the “Corruption Perception Index”, which was issued by Transparency International. As it is of now included as one of the ten individual measurements utilized by the Heritage Foundation, there is literature contending that corruption might be viewed as an intermediary of the nature of the institutional context, in most cases in a negative way. Some authors as Tanzi (1998) contend that corruption reflects the multidimensional impact of poor institutions. Moreover, Djankov et al. (2002) give empirical confirmation of this idea by demonstrating that corruption reflects an incompetent

overregulated condition. As mentioned before, the cases of corruption may prevent business to develop over some edge level, so necessary for the blooming of the economy, as in Tsarik’s case, where the entrepreneur could lose his investments. That is why, this kind of beliefs might generate possible discourage for entrepreneurs and stopping them from starting a new venture.

In the table underneath, we see the main influences of the trust relations on each of the steps. A thing to consider is that even though in Switzerland, trust relations have not a lot of influence, in Russia they influence the last phase, *i.e.* the start-up stage in a negative way.

Influence of the trust relations on:	Russia	Switzerland
Step 1: Business idea	The trust relations have mainly no effect on the business idea.	The trust relations have mainly no effect on the business idea.
Step 2: Resource gathering	Due to the high levels of corruption in Russia, in this stage it has a negative effect, because people are more careful when it comes to choosing partners and funding, therefore there is influence.	They have little effect on this stage.
Step 3: Company registration	It is mostly neutral.	It is mostly neutral.
Step 4: Early startup stage	Here we find the biggest problem related to corruption. Since the rule of law sometimes does not work in Russia, entrepreneurs most suffer of corruption in this step, they even can lose their businesses. So it has a negative influence.	It has a positive influence because people know that everything can be solved equally by the rule of law. It has a positive influence.

Table 6: Influence of the trust relations on the four stages

#### 2.4. Discussion on findings

The empirical part of the study has let me to create a theoretical model based on the findings of this last part. We have seen that the institutional context influences entrepreneurship and new venture creation; and each of the four dimensions plays an important role in the different stages of the new venture creation. Some dimensions have no effect on the new venture creation, that is why they are not represented by symbols in the model that I created and that you will find in figures 9 and 10.

The model that I created is the result of all the interactions between the dimensions and the stages. As you will see, each dimension had three options: 1) didn't affect, 2) affected positively or 3) affected negatively the steps of the new venture creation. Every arrow means an influence from a dimension towards a stage, and the colour of the arrows determines the effect. For instance, white arrow means positive influence and black arrow means negative influence on the stage. On the left side of the figure you will find the four dimensions of Whitley (1999) and on the right side you will find the 4 different stages of the new venture creation. When we say that it positively influences the stage, it means that it is easy or/and fast to do. When we say that it negatively influences the stage, it means that it is a burden adding more difficulty or time to the overall result of the new venture creation.

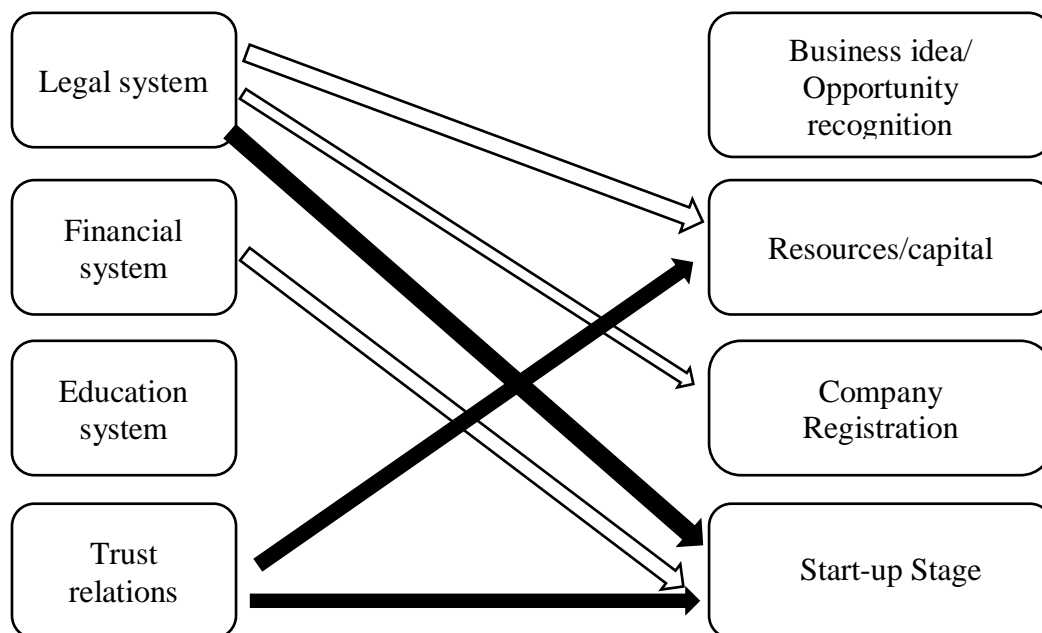


Figure 9: *Theoretical model of the influences of the dimensions of the institutional context on the new venture in Russia*

As we see for Russia, the graph above show us the main positive influences in white:

- The legal system on the resources gathering and the company registration
- The financial system on the start-up stage

For the negative influence, meaning that there is an effect but it negatively influences the stage:

- The legal system on start-up stage
- The trust relations on resources gathering and the start-up stage

Explaining more in detail, regarding the positive cases, the legal system influences positively the resources gathering because in Russia it is easy to find people to work, hire them and fire them too. That is why, companies can benefit of a quick solution when they grow. Also, the possibility of receiving funds at low taxes is a positive case for companies. The legal system has also a positive influence when it comes to the company registration. As we have seen in our case study, companies can register in the system in less than two weeks and for less than 30,000 rubles, which is an advantage and fosters the new venture creation. Moreover, the financial system also affects positively the start-up stage because of the low taxes that Russia has for companies.

On the other hand, the legal system negatively influences the early start-up stage because of the lack of diligence of the rule of law between companies and bigger entities. It is connected to the trust relations because once the company is created several issues could happen, like asking for bribes in order to issue some documents or receive some products at the border, as one of our interviewees was explaining. As we see the trust relations dimensions is also a burden for the resources gathering stage. Apart from that, as it happened before, there is also the risk of losing the company to a bigger company or person connected to people with power. The rule of law would not protect the person who has no contacts at all.

For the case of Switzerland, the same model explains the interactions between the institutional context and the entrepreneurial stages.

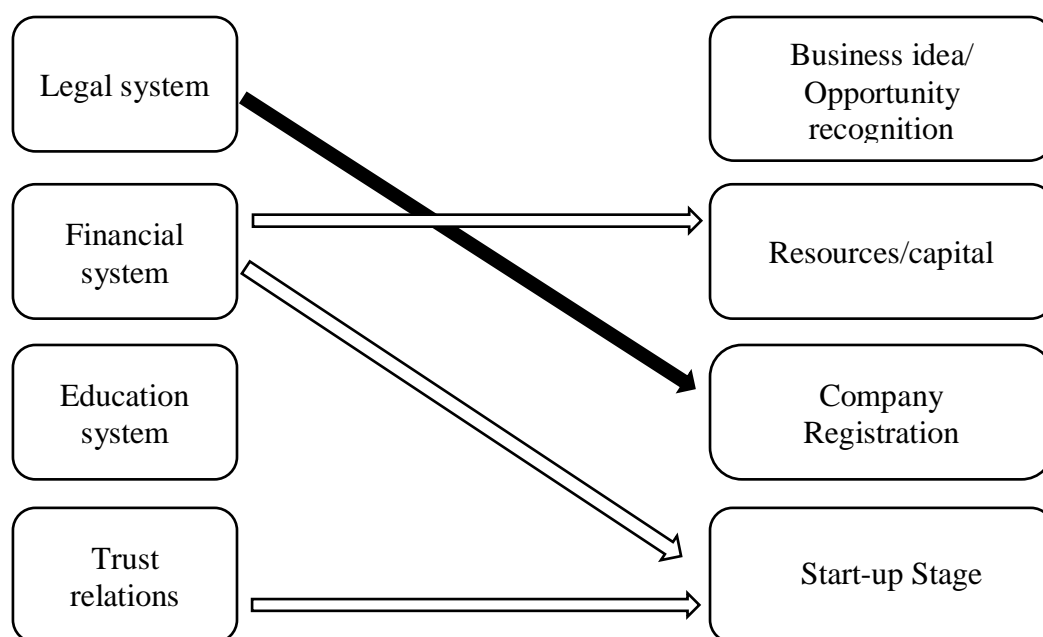


Figure 10: *Theoretical model of the influences of the dimensions of the institutional context on the new venture in Switzerland*

As we see for Switzerland, the graph above show us the main positive influences in white:

- The financial system on the resources gathering and the start-up stage
- The trust relations on the start-up stage

For the negative influence, meaning that there is an effect but it negatively influences the stage:

- The legal system on the company registration

Explaining more in detail, the financial system has a positive influence on the resource gathering stage since in Switzerland the flow of capital for start-ups is very high and it is relatively easy to receive funds. The financial system is also positive for the early start-up stage because, as in Russia, the taxes are low and this helps companies to reinvest more money into their business. Moreover, the trust relations dimensions positively influence the latest stage of the new venture creation, the early start-up stage because entrepreneurs know that the rule of law works with efficacy in Switzerland and they feel supported by the government, which enhances the will of creating a company and therefore the new venture creation.

Besides that, the legal system negatively affects the company registration stage because to register a company is expensive (minimum 20,000 Swiss francs plus the registration fees, around 6,000 Swiss francs) and it is slow and requires a lot of documentation, which slows the process itself.

## **Conclusion**

The main goal of the research was to study how the institutional context influences new venture creation in Russia and Switzerland. In order to attain this goal, several sub-questions were added to the present study. Theoretical investigation of how the institutional environment influences entrepreneurship was conducted, the comparative multiple case study was completed with the goal of better understanding this stated influence, and finally we obtained the main trends and results of this one.

The above-mentioned theoretical research has shown that the relationship between institutional context and the new venture creation has been studied by different scholars like North (1990) or Baumol (1996). Most studies report positive correlation/relationship between the different factors affecting composing the institutional context and the creation of new ventures.

The comparative multiple case study has been conducted in order to find the evidences on how these institutional contexts influence the live and creation of new companies. The cases of three Russian and three Swiss companies were investigated through semi-structured interviews and analysis of external or public documents. The influence of each of the four dimensions of Whitley towards entrepreneurship was evaluated along with the analysis of the semi-structured interviews.

The main outcomes are that we have seen that the four dimensions influence in a way or another the new venture creation and its steps in both countries. Some of the results match other reports or analysis like the GEM report 2016/2017 or the OECD figure on entrepreneurship. A common thing in both countries is that none of them have an education focused on entrepreneurship, that is why none of them are in the first places of the ranking of entrepreneurial countries. However, with the growth of the number of incubators and institutions dedicated to entrepreneurship, more and more seminars, courses and further are being created and people are more exposed to entrepreneurship.

Besides, in Russia, the dimensions that have the more influence, be it in a positive way or negative one, are the legal system and trust relations. In regards of Switzerland, these dimensions are the financial system and the legal one. Once we know that these dimensions and their factors influence the new venture creation, we can focus on them in order to foster entrepreneurship.

The thesis contributes to studies of the institutional context on the Russian and Swiss markets, revealing the role of each dimension in the entrepreneurial field. The



study has shown how the different factors of the institutional context influence the creation of new ventures. The outcomes of the study contribute to the cases of Russian and Swiss start-ups. This study could be used as a proxy to test new approaches, models or studies of the institutional context in Russia and Switzerland, and it would be of use for those researchers that want to study the same topics and having one more reference apart those of big organizations like GUESSS or GEM.

The experience of six small and medium start-ups suggests that events related to new venture creation could happen this way for other companies and therefore, people involved in this kind of companies should be aware of the context in which they are conducting business.

Since this is a paper from a managerial point of view, the paper would be also helpful for those entrepreneurs that are looking forward to creating their own companies in one of these two countries. They will be aware of how the dimensions could influence their own start-ups and by doing so, they could prevent future issues or mistakes.

Nonetheless, this research has certain limitations. A limitation is getting the data from one single person in each company. It may result in an increased level of subjectivity of the answers, despite the fact that the interview guide and the interview itself were done focusing on getting as much as accurate data as possible. Moreover, apart from that, taking into account that we are talking about a case study, there is no purpose of generalization in this work and no researcher should take it as a basis of the reality for the whole countries, but rather as an orientation.

A recommendation for future studies related to the same topic, in order to get closer to the reality and then be able to make managerial decisions more accurate and based on large samples, it would be interesting to use another type of methodology that could aggregate more data points, *i.e.* more interviews in order to extrapolate and see what the reality is.

## Literature

1. Aldrich, H.E and Fiol, C.M 1994 'Fools rush in? The institutional context of industry creation'. *Academy of Management Review*, 19: 645-670.
2. Alon, I., and D. Rottig. 2013. Entrepreneurship in emerging markets: new insights and directions for future research. *Thunderbird International Business Review* 55 (5): 487-492.
3. Ander-Egg, Ezequiel (1995). *Técnicas de Investigación Social*. Argentina: Lumen
4. Barley, S. and Tolbert, P. (1997) "Institutionalization and Structuration: Studying the links between Actions and Institutions", *Organization Studies*, 18/1, 93-117
5. Batjargal, B. et al., Institutional polycentrism, entrepreneurs' social networks, and new venture growth. *academy of management journal*. 56, 4, 1024-1049, aug. 2013. ISSN: 00014273
6. Berrone, P., et al. (2007). Can institutional forces create advantage? Empirical examination of environmental innovation. *IESE business school*, WP nº 723.
7. Bjørnskov, C., & Foss, N., (2016). Institutions, entrepreneurship, and economic growth: What do we know and what do we still need to know? *Academy of Management Perspectives*, 30(3), 292–315
8. Bowen, H and De Clercq, D. (2008.) Institutional context and the allocation of entrepreneurial effort. *Journal of International Business Studies*. 39(4):759-765.
9. Bradley, S. W., Klein, P. (2016). Institutions, economic freedom and entrepreneurship: the contribution of management scholarship
10. Brouthers, K. D. (2002). Institutional, cultural and transaction cost influences on entry mode choice and performance. *Journal of International Business Studies*, 33(2): 210-219.
11. Burns J.W. (1989). A review of Robert K. Yi's Case Study Research: design and methods. *JMAR*, Volume 1, Fall 1989
12. Clark, P. and Mueller, F. (1996) 'Organisations and Nations: From Universalism to Institutionalisation?', *British Journal of Management* 7(2): 125–139.
13. Colovic A., Lamotte O. (2014). The role of formal industry clusters in the internationalization of new ventures. *European Business Review*. Vol. 26 Iss 5, pp. 449 – 470
14. Covin, J., and D. Slevin. 1991. A conceptual model of entrepreneurship as firm behavior. *Entrepreneurship: theory and practice* 16 (1): 7-25.

15. Creswell, J. W. (2012). *Qualitative inquiry and research design: Choosing among five approaches*. Thousand Oaks, CA: Sage.
16. Creswell, J. W. (2013). *Research design: Qualitative, quantitative, and mixed methods approaches*. Sage Publications, Incorporated.
17. Dacin, M.T Goodstein, J. and Scott, W.R 2002 'Institutional theory and institutional change'. *Academy of Management Journal*, 45/1: 45-57.
18. Dalhstrom et al, (2010), *Dimensions of Bureaucracy: A Cross-National Dataset on the Structure and Behavior of Public Administration*
19. Dimitratos, P., S. Lioukas, and S. Carter. 2004. The relationship between entrepreneurship and international performance: the importance of domestic environment. *International Business Review* 13 (1): 19-41.
20. Eisenhardt, K. 1989. Building theories from case study research. *The Academy of Management Review* 14 (4): 532-550.
21. Eisenhardt, K. M. Graebner M. E. (2007). Theory Building From Cases: Opportunities and Challenges. *Academy of Management Journal*. Vol. 50, No. 1, pp. 25–32.
22. Estrin S., Korosteleva J., Mickiewicz T. Which Institutions Encourage Entrepreneurial Growth Aspirations? // *Journal of Business Venturing*. 2013. Vol. 28, N 4. P. 571–579.
23. Ferner, A., Almond, P., & Colling, T. (2005). Institutional Theory and the Cross-National Transfer of Employment Policy: The Case of 'Workforce Diversity' in US Multinationals. *Journal of International Business Studies*, 36, 304-321.
24. *Financial system stability assessment 2014 report by the International Monetary Fund*
25. Fligstein, N. 2001 'Institutional entrepreneurs and cultural frames: The case of the European Union's single market program'. *European Societies* 3/3: 261-287
26. Gillham B. (2005). *Research interviewing: the range of techniques*. Maidenhead: Open University Press.
27. Hordanay, J.A. (1992): "Thinking about entrepreneurship: A fuzzy set approach". *Journal of Small. Business Management*, Vol. 30, No.4, pp. 12-23.
28. Jepperson, R.L. 1991 'Institutions, institutional effects and institutionalism'. In *The new institutionalism in organizational analysis*, W.W Powell. and P. J DiMaggio (eds.), Chicago: The University of Chicago Press: 143-163.

29. Kiss A.N., Danis W.M. (2008). Country institutional context, social networks, and new venture internationalization speed. *European Management Journal*. Vol. 26, pp. 388– 399
30. Kiss A.N., Danis W.M. (2008). Country institutional context, social networks, and new venture internationalization speed. *European Management Journal*. Vol. 26, pp. 388– 399
31. Kraemer-Eis H., Simone Signore Dario Prencipe The European venture capital landscape: an EIF perspective. EIF research & market analysis. WP 16(34): 2-9.
32. Levie J., Autio E., Acs Z., Hart M. Global Entrepreneurship and Institutions: An Introduction // *Small Business Economics*. 2014. Vol. 42, N 3. P. 441–450.
33. Li Y., Liu Y., Xue J. (2011). Ownership, strategic orientation and internationalization in emerging markets. *Journal of World Business*. Vol. 46, pp. 381–393
34. Manolova T. S., Eunn R. V., Gyoshev B. S. Institutional Environments for Entrepreneurship: Evidence from Emerging Economies in Eastern Europe // *Entrepreneurship Theory and Practice*. 2008. Vol. 32, N 1. P. 210–221.
35. Maxwell, J. 2015. Beyond the BRICS: How to succeed in emerging markets (by really trying). pwc.com, issue 15. <http://www.pwc.com/us/en/view/issue-15/succeed-emerging-markets.html> (accessed November, 25, 2015).
36. Maxwell, J. 2015. Beyond the BRICS: How to succeed in emerging markets (by really trying). pwc.com, issue 15. <http://www.pwc.com/us/en/view/issue-15/succeed-emerging-markets.html> (accessed November, 25, 2015).
37. McDougall P.P., Oviatt B.M. (2005). The internationalization of entrepreneurship. *J Int Bus Stud* 36:2–8
38. Miles, M., and M. Huberman. 1984. *Qualitative data analysis: a sourcebook of new methods*. Newbury Park: SAGE Publications Inc.
39. Minkes A., and G. Foxall. 1980. Entrepreneurship, strategy and organization: individual and organization in the behavior of the firm. *Strategic Management Journal* 1 (4): 295-301.
40. Morgan, G. (2009). Globalization, multinationals and institutional diversity. *Economy and Society*, 38, 580-605.
41. Park S., Bae Z.T. (2004). New venture strategies in a developing country: Identifying a typology and examining growth patterns through case studies. *Journal of Business Venturing*. Vol. 19, pp. 81–105

42. Poulis K., Poulis E., Plakoyiannaki E. (2013). The role of context in case study selection: An international business perspective. *International Business Review*. Vol. 22, pp. 304–314
43. Poulis K., Poulis E., Plakoyiannaki E. (2013). The role of context in case study selection: An international business perspective. *International Business Review*. Vol. 22, pp. 304–314
44. Programs to Stimulate Startups and Entrepreneurship in Japan: Experiences and Lessons, Takehiko Yasuda
45. R Aidis, S Estrin, T Mickiewicz (2007). *Entrepreneurship, Institutions and the level of development*. Tiger Journal (Warsaw)
46. Rule of Law Index 2016, by the World Justice Project
47. Sackley, William H. "Strategies That Fit Emerging Markets." *CFA Digest* 35, no. 4 (2005): 95. doi:10.2469/dig. v35.n4.1796.
48. Salamzadeh, A. (2015). *Startup Companies: Life Cycle and Challenges*. Tehran University.
49. Sambharya R., Musteen M. Institutional Environment and Entrepreneurship: An Empirical Study across Countries // *Journal of International Entrepreneurship*. 2014. Vol. 12, N 4. P. 320–331
50. Saunders, M. N., Lewis, P., & Thornhill, A. (2016). *Research methods for business students*. Harlow: Pearson.
51. Shirokova G, McDougall-Covin P. (2012). The role of social networks and institutions in the internationalization of Russian entrepreneurial firms: Do they matter? *J IntEntrep*. 10:177–199.
52. Smallbone D., Welter F. Conceptualising Entrepreneurship in a Transition Context // *International Journal of Entrepreneurship and Small Business*. 2006. Vol. 3, N 2. P. 191–199.
53. Stenholm P., Autio E., Acs Z. J. Institutional Approach on Growth-Oriented Entrepreneurship. mimeo. 2010.
54. Talmaciu, M. (2012). Role of Institutions in the Economic Development of Central and Eastern EU Countries. Volume 2012 (2012), Article ID 328384, *Journal of Eastern Europe Research in Business and Economics*, 13 pages, DOI: 10.5171/2012.328384

55. Urbano, D. (2003): Factores condicionantes de la creación de empresas en Cataluña: Un enfoque institucional. Tesis Doctoral. Universidad Autónoma de Barcelona. Barcelona.
56. Urbano, D. (2006): La creación de empresas en Catalunya. Organismos de apoyo y actitudes hacia la creación de empresas. Colección de estudios CIDEM. Generalitat de Catalunya.
57. Verkhovskaya O. R., E. A. Aleksandrova. 2016. "Motivation Of Entrepreneurial Activity: The Role Of Institutional Environment". Vestnik SPbU. 08(03): 111-115.
58. W. Richard Scott, (1995), Institutions and Organizations: Ideas, Interests, and Identities
59. Whitley, R. (1994). European Business Systems, Firms and Markets in their national context. London: Sage.
60. Whitley, R. (2000). Divergent Capitalisms: The Social Structuring and Change of Business Systems. Oxford: Oxford University Press.
61. Zahra, S., and D. Neubaum. 1998. Environmental adversity and the entrepreneurial activities of new ventures. Journal of Developmental Entrepreneurship 3 (2): 123-140.

## **Appendix 1**

### **Interview guide**

Name of the company \_\_\_\_\_

Name of the person and role \_\_\_\_\_

Email \_\_\_\_\_

Phone number \_\_\_\_\_

Birthdate \_\_\_\_\_

Industry \_\_\_\_\_

### **History of the company**

- 1) When did this project start? (Approximate date)
- 2) Why did you start this company?
- 3) How many people were you at the beginning? And now?

### **Business Idea**

- 4) What is your company doing?
- 5) What is your business model and how do you generate revenue?

### **Legal system**

- 6) You have registered the company as a legal entity, i.e. the company is listed in the tax authorities or has an office? When (date)? What form of ownership?
- 7) How many days did it take to finish the registration of the company since the start of the procedure?
- 8) Was it difficult to hire people?
- 9) If you fired someone, how difficult it was?
- 10) How did you find the process of opening a company in your country?

### **Financial system**

- 11) What was the minimum capital required for you to create the company legally?
- 12) How much money did the registration of the company cost? (not capital required)
- 13) Did you look for external financial support, i.e. loans or other types of support?  
When did you request funding (date)? How difficult it was to find credit?
- 14) Please indicate the sources, amounts and dates of financial support received:

	Yes	Date	Amount
Personal savings of members of the team or owners of the company			
Loans from your family or family of other owners (FFF)			
Bank loans			
Venture capital			
Loans or equity investments from local, regional or national Government, or other agencies			

- 15) What is the tax that applies to your revenues/company?
- 16) What was the percentage of interest for credit?
- 17) Did any governmental organization offer you credit?
- 18) Which payment methods does your company accept?

### **Education system**

- 19) Did you receive any entrepreneurship knowledge at school? (courses, seminars, etc.)
- 20) Did you receive any entrepreneurship knowledge after school? (courses, seminars, etc.)
- 21) How would you assess the mentality of people in your society towards starting a business and failing?
- 22) How would you assess the will of being self-employed in your society?



- 23) Is your company working on projects with universities or students?
- 24) Did you attend any course on entrepreneurship promoted by your government or entity directly connected to your government?

**Trust relations**

- 25) What is the level of corruption in your country?
- 26) When doing business, do you trust your partners?
- 27) Are there any deals/affaires not signed in paper but promised in talks?
- 28) Did someone offered you money (bribe) or wanted to receive money from you?
- 29) In case of dispute with a client, how do you resolve the problem?
- 30) In case someone scams you, how would you proceed?

.....