FEATURES OF INTERNATIONALIZATION OF SMES UNDER THE INFLUENCE OF THE INSTITUTIONAL ENVIRONMENT

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ABSTRACT

The article discusses the features of the internationalization of small and medium-sized enterprises and their potential motives for the internationalization of activities. Classification of factors affecting the internationalization of SMEs is also proposed, which allows us to systematize the separately studied determinants into four groups: individual, intra-company, industry factors and factors of the general external environment.

Based on a critical analysis of existing approaches to studying the internationalization strategy of a company, the necessity and importance of applying an institutional approach to the study of the internationalization of SMEs are substantiated.

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An approach to the analysis of the national institutional environment, from the point of view of its impact on the internationalization of SMEs, is proposed. Based on an empirical study, the nature of the relationship between the factors of the national institutional environment and the internationalization of SMEs, as well as the substantive signs of the mechanism of the influence of the national institutional environment on the adoption of management decisions on internationalization in SMEs, are established.

**Keywords:** Institutional Environment, Internationalization, Firm, SMEs


1. INTRODUCTION

For a long time, large corporations were seen as major players on the world stage, but today no firm can isolate itself from the process of globalization and international competition [1-6]. Small and medium-sized enterprises (SMEs) represent 99% of all businesses in the EU [7]. The definition of an SME is essential for access to finance and EU support programmes targeted specifically at these enterprises. Internationalization has become a critical development area for SMEs [8]. Thanks to the growth of technology and the expansion of international economic relations, small firms have the opportunity to start operations abroad and expand their activities outside the national market [9-10].

The problem of internationalization of SMEs is especially relevant for countries with economies in transition. One of the solutions to modernize and diversify the economy may be the development of international activities of SMEs, as they have significant unrealized growth potential.

Many emerging economies are going through a period of major changes related to the transformations taking place in the institutional environment. The institutional environment is unique to each country. It creates "rules of the game" that affect the development of business and the behaviour of firms, regulating their interaction and determining the context for management decisions. Thus, firms are dependent on the national institutional environment in which they were "born" and are developing now. This dependence is especially characteristic of small firms, as due to limited resources, they do not have the opportunity to change it. It is believed that in developing economies, the institutional environment plays a special role in terms of the speed and dynamism of the changes taking place in it, which can have unpredictable consequences for a business.

Despite the continuing interest in internationalization and the growing attention to the application of the institutional approach to the study of SMEs, there are several aspects that need further clarification.

First, today the question of the role of the national institutional environment in the development of the internationalization of SMEs remains open. Even though the problems of institutional support for the development of the internationalization of SMEs are complex and multifaceted [11-12], the work on the impact of the national institutional environment on the internationalization of firms from developing economies is quite small.
Secondly, the principles of analysis of the national institutional environment have not been sufficiently developed so far, which would allow identifying key factors influencing the international operations of SMEs, and would allow their quantitative measurement.

2. OBJECTIVES OF THE STUDY

To assess the impact of the national institutional environment on management decisions on internationalization in SMEs is necessary to solve the following tasks:

- identify the features of internationalization of SMEs; to analyze trends in the field of research of internationalization of SMEs; systematize the factors influencing their internationalization;

- to substantiate the application of the institutional approach to the study of the internationalization of SMEs; identify the features of the study of the institutional environment, which must be taken into account in the study of the internationalization of SMEs;

- to develop a theoretical model that takes into account the influence of factors of the national institutional environment on management decisions about internationalization in SMEs, and to formulate research hypotheses;

- based on empirical research to test the developed theoretical model of the influence of factors of the national institutional environment on the internationalization of SMEs;

- to determine the nature of the influence of factors of the national institutional environment on management decisions on internationalization in SMEs.

3. RESEARCH OF INTERNATIONALIZATION OF SMES

For a long time, the main objects of study in research on internationalization were large companies that operate globally. They can significantly influence the development of the world economy, while SMEs have not aroused much interest. In today's world, no one can isolate themselves from global trends, and many companies, regardless of their size, have the opportunity to do business abroad. Internationalization – as a strategy to expand the scope of activities outside their country – is a major step for SMEs. This puts managers in front of an important task – deciding on internationalization – and necessitates careful analysis of all factors that may affect its implementation.

Internationalization of business is a process of establishing ties between different countries, provided that the production capacity of one state will be considered part of the world production process. From SMEs, internationalization can be defined as the process of developing the firm's international operations to obtain certain benefits.

Firms can choose one of 10 types when internationalizing their business [13-17].

1. Opportunistic (profitable) internationalization. The first international trading companies appeared in the era of great geographical discoveries. Countries with developed fleets, it became profitable to trade in unusual goods of new distant lands. The sale of such goods in other territories provided a profit.

2. Internationalization, following consumers. The process of forming business networks leads to the establishment of links in which many companies in the domestic market work stably and long-term for their corporate customers or their target markets. An example is medium and small companies that provide the final production of automotive giants, which followed in the geography of their internationalization, the geographical directions of the strategy of the international expansion of their consumers.
3. Internationalization for geographical diversification. This type is used by companies located in countries with relatively small domestic markets. It is based on the company’s fear of depending on the state of the economy of a single country.

4. Internationalization increases profits by expanding operations in foreign markets. This type of internationalization is most acceptable for high-tech companies. The company, engaged in knowledge-intensive business, seeks to use its investments in R&D as efficiently as possible, introducing the resulting high technology to other countries.

5. Internationalization at the rate of economic growth. This type of internationalization is aimed at countries with high rates of economic growth. Today, such countries are Japan, South Korea, Taiwan, China, Hong Kong, Thailand, Singapore, Malaysia and Indonesia, where a lot of investment has been made in recent years from developed countries.

6. Internationalization by potential. Such internationalization becomes necessary for large companies that have exhausted opportunities or saturated the domestic national market to the limit but have the potential for further growth.

7. Protective internationalization. In this case, faced with the invasion of the national market by a strong foreign competitor, the concerned company enters the national market of this competitor or other foreign markets, where this competitor is well represented to study the competitor, which can help primarily protect its share of the national market.

8. Internationalization by key success factors. Such factors can be both unique resources (raw materials, scientific and technical product, unique distribution network, etc.) and ordinary, but very necessary to strengthen the company’s resources - investment. Borrowing key success factors abroad often prove to be effective and only means of successful competition in both domestic and foreign markets.

9. Internationalization due to the company’s ambitions. Internationalization is inevitable if the company wants to take a serious position not only in the national but also in the world economy.

10. Internationalization by the phase of the product life cycle. The markets of countries have different characteristics in terms of their capacity and development, so after saturating the national market, the company can find suitable for expansion foreign target markets, in which no one knows their product, but may have effective demand.

Internationalization, as a process of development of international operations of the firm in order to obtain certain benefits, implies that firms take certain steps towards its implementation, which are based on

Internationalization as a process of expanding the scope of the firm outside the state is a very responsible step for SMEs and puts before managers the task of careful analysis of all factors that may affect its implementation. SMEs can internationalize, usually through an export strategy. However, at present, some SMEs in developing countries carry out export activities, mainly due to the difficulties that accompany international operations, in particular the limited resources available. As a result, the probability of internationalization of SMEs is much lower than that of large companies, and the failure to implement an export strategy can lead to extremely negative consequences for a business.

Also, SMEs are characterized by a simple management system, and the decision to internationalize activities usually depends on the leader and his subjective perception and understanding of obstacles and opportunities for the development of the firm. To take this into account, the analysis of the international activities SMEs must use a cognitive approach that takes into account the fact that the decision-maker is always faced with limitations associated with the inability to obtain complete information and create a comprehensive picture the
surrounding world (Fig. 1). In the case of small firms, this leads managers to focus on a few subjective assessments of the environment, which they use in decision-making.

![Diagram](image1)

**Figure 1** The cognitive process in deciding on the internationalization of a business

In the process of acquiring information, the content of the received data (for example, information about barriers or measures to support international operations) and its sources (formal, informal), as well as cognitive skills of the leader (attentiveness, logic, mental models, etc.) play an essential role. These factors determine its ability to identify promptly the opportunities associated with internationalization and to attempt to implement them, which, in the end, may lead to the beginning of internationalization or its expansion. Thus, the subjective perception of information by managers (decision-makers in the organization) is a key factor in explaining the strategic behaviour of SMEs.

The analysis of research allows us to identify potential benefits from internationalization for SMEs and differentiate them into two groups: financial and non-financial (Fig. 2). SMEs can consider these benefits as a motive for the internationalization of activities.

![Diagram](image2)

**Figure 2** The potential benefits of internationalization for SMEs

Various external and internal factors influence the internationalization of small firms. The scheme of influence of these or those factors can be presented in the form of three essential elements (Fig. 3): factors of "pushing out", factors of "attraction" and the process of internationalization at the intersection of the national and international context in which the firm appears. The "push-out" factors are those driving forces that are internal to firms, indicating that they are putting pressure on it, forcing it to enter foreign markets from its home
region. Factors of "attraction" are usually hidden in the external environment and are external to the firm, increasing its internationalization.

![Figure 3 The scheme of internationalization of SMEs](image)

The identified factors of internationalization are classified according to their sources of origin into four groups: individual, internal, sectoral and general external factors.

The source of individual factors is managers, employees and key decision-makers in the firm, as they have the necessary knowledge, experience, skills, etc. Internally, factors are formed due to characteristics that can be identified at the firm level, including, for example, its size, age, innovation potential. The source of industry factors is individual sectors, where you can assess the level of competition, the growth rate of the industry and the degree of its internationalization. Elements of the general external environment belong to the higher-level sources, as they include numerous components of the macroenvironment of the organization and can influence the international operations of firms.

Individual and internal factors characterize the determinants of internationalization, which are internal to the firm, and industry and general external factors – external. The classification is presented in Table 1.

<table>
<thead>
<tr>
<th>Groups of factors</th>
<th>Examples</th>
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</thead>
<tbody>
<tr>
<td>Individual</td>
<td>Education; personal connections; experience of international activity;</td>
</tr>
<tr>
<td></td>
<td>skills and knowledge of the leader; personal characteristics, including</td>
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<tr>
<td></td>
<td>cognitive profile.</td>
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<tr>
<td>Intrafirm</td>
<td>Size and age; entrepreneurial orientation (innovation, proactivity</td>
</tr>
<tr>
<td></td>
<td>and risk appetite); dynamic abilities of the firm; innovations and</td>
</tr>
<tr>
<td></td>
<td>technological resources (R&amp;D costs, patents); availability of various</td>
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<tr>
<td></td>
<td>resources, including human, social and financial capital organizational</td>
</tr>
<tr>
<td></td>
<td>strategy.</td>
</tr>
<tr>
<td>Industry</td>
<td>Global/national growth; the type of industry and the degree of its</td>
</tr>
<tr>
<td></td>
<td>knowledge intensity; the presence of a market niche the profitability of</td>
</tr>
<tr>
<td></td>
<td>the sector; the level of maturity of the industry intensity of competition;</td>
</tr>
<tr>
<td></td>
<td>the level of internationalization and involvement in global integration.</td>
</tr>
<tr>
<td>General external</td>
<td>Distance (geographical and cultural) and related barriers to entry;</td>
</tr>
<tr>
<td>environment</td>
<td>dynamism, hostility and turbulence; Macro-factors (inflation rate, GDP,</td>
</tr>
<tr>
<td></td>
<td>etc.); institutional factors.</td>
</tr>
</tbody>
</table>
Among the factors, the institutional factors of the external environment deserve special attention.

It is the institutional factors that are least studied, especially in the context of their impact on the behaviour of SMEs from developing economies. Also, this area is characterized by the lack of a single theoretical basis and contradictory results of empirical research on institutional factors influencing the internationalization of SMEs.

The institutional environment is not just a background that can be ignored, but an active factor that must be taken into account when analyzing the activities of firms, especially in the case of developing economies. The institutional approach involves the study of the role of institutions – formal and informal rules that structure the interaction and limit the strategic choice of firms.

It is important to note that internationalization is a strategic choice made by managers of SMEs, taking into account the existing institutional conditions, so it is important to consider management decisions on internationalization within the concept of strategic choice perspective, which takes into account the subjective perception of environmental factors.

The strategic choice for the internationalization of the firm is determined not only by industry conditions and the availability of the necessary internal resources. The option is also the result of the influence of formal and informal institutions of a particular institutional context that firms face and that is taken into account by managers in making strategic decisions. Conventionally, the model of strategic choice is shown in Fig. 4, where internationalization is seen as the firm's response to incentives and barriers that arise in the environment that contribute to or hinder the decision to internationalize.

The institutional environment is essential in business development because firms are "embedded" in it and are under the influence of its forces. The analysis of strategic behaviour of firms should be carried out, taking into account that context in which the firm carries out the operations. It follows that the decision on internationalization must be analyzed, taking into account the factors of the institutional environment of the country of origin of the firm.
4. DEVELOPMENT OF A MODEL OF THE INFLUENCE OF THE INSTITUTIONAL ENVIRONMENT ON THE INTERNATIONALIZATION OF SMEs

The institutional environment is heterogeneous, and to understand its role and impact on business is necessary to determine what factors (components of the environment that determine its nature or individual features) can be identified. Internationalization is a strategy that is not typical for SMEs, and its manifestation may be a reflection of the influence of the institutional environment. SMEs are not inclined to take additional risks, but they respond quickly to external pressures, which can stimulate them to start and develop international operations. In their activities, they are faced with the task of resolving the contradiction between the desire to avoid risky steps and external factors that can "push" firms to go beyond national borders. Also, because organizations are more exposed to the context in which they emerged, it is the institutional factors in the home region - rather than in the recipient country – that can be seen as factors that stimulate or hinder the internationalization of SMEs.

O. Williamson's model of the economy of institutions (the "hierarchy of institutions") [18] helps to understand the structure and interrelations within the institutional environment. The essence of the model is the division of all institutions into four levels of hierarchy: informal institutions (customs, traditions, religious norms), formal institutions (politics, the judicial system, bureaucracy), the way of "playing", the distribution of resources and labour.

Level IV is significantly affected by all three previous ones. The manifestation of the decision on the allocation of resources may be the creation of a firm or the implementation of internationalization - a strategy for the development of the firm. However, the impact of the same factors on the development of firms can be ambiguous.

The essential function of the state is the production of institutions, so at each level of institutions can be identified those functions that the state is called to perform. The role of the state is to perform three critical functions that promote the development of entrepreneurship - the functions of regulation, participation and support.

![Figure 5](http://www.iaeme.com/IJARET/index.asp) The relationship of the national institutional environment with the internationalization of SMEs

The integrated scheme of the hierarchy of institutions within the national institutional environment in its relationship with the internationalization of SMEs is presented in Fig. 5.
The scheme reflects the main types of institutions, their characteristics, key factors necessary for firm development, theoretical approaches allow us to explain their impact on internationalization, as well as the functions of the state, which it is designed to perform at each level.

In Fig. 5, levels are presented in descending order of the degree of "formality" of institutions.

_The activities of leading institutions (I)_ are a reflection of established formal "rules of the game" and restrictions, including the adoption of new laws, norms, regulations, and a coercive mechanism, including official sanctions, arrests, fines, etc. Established "rules of the game" for business have a direct impact on the company, as they can facilitate or hinder the implementation of specific operations. The primary function of the state – the leading supplier of institutions at this level – is expressed in the implementation of regulation aimed at creating "rules" and monitoring their implementation. This level includes the adopted laws and "rules of the game" concerning business, which can promote one type of firm behaviour and limit others. The influence of institutions of this level on the decisions of firms on internationalization can be explained from the standpoint of the theory of transaction costs. At this level, the work of the judiciary can reflect the effectiveness of institutions. In a country with a developed legal and judicial system, citizens are willing to accept established formal institutions and follow the "letter of the law", as the rule of law brings with it appropriate punishment for violators. Unfortunately, in many emerging economies, formal institutions are underdeveloped, and the laws they impose are "ignored with impunity.” This leads to additional costs and forces SMEs to adapt their activities to current conditions and make the most optimal decisions on the allocation of resources – or not to develop international operations.

_Institutions of the second level (II)_ are a manifestation of the interaction of formal and informal rules when the "game" itself begins. The main role of the state at this level is expressed in the implementation of the support function, which includes the implementation of measures for SMEs, which were adopted at the previous level. Here the "performers" of these tasks begin to play an important role. It is assumed that the support function should be expressed in the creation of a business-friendly environment, one of the critical elements of which is the financial infrastructure - the source of external financial resources of the firm.

_The third level of the institutional environment (III)_ also allows explaining the strategic behaviour of firms. It is more associated with informal rules that are "embedded" in society and established through "regularity of conduct based on generally accepted rules, usually uncodified, which are formed, disseminated and" imposed "without the use of official channels". The explanation of the influence of institutions of this level on the development of international operations of firms is based on the concept of "institutional voids". Formal institutions are created by official authorities (e.g., courts), and informal rules are followed by coercion – for example, out of a sense of duty, or due to the fact that the passage is beneficial to them. The state at this level is called to perform the function of participation (interaction), creating conditions for practical cooperation, as the impact of institutions is usually assessed through personal communication "on the ground". One of the most common factors that directly affect firms at this level is corruption, which leads to remarkably different consequences for economic development.
5. EMPIRICAL ANALYSIS OF THE IMPACT OF THE NATIONAL INSTITUTIONAL ENVIRONMENT ON THE INTERNATIONALIZATION OF SMEs

The strategy of the empirical study is to implement several successive stages, each of which allows for an in-depth analysis of the internationalization of SMEs and the role of the institutional environment in the implementation of international operations. The first three stages are related to the previous steps and are exploratory in nature, the results of which allowed to plan more carefully the essential empirical study.

The results showed that SMEs, leading international operations, differ from firms operating only in the national market in the assessment of resource, sectoral and institutional factors. It is established that institutional factors have a significant impact on the probability and degree of internationalization of SMEs. The peculiarities of this influence due to the specifics of the studied context, operationalization of institutional factors and internationalization are revealed. The main characteristics of the empirical reconnaissance study are presented in Fig. 6.

<table>
<thead>
<tr>
<th>Stage</th>
<th>Purpose of the study</th>
<th>Empirical analysis</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 stage</td>
<td>What are the differences between Ukrainian SMEs engaged in international operations and those firms that operate only within the national market?</td>
<td>Database of Ukrainian SMEs; analysis of variance; logistic regression; regression analysis.</td>
<td>Firms involved in international activities rate their resource potential and the intensity of competition in the industry higher, they tend to give more negative assessments of institutional factors, such as the level of protection of property rights and the level of development of contract law.</td>
</tr>
<tr>
<td>2 stage</td>
<td>What factors play a crucial role in the entry of Ukrainian SMEs in the international market?</td>
<td>The availability of the necessary resources and intense intra-sectoral competition increases the likelihood of internationalization, while the heterogeneity of the institutional environment reduces it.</td>
<td></td>
</tr>
<tr>
<td>3 stage</td>
<td>What influence do different factors of the national institutional environment have on the degree of internationalization of SMEs from developing economies?</td>
<td>The negative perception of the impact of such factors as the tax rate, procedures for obtaining licenses and permits for doing business, corruption leads to a decrease in the degree of internationalization; negative perception of the impact of tax regulation and the judiciary leads to an increase in the degree of internationalization of SMEs.</td>
<td></td>
</tr>
</tbody>
</table>

**Figure 6** Description of the previous empirical study

Two regressive models were used to conduct an empirical analysis to test hypotheses about the nature of the influence of institutional environment factors on the internationalization of SMEs. The first model belongs to the class of binary choice models. The binary choice model allows you to explain whether the firm carries out international
transactions or not. The sample includes data on N firms \((i = 1, \ldots, N)\) with observations on various parameters and the presence of international transactions. This last feature is described by the binary variable \(y_i\), which is defined as:

\[ y_i = 1, \text{if firm i carries out international operations;} \]
\[ y_i = 0, \text{if firm i does not conduct international transactions.} \]

These models allow us to describe the probability that directly \(y_i = 1\), i.e., to simulate the choice between two discrete alternatives. In the case when the function should take values only in the interval \([0,1]\), the most common variant of the distribution is the function of the standard logistic delivery, which leads to the logit model. The logit model, or logistic regression model, is used to predict the probability of an event, taking into account several variables that can be both quantitative and categorical. The relationship between the dependent variable \(Y\) (decision on internationalization) and independent variables \(X\) (institutional factors) in this model can be described by the following equation [20]:

\[
P(Y = 1|x) = \Lambda + \left( \beta_0 + \sum_{i=1}^{k} \beta_i x_i + \sum_{k+1}^{m} \beta_j z_i \right)
\]

(1)

where \(\Lambda\) – the logistic function, \(P(Y = 1|x)\) – the probability of a decision on internationalization (dependent variable); \(x_i\) – factors studied by the institutional environment, \(z_i\) – control variables, \(\beta_{0,i}\) – unknown parameters of the model, \(k, m\) – number of factors. The settings themselves in such a model are estimated by the method of maximum likelihood, which allows estimating the unknown parameters \(X\) with such values that will give the observed values of \(Y\) the highest probability [21].

The second model is a linear model of multiple regression. It allows us to establish a relationship between the resulting variable – the degree of internationalization of \(Y\) – and independent variables \(X\) (institutional factors). Based on the method of least squares, a linear combination of independent variables is created, which gives a good approximation for the dependent variable. The relationship is characterized by the following equation [21]:

\[
Y = \beta_0 + \sum_{i=1}^{k} \beta_i x_i + \sum_{k+1}^{m} \beta_j z_i + \varepsilon_i
\]

(2)

where \(Y\) – the degree of internationalization (dependent variable), \(\varepsilon_i\) – random error. A random error, or unobservable variable, mainly reflects the residual effect of factors not included in the equation on the dependent variable \(Y\).

Based on the econometric analysis of data on 156 Ukrainian SMEs, the nature of the relationship between institutional factors and the internationalization of SMEs was determined. The main results of econometric analysis, which included the verification of multiple logistic and linear regressions, are presented in Table 2.
Table 2 The main results of econometric analysis

<table>
<thead>
<tr>
<th>Variables</th>
<th>Probability of internationalization</th>
<th>Degree of internationalization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade</td>
<td>-0,65*** (0,19)</td>
<td>2,72 (5,39)</td>
</tr>
<tr>
<td>Services and other industries</td>
<td>-0,9*** (0,22)</td>
<td>12,45** (6,22)</td>
</tr>
<tr>
<td>The age of the company</td>
<td>0,23* (0,14)</td>
<td>2,3 (3,86)</td>
</tr>
<tr>
<td>The size of the company</td>
<td>0,37*** (0,08)</td>
<td>-4,95** (2,32)</td>
</tr>
<tr>
<td>Availability of innovations</td>
<td>0,35** (0,17)</td>
<td>-8,47* (4,5)</td>
</tr>
<tr>
<td>Level of competition</td>
<td>-0,02 (0,11)</td>
<td>10,02*** (3,09)</td>
</tr>
<tr>
<td>Judiciary</td>
<td>0,18** (0,08)</td>
<td>-3,49 (2,25)</td>
</tr>
<tr>
<td>Financial infrastructure</td>
<td>0,1* (0,06)</td>
<td>-3,28** (1,57)</td>
</tr>
<tr>
<td>Level of corruption</td>
<td>0,05 (0,06)</td>
<td>-1,54 (1,54)</td>
</tr>
</tbody>
</table>

Note. The table shows the values of the regression coefficients of the variables; significance levels:
* - p <0.1;
** - p <0.05;
*** - p <0.01; standard errors are indicated in parentheses.

The main results of the empirical study showed:

1. the higher the negative perception of the level of development of the judicial system, the greater the likelihood of internationalization (b = 0.18, p <0.05);
2. the higher the negative perception of the level of development of financial infrastructure, the greater the probability of internationalization (b = 0.1, p <0.1), but the lower its degree (b = -3.28, p <0.05);
3. failed to establish a statistically significant relationship between the negative perception of corruption with the probability (b = 0.05, p> 0.1) and the degree (b = -1.54, p >0.1) of internationalization of SMEs;
4. The low level of development of the judicial system is associated with a higher level of corruption, which, in turn, increases the likelihood of internationalization (b = 0.007, p <0.1; confirmed effect of partial mediation), but the results do not allow to establish a significant the impact of this effect on the degree of internationalization (b = -2.68, p > 0.1);
5. low level of financial infrastructure development is associated with a higher level of corruption, which, in turn, increases the likelihood of internationalization (b = 0.006, p <0.05; confirmed the effect of partial mediation), but reduces the degree of internationalization (b = -3, 9, p <0.05; confirmed the effect of partial mediation).

The main results of the empirical verification of the theoretical model of the influence of the national institutional environment on the internationalization of SMEs indicate the complex nature of the relationship between institutional environment and internationalization as a strategic choice of firms (Fig. 7).

In particular, the judiciary and financial infrastructure act as push factors: negative perceptions of their level of development increase the likelihood of internationalization, as firms seek to find more favourable opportunities abroad.
6. CONCLUSIONS

Internationalization is an important strategy for the development of SMEs, but its implementation is associated with both benefits and challenges. The ability to take advantage of an opportunity and successfully implement an internationalization strategy depends largely on the leader and his entrepreneurial skills.

Since many SMEs feel vulnerable to the negative factors of the institutional environment, it is necessary to assess its potential impact in advance and take this into account when making strategic decisions.

Internationalization – even in the form of direct exports – is an expensive tool for SMEs, but given the current trends in the world economy, every firm will have to think about such a "buyer". At the same time, skilful construction of a strategy in balance with the existing institutional environment and potential benefits will be able to help the company increase productivity, competitiveness and bring it other benefits. But the lack of necessary knowledge about the processes accompanying international operations can bring unnecessary costs.

Entrepreneurs need to be more proactive in interacting with the institutional environment, and this can be done by "inexpensive" means. First of all, they should provide not only favourable opportunities for access to the international level but also to identify and clearly understand in advance the possible problems that may arise in the organization and development of foreign operations, including those that will emerge from the emerging institutional country environment.

Managers can rely on different data sources when searching, and the proposed model can be used as a way to systematize the determinants available in the institutional environment. This will help to identify the most influential factors, and to think about what difficulties may arise in the process of international operations and what may be the cause of these difficulties.
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