

Overcoming institutional voids: Firm configurations achieving high return on equity (ROE) in emerging markets

Track: Strategies for Global Competitiveness

Key words: Institutions, strategy, transaction costs, organizational configurations, family business, networks,
emerging markets

Abstract

This study contributes to the institutional perspective (IP) by exploring the organizational configurations that lead to high ROE in markets affected by institutional voids, such as those characterizing emerging economies. It looks at how the configurations that allow enterprises to achieve profitability change across different institutional contexts, thus taking into account the heterogeneity of emerging markets. This study extends the research agenda on the role of institutions on strategy and performance in emerging market through a multi-causal approach that allows uncovering multiple, non-exclusive mechanisms through which firms succeed in challenges business environments.

Introduction

A growing number of studies discuss the challenging business conditions of “emerging economies”, explaining them in terms of the weakness of the institutions that regulate and support their markets (Wright et al., 2005; Peng et al., 2009). The literature provides different explanations of how firms based in emerging markets achieve high performance in spite of the market failures that affect their domestic economies.

For example, there is empirical evidence that the diversified business group, and also the family owned enterprise, are more prevalent in emerging markets than in developed economies, especially Anglo-Saxon economies (Khanna and Yafeh, 2007; Miller et al., 2009). Emerging market firms also tend to be heavily embedded in relational networks with other firms and organizations (Manolova et al., 2010). Emerging market firms often diversify their markets internationally more aggressively than firms based in developed markets (Luo and Tung, 2007; Guillen and Garcia Canal, 2009; Ramamurti, 2012). These explanations focus on the way in which they govern their transactions and access resources, highlighting for example the role of vertical and horizontal diversification, relationships with allied businesses, and family management (Khanna and Yafeh, 2007; Peng and Luo, 2000). This study focuses on the link between the institutional background, the of emerging market enterprises highlighted by the literature – vertical integration; family ownership; collaboration within a network; number of markets penetrated – and firm performance, exploring the configurations of factors that characterize successful firms in different institutional contexts.

Most emerging economies suffer from “institutional voids”; however, the quality of institutions varies dramatically across emerging markets, and this is quickly revealed by looking at measures of institutions’ quality, such as the Global Competitiveness Index “Pillar 1: Institutions” (World Economic Forum, 2014). The literature has theoretically and empirically established that institutions matter, and that emerging market firms adopt specific governance structures and strategies, such as family management, network collaborations, diversification, and internationalization, to overcome institutional voids (Claessens et al., 2003a; Hoskisson et al., 2000; Khanna and Palepu, 2000; Luo, 2003; Luo and Tung, 2007; Miller et al., 2009; Peng and Luo, 2000; Peng, 2002; Witt and Lewin, 2007). What remains unclear is whether and how the organizational configurations that allow firms to be successful change across different institutional contexts (Peng et al, 2009; Cuervo-Cazurra, 2012; Narayanan, and Fahey, 2005). For example, is being a family business always a necessary antecedent of high performance? Or perhaps it is more important in markets affected by more severe institutional voids? And how does the quality of institutions relate to other organizational features often linked to emerging market firms, such as cooperating within a network, or integrating vertically its activities? This study

addresses this gap in the literature by examining the organizational configurations that lead to high ROE and exploring how they change for firms based in economies affected by different levels of institutional weakness.

Scholars of strategy and international business uncovered several features of emerging market firms, testing whether certain organizational configurations, strategies, or governance structures, for example being a family business, can be associated with high performance in emerging markets (Carney, 2007). This follows a linear causality logic, whereby a set of causal conditions is tested against a given variable. However, organizational configurations are complex systems, whereby different sets of causal factors can simultaneously and non-exclusively lead to the same outcome (Fiss, 2007; 2011). For example, it may be that in markets with high institutional voids high ROE can be achieved by vertically integrated family businesses but also by not-vertically integrated family businesses that cooperate within a network of allied business. Furthermore, organizational configurations and strategies should be studied through methods that allow discovering how “high-low” variation in a given causal antecedent, such as quality of institutions, affects the configurations that lead to an outcome (Ragin, 2008). For example, it could be that being a vertically integrated family business is a necessary antecedent for success in economies with high institutional voids whereas in economies affected by less severe institutional voids non-integrated family business performs better.

This study uses fuzzy set qualitative comparative analysis (fsQCA), a method that allows exploring multi-causal, non-symmetric configurations of antecedents, to examine the organizational configurations linked to high ROE across 12 emerging markets. It focuses on a set of antecedents derived from the institutional perspective (IP) and transaction cost economics (TCE): institutional voids, family ownership, vertical integration, horizontal diversification, network collaborations, and presence in international markets. Drawing from the resource based theory; it also includes size of the firm as an antecedent, as larger and more resourceful firms may be better suited to deal with the uncertainties and market failures associated with emerging economies.

Theoretical background

Drawing from new institutional economics, Khanna and Palepu (2013), argue that emerging markets suffer from “institutional voids”--voids in the market-supporting institutions that underlie the functioning of the economies of developed countries. Such institutional voids include uncertainty in the regulatory frameworks, inefficient rule enforcing mechanisms, malfunctioning factor markets, excessive red tape, and a suboptimal protection of property rights (Khanna and Palepu, 2013; Acemoglu et al., 2012). Institutional voids increase transaction costs, for example frequent changes in market regulations make it difficult for firms to plan their future strategies, whereas cumbersome

regulations entail firms spend more of their resources to obtain permits and pay taxes (Hoskisson et al., 2000; North, 1990).

Transaction cost economics (TCE) points that firms choose to govern their transactions with mechanisms other than the market, such as hierarchy and networks, for several reasons, which include reducing the risk of opportunistic behavior from their counterparts (Williamson, 1985). The likelihood of opportunistic behavior depends on many factors, including the extent to which the legal, regulatory, and judiciary institutions ensure that mutual obligations are met (North, 1990). If such institutions suffer from “voids”, as in most emerging markets, the cost of ensuring contracts’ compliance increases, and thus also transaction costs, pushing firms to search for alternative governance mechanisms (Meyer et al., 2009; Peng et al, 2009). As consistent with TCE, firms based in emerging markets can, and often do, internalize transactions and govern them hierarchically to reduce the costs associated with monitoring and enforcing contracts and the risk of opportunistic behavior (Hoskisson et al., 2000; Rugman and Verbeke, 2003).

Firms may also internalize transactions when factors markets fail to provide them with the needed inputs, ranging from skilled labor, to a reliable electrical grid, or the supplier of a specific part or component (Fauver et al., 2004; Wright et al., 2005). This contributes to explain why firms in emerging market are often vertically integrated (Khanna and Palepu, 2013). The Guatemalan fast food chain Pollo Campero, for example, produces the chicken used in its restaurant outlets, whereas the Pakistani poultry company K&N operates a fully integrated business, from breeding to retail (ThePoultrySite News Desk, 2014; Brenes et al.,2014). In sum, TCE argues that firms tend to integrate vertically in contexts where transaction costs are high, and there is empirical evidence showing that firms in emerging markets often follow such strategy (Claessens et al., 2003a). What remains to be clarified is whether being vertically integrated is a necessary antecedent of high performance in emerging markets, and how it relates to other strategies a firm can use to govern its transactions in markets affected by more or less severe institutional voids (Peng et al., 2009). For this reason, we included in our analytical model a measure of the level of vertical integration of the firms examined.

Internalizing transactions is not the only strategy that firms can use to compensate for market failures as those commonly associated with institutional voids. Companies can also adopt hybrid governance mechanisms based on long term relations and mutual reciprocity, which reduce the need to rely on overburdened courts, lengthy legal processes, and often inefficient and corrupt law enforcement mechanisms (North, 1990; Peng and Luo, 2000; Park and Luo, 2001). The literature on emerging market firms illustrates that the use of inter-firm networks, alliances, and personal contacts is not only prevalent but also often associated with positive effects on performance (Luo, 2003; Khanna and Rivkin, 2001). Network collaborations do not only allow businesses to compensate for the inefficiencies of the regulatory and

judiciary systems, they also help overcome failures in factor markets, providing them with privileged access to information, capital, labor, and specialized inputs (Khanna and Palepu, 2000; Hoskisson et al., 2000; Manolova et al., 2010). We thus included collaborating within a network as one of the antecedents that should lead to high performance in markets affected by institutional voids.

A large body of empirical evidence illustrates the prevalence of family ownership in emerging markets (Khanna and Yafeh, 2007; Khanna and Palepu, 2000; Miller et al., 2009). Several features of family firms, including their emphasis on “parsimony” (the preservation of capital and a long term perspective) and their “personalism” (the direct involvement of the entrepreneur), make them particularly suitable to operate in markets affected by volatility, factor market failures, and suboptimal protection of proprietary rights (Carney, 2005). “Parsimony”, and the emphasis on long term business development linked to the idea of preserving and enriching the family assets, allows family firms to be resilient and adaptable, key strategic qualities in emerging markets (Chrisman et al., 2011). Family businesses often have long-term relationships with partners, buyers and suppliers, based on inter-personal ties (Uzzi, 1996). These personal relationships compensate for institutional voids – they allow different parties to incur in transactions on the basis of reciprocity and reputation instead of relying on formal rule enforcement mechanisms, thus reducing transaction costs (Peng and Luo, 2000; Manolova et al., 2010; Chakrabarty, 2009). Family businesses are best placed to develop the relational capital, or social capital, that underlies links with other organizations, including buyers, suppliers, regulators and policy makers, precisely because they are run by the extended family as opposed to being run by professional managers that may at any point of time change jobs (Carney, 2005). In sum, the literature argues that being a family business can support firm performance in emerging markets, and for this reason we included “being a family business” as one of the antecedents of high ROE in our model.

Another mechanism emerging market firms can use to manage institutional voids is internationalization (Peng, 2002; Puffer & McCarthy, 2001; Peng et al., 2008). By establishing operations in foreign markets these firms can reduce the risk of depending on one highly volatile market, and also gain access to inputs not available at home (Guillén and Garcia Canal, 2009; Luo and Tung, 2007; Lu et al., 2009). Referring to the application of Dunning’s OLI (Ownership advantages, Location Advantages, Internationalization advantages) internationalization model to emerging market firms, Cuervo-Cazurra (2012: 160) points out that:

“DMNCs are more likely to move abroad not only to exploit O advantages developed in the home country, but also to reduce O disadvantages. Acquiring firms are likely to move abroad to improve O advantages at home. Moreover, DMNCs may invest abroad to escape L disadvantages at home in the form of poor institutions or asphyxiating

regulation. They are also likely to enter advanced economies in the input market (rather than the product market) to obtain L advantages—such as advanced finance, technology, or management skills”.

For this reason we also included internationalization in our model, with the objective to explore how it combines with other antecedents, such as governance structures (vertical integration, network collaboration, family business), to generate organizational configurations that lead to high ROE in different institutional contexts.

Method

This study examines a sample of 200 small and medium enterprises from 12 countries of Latin America, shedding some light on the combinations of factors that allow achieving a higher than average ROE, such as integrating vertically their activities, and managing them within the family. It thus extends the research agenda addressing the question “how institutions affect strategy and performance in emerging market” through a multi-causal approach that allow uncovering multiple, non-exclusive mechanisms through which firms succeed in challenges business environments (Peng et al., 2009). We focused only on firms operating in agribusiness in order to limit the effects of sectorial differences on our analysis, and also because of its importance for Latin American economies (Da Silva et al, 2009; Rosales & Kuwayama, 2012). We also focused on a set of countries located in the humid tropics of Latin America as to limit the effects of geography, which affects the nature of crops, on the strategy and performance of the firms examined (Garcia, 2005; FAO, 2007).

Using the official lists provided by Industrial Chambers, Agriculture Ministries and Export Promotion Agencies and the help of an external consultant; we produced an integrated list of agribusiness for each country examined. We then excluded the firms whose telephone and email contacts could not be verified, firms not engaged in production (e.g. trading houses), and firms engaged only in the production of commodities (basic agricultural producers not engaged in the processing, distribution and marketing of products). The subsidiaries of multinational corporations were also excluded from the analysis. We randomly selected 350 firms from the list, and contacted them. We explained to them the nature of the questionnaire that we used as a data collection instrument, which had to be completed by the CEO or general manager, through email and telephone conversations. We obtained 289 questionnaires, a response rate of 82.7%. We then excluded 5 questionnaires because of missing information, and 84 responses of firms that had a ROE below 3%. We examined the antecedent “high ROE”, measured as having a ROE that ranges between 3% and 25%, using as a reference previous studies of the same industry (Katchova and Enlow, 2013; Damodaran, 2014).

Data was collected between January and June 2014. We focused on firms based in 12 countries of Latin America: Bolivia (13 responses), Colombia (8), Costa Rica (48), Dominican Republic (6), Ecuador (13), El Salvador (23), Guatemala (32), Honduras (17), Mexico (8), Nicaragua (17), Panama (5) and Peru (10). The firms in our sample have an average of 600 permanent employees, sell over US\$ 7 million per year and have an average ROE of 11% (Katchova and Enlow, 2013).

We collected information and data on a broad range of variables, which include the antecedents to high ROE used in this particular study: vertical integration, family ownership, network collaboration, presence in foreign markets, average sales per year.

Antecedents and measures

We focused on six antecedents derived from the IP and TCE.

1. To measure Institutional Voids we used an indicator produced by The Global Competitiveness Report (World Economic Forum, 2014), which ranks countries according to the quality of their institutions, with a scale starting from n.1 for the best institutional quality. Countries that rank higher on the index have lower institutional quality, which we used as a proxy of having more severe institutional voids. We focused only on the countries included in the study, whose scores measured on a 1-to-7 scale range between 3.05 and 4.2. This allows measuring changes in organizational configurations across economies that, albeit all affected by institutional voids, have different institutional contexts.
2. Vertical Value Chain Integration (VC): This antecedent has been measured asking the respondents to specify the activities they perform on the value chain, such as washing, selecting, processing and packaging, and then to number them. Their answers were cross checked for consistency, and included in the data. The average for the 200 firms is 3; the maximum number of activities they perform on the value chain is 8.
3. Year sales: We included this antecedent as a proxy of firm size, as number of employees may not provide an accurate picture of the resources the firm can leverage. We measured it as the average annual US\$ sales of the company. Values range between US\$ 100.000 and 30.000.000. The average is \$ 7.848.550, and the mode 3.050.000. This variable works as a size of measure, which indicates how big the company is according to the level of sales.

4. Family business: We asked the respondents whether a family owned the majority of the firm and managed it. In all cases family owned businesses were also family managed. We included the antecedent as 1 (family owned and managed) or 0 (non-family).
5. Number of markets: This antecedent was measured as the number of markets in which the company has a physical presence, for example a sales office. Its values range between 1 and 8 markets.
6. Network Collaboration: This antecedent was measured asking the respondents whether they collaborated with their network of suppliers, buyers and/or other. It was measured as a 1 (Network Collaboration) or 0 (no collaboration)

Fuzzy Set Qualitative Comparative Analysis

We analysed our data using fuzzy set qualitative comparative analysis fsQCA, a method that allows linking a given outcome, in our case superior performance measured as high ROE, to different combinations of antecedents (Rihoux & Ragin, 2009). FsQCA is particularly suitable to examine cases where there many configurational antecedents to the same outcome, in other words, where different causal paths can lead to the same result, such as organizational configurations (Fiss, 2007). The software package that relies on different tools such as Boolean algebra and fuzzy set theory to give different combinations of causal conditions that might be sufficient or necessary for an outcome to occur (Kent, 2008).

Calibration

We calibrated our antecedents following the tenets of QCA (Ragin, 2008). The FsQCA software records 3 values that range between 1 and 0, the first value: one represents full membership of a set, the second value is zero that means total non-membership of a set, the third value but not the less important is a value that is a crossover point which defines the point of maximum ambiguity and which defines a boundary for being in or out of a set, in other words this value is in the middle, neither in nor out (Ragin, 2008).

FsQCA starts with a data matrix, and the function of this feature is telling where cases are either member or non-members of a category (Kent, 2008). The calibration and fuzzy set (See table 1) score membership for this study is described below:

TABLE 1 HERE

Truth tables

After the data matrix, causal conditions and one outcome may be selected to explain what set of conditions are necessary or sufficient for the outcome to occur. The truth table treats each single case as a configuration of the conditions selected (Elliott, 2013). The truth tables show all logically possible combinations of causal conditions and each configuration's empirical outcome (Ragin, 2008). The number of configurations is 2^k (k represents all causal conditions considered for the outcome to occur). The membership values range from 0 to 1 and there is a break point of 0.5 indicating a limit between necessary and sufficient conditions for the outcome to occur (Fiss 2011). 0 indicates that the condition is out of the set, and value of 1 indicates that the condition is in the set. Note that we work only with configurations that make the outcome to occur and have a consistency of 0.88; this value represents the cutoff point.

Analysis of truth table

TABLE 2 HERE

Between 6 observations none of all causal conditions are present but one observation has all causal conditions present, note that only year sales is necessary for all cases. There are not sufficient conditions on that truth table since membership values of the causal conditions listed are not lower than the membership of the outcome measured as Return on Equity.

Coverage and Consistency

Consistency shows the degree to which the cases sharing a given combination of conditions agree in displaying the outcome in question. On the other hand, coverage shows the degree to which a causal combination accounts for instances of an outcome (Woodside & Zhang, 2011). For this study, an outcome is considered valid if consistency is higher than 0.80 and coverage ranges between 0.2 and 0.6 (Ragin, 2006).

Causal recipes outcome

TABLE 3 HERE

The complex solution is one of the most detailed solution because it doesn't make simplifying assumptions. This solution works very well for this study since it assumes that all configurations without cases (number = 0) would have produced the lack of a result of interest (Peréz, 2009). For this study, there are four paths to see a causal condition and a combination of all causal conditions in every configuration that makes an outcome (ROE) to occur, "YES" means the

condition is present, "NO" the condition is absent, and finally "Don't care" is that the condition is not relevant, in other words is neither present nor absent. Note that every configuration is different since all firms selected for this study work different in several ways, in other words every configuration represents firms with a specific configuration.

Findings and Implications

There are four configurations of organizational antecedents that lead to the outcome "high ROE". The first interesting observation is that there is only one configuration (the fourth model) that includes high institutional voids among its antecedents. This illustrates that where institutional voids are more severe, there may be less flexibility regarding the organizational settings that lead firms to be profitable. On the contrary, a broader range of organizational configurations may exist that firms can choose to be successful where institutional voids are less severe.

The second observation is that "size matters": being among the firms that rank higher in terms of sales per year, a measure we used as a proxy for firm size appears to be an antecedent in all of the four configurations, across different levels of institutional voids. The other antecedents – being a family business, collaborating in a network, integrating vertically, having international presence, and being based in a context affected by high institutional voids – change across the four configurations.

The first configuration represents firms that achieve high ROE being based in a context affected by low institutional voids. They are not family businesses and they do not integrate vertically. However, they are large in terms of sales, and they cooperate within a network. Whether they operate in many markets or not is not a relevant antecedent (it does not affect the outcome). These are large firms that overcome the low institutional voids of their domestic context relying on network resources instead of integrating vertically, and they are not family managed as consistent with the literature on networks and firm strategy (Peng and Luo, 2000).

The second configuration includes as antecedents low institutional voids, together with vertical integration, large size, operating in many foreign markets, and not being a family business. Cooperating in a network is an antecedent that does not influence the outcome. These firms are large, vertically integrated, and highly internationalized. They overcome the low institutional voids of their context and achieve high ROE combining vertical integration with internationalization, without relying on family management systems, nor having to count on network resources for their success. This finding is consistent with the TCE and IP literature (Rugman and Verbeke, 2003; Williamson, 1985; Peng et al., 2009).

The third configuration represents family businesses based in a market affected by low institutional voids. Among the antecedents for high ROE we find again size and also the number of markets where they operate. These firms succeed by combining in-house resources, family management and internationalization, without relying on inter-firm networks. Their configuration is consistent with the literature on family business and internationalization (Khanna and Yafeh, 2007). These firms may use family-based ties instead of formal network alliances.

The fourth configuration represents firms that achieve high ROE in markets affected by severe institutional voids. These firms are large family businesses that integrate vertically their operations, collaborate with network partners, and also operate across a high number of markets. The configuration is consistent with the IP and TCE literature, as well as with studies of emerging market business groups (Khanna and Palepu, 2000; Rugman and Verbeke, 2003; Peng et al., 2009). Achieving high ROE is possible in the highly challenging environments of markets where institutions are weak (Cuervo-Cazurra and Genc, 2008). However, high ROE outcomes may entail combining different organizational features that help compensate for market failures; such as diversifying vertically, internationalizing, and relying on networks.

Family business

Given that in our sample 73% of the firms were family managed, and given that the literature argues family businesses are the predominant, and often most successful, type of firm in emerging markets, our second set of analysis focused only on firms that are owned and managed by the same family (Chakrabarty, 2009; Miller et al., 2009). We explored the configurational antecedents that lead family businesses to achieve a high ROE, and obtained two configurations.

The first configuration shows firms operating in relatively mild institutional voids, which do not integrate vertically. Being internationalized and large are necessary antecedents to achieve the outcome. These firms may or may not collaborate within their network. Firms adopting the second configuration achieve high ROE in markets affected by high institutional voids. As for the first configuration, they are large and internationalized, and may or may not collaborate with their network. However, they are also vertically integrated.

The results show (see table 4) that family businesses operating in emerging markets affected by low institutional voids may manage them by internationalizing and being large. Being a large, internationalized family business is not enough in markets affected by severe institutional voids. It is also necessary to internalizing some transactions (vertical

integration). Combining family governance with size, vertical integration and internationalization allows these firms to manage the market failures and volatility associated with high institutional voids, as consistent with TCE and the literature on emerging market firms (Carney, 2005; Williamson, 1985; Cuervo-Cazurra, 2012)

TABLE 4 HERE

Analysis of truth table

TABLE 5 HERE

Among 3 observations all causal conditions are present, in this case only year sales and number of markets are necessary conditions for the outcome to occur. There are not sufficient conditions on that truth table since membership values of the causal conditions listed are not lower than the membership of the outcome measured as Return on Equity.

Conclusion

This study explores the configurations that lead to high ROE, a measure of financial performance, in contexts affected differently by institutional voids. Drawing from the literature on emerging market firms, it examines the role of the antecedents that allow firms reducing their transaction costs and compensating for market failures in spite of institutional voids, including being a family business, integrating vertically, internationalizing, and collaborating within a network. It also explores whether size matters, and how such antecedents link with each other and with the institutional context to generate the outcome “high ROE”. Although the evidence presented here is limited to one sector, agribusiness, and one region of the developing world, Latin America, our study shows that different configurations lead to high ROE in emerging markets, and those firms combine strategies and organizational structures in different, equally successful configurations, a feature best examined using non-linear methods such as fsQCA (Fiss, 2011). Our results show that in markets most affected by institutional voids there are less configurations leading to high ROE and the firms achieving such outcome combine family governance, internationalization, and size, with network collaboration, and vertical integration.

When examining only family business, we found similar results: achieving high ROE entails more complex organizational configurations in markets with higher institutional voids. As consistent with the literature, our results show that large family businesses are suited to achieve high ROE in emerging markets with low institutional voids if they are also present in several international markets (Yiu et al., 2007). However, to manage the same outcome when based in markets with higher institutional voids, large, internationalized family businesses also have to vertically

integrate their activities, presumably to compensate for market failures that cannot be tackled just by family management. In sum, the firms that do achieve high ROE in emerging markets behave consistently with TCE theory, IC theory and international business. However, they do so in ways that combine the insights of different theories in unique configurations, adapted to the variations in institutional voids found across emerging markets. This shows that in order to improve our understanding of emerging market firms and the role of institutions it is necessary to refine the level of analysis and go beyond a simple “emerging market firm vs. developed economy firm” (Cuervo-Cazurra and Genc, 2008).

Our study contributes to the IP, providing further evidence of the way in which different levels of institutional weakness affect the organizational configurations that lead to high performance, responding to calls for more evidence of “how” institutions affect strategy and performance (Peng, 2009). It also contributes to the study of emerging market firms by linking the IP with TCE to explore the combinations of transaction-cost reducing configurations firms adopt to manage institutional voids. Further research is needed to corroborate our results with information from other countries and other sectors.

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Tables

Table 1: Calibration and Fussy Set Score Membership.

<i>Variable</i>	<i>Membership Score</i>	<i>Fuzzy Set Values</i>
ROE	0.25	0.95
	0.08	0.5
	0.03	0.05
Institutional voids	4.2	0.95
	3.4	0.5
	3.05	0.05
Vertical Chain Integration (VC)	8	0.98
	4	0.5
	2	0.12
Year Sales	22550000	0.95
	750500	0.5
	100000	0.05
Family Business	1	Dichotomized Variable
	0.5	
	0	
Number of markets	6	0.95
	4	0.5
	2	0.05
Network Collaboration	1	Dichotomized Variable
	0.5	
	0	

Source: Elaborated by the authors.

Table 2: Truth table analysis for outcome 1

<i>Institutional voids</i>	<i>VC</i>	<i>Year sales</i>	<i>Number of markets</i>	<i>Network Collaboration</i>	<i>Family business</i>	<i>number</i>	<i>ROE</i>	<i>raw consist.</i>
<u>0</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>1</u>	<u>0,961131</u>
<u>0</u>	<u>0</u>	<u>1</u>	<u>1</u>	<u>0</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>0,921671</u>
<u>0</u>	<u>0</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>0</u>	<u>1</u>	<u>1</u>	<u>0,900198</u>
<u>0</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>1</u>	<u>1</u>	<u>0,887733</u>
<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>0,887059</u>
<u>0</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>0</u>	<u>2</u>	<u>1</u>	<u>0,884289</u>

Source: Elaborated by the authors.

Table 3: Causal recipes for outcome 1

Configuration	First	Second	Third	Fourth
<i>Causal Configurations</i>				
Institutional voids	NO	NO	NO	YES
Vertical Chain Integration (VC)	NO	YES	NO	YES
Year Sales	YES	YES	YES	YES
Family Business	NO	NO	YES	YES
Number of markets	DON'T CARE	YES	YES	YES
Network Collaboration	YES	DON'T CARE	NO	YES
Consistency	0.890052	0.902041	0.921671	0.887059
Raw coverage	0.171277	0.101209	0.032332	0.069060
Unique coverage	0.117787	0.029401	0.025096	0.033889
Overall solution consistency	0.887686			
Overall solution coverage	0.277981			

Source: Elaborated by the authors.

Table 4: Causal recipes for outcome 2

Configuration	First	Second
<i>Causal Configurations</i>		
Institutional voids	NO	YES
Vertical Chain Integration (VC)	NO	YES
Year Sales	YES	YES
Number of markets	YES	YES
Network Collaboration	DON'T CARE	DON'T CARE
Consistency	0.939481	0.893071
Raw coverage	0.162574	0.130159
Unique coverage	0.076674	0.044259
Overall solution consistency	0.901141	
Overall solution coverage	0.206832	

Source: Elaborated by the authors.

Table 5: Truth table analysis for outcome 2

<i>Institutional voids</i>	<i>Vertical Chain Integration (VC)</i>	<i>Year Sales</i>	<i>Number of markets</i>	<i>Network Collaboration</i>	<i>Number</i>	<i>ROE</i>	<i>raw consist.</i>
0	0	1	1	1	3	1	0,945838
1	1	1	1	0	1	1	0,939394
0	0	1	1	0	2	1	0,923274
1	1	1	1	1	3	1	0,877294

Source: Elaborated by the authors.