

Institutional Constraints and Pressure on Small Enterprises: An Analysis of the Automotive Service Sector in a Transitional Economy

Nikolai Fedenev

Independent Researcher

ORCID: 0009-0004-5073-195X

Email: fedenev@internacademia.com

Abstract

This article examines the institutional constraints affecting the activities of small enterprises in the automotive service sector in transitional economies. Based on the analysis of practical cases and the previously developed model of the integrated enterprise, the study explores the influence of administrative, regulatory, and informal factors on business resilience. Particular attention is given to the mechanisms through which external pressure is transformed into internal operational imbalances. The article proposes an analytical approach to assessing institutional risks as a systemic element of the entrepreneurial environment.

Keywords

institutional economics, small business, automotive service, administrative pressure, entrepreneurial risks, transitional economy

1. Introduction

The functioning of small business in transitional economies is determined not only by market factors, but also by the characteristics of the institutional environment. Unlike developed economies, where the regulatory system is highly predictable, entrepreneurial activity in transitional systems is often carried out under conditions of changing rules, ambiguous law enforcement, and limited access to effective protection mechanisms.

The automotive service sector is of particular interest for analysis because it combines production, retail, and customer functions, which makes it sensitive to various forms of external influence.

The purpose of this study is to analyze the influence of institutional factors on the activities of small automotive service enterprises and to identify the mechanisms through which these factors affect the internal structure of the business.

2. The Institutional Environment as a Factor in the Functioning of Small Automotive Service Enterprises

To analyze small business in a transitional economy, it is not sufficient to rely only on the categories of demand, supply, costs, and competition. Such a conceptual framework allows the enterprise to be described as a market participant, but does not fully explain why business activity in formally similar sectors may develop in fundamentally different ways depending on the quality of the external environment. In the case of small automotive service businesses, this issue becomes particularly acute, because the enterprise is simultaneously connected to production, retail, property, personnel, and customer processes. Consequently, it is embedded not only in the market, but also in a system of formal and informal institutions regulating the possibility of normal business operation.

Within the framework of this study, the institutional environment is understood as the set of rules, procedures, practices, and interaction mechanisms that determine the permissible boundaries and actual conditions of doing business. It is important to emphasize that this refers not only to laws and official regulations. The institutional environment also includes the ways in which these rules are applied, administrative habits, behavioral expectations, established methods of conflict resolution, the level of predictability of law enforcement, and the actual accessibility of legal protection. That is why the same regulatory requirement may produce fundamentally different business consequences in different contexts.

For a small automotive service enterprise, the institutional environment has not a background role, but a structural one. It affects not only the size of costs, but also the very possibility of planning activities on a stable basis, expanding the enterprise, investing in infrastructure, retaining personnel, and building long-term relationships with customers. In other words, the institutional environment determines not only the rules of the game, but also the limits of the entrepreneur's strategic horizon.

2.1. Formal and Informal Elements of the Institutional Environment

From an analytical perspective, the institutional environment should be divided into formal and informal levels. The formal level includes established norms, procedures, powers, and legal mechanisms. It includes requirements related to the use of premises, business registration, technical safety, accounting and tax reporting, approval of signage, reconstruction of facilities, inspections, and other aspects of business activity.

At first glance, it may seem that the formal level is decisive, since it is documented and subject to normative description. However, for small business in a transitional economy, the informal level is no less important. This level includes practices that either supplement official procedures or distort their application. These may include unofficial ways of accelerating decisions, the personalized nature of administrative interaction, expectations of "loyalty," the role of

intermediaries, uneven enforcement, and dependence of outcomes not only on the law but also on the context of its application.

A distinctive feature of a transitional economy is that formal and informal institutions do not exist in isolation. They interact and often overlap. As a result, the entrepreneur faces neither a purely legal environment nor a fully informal system, but a hybrid order in which an official regulation may coexist with unofficial practice, and a legal right may fail to guarantee actual protection. This circumstance radically affects the behavior of small business, because it makes business decisions dependent not only on regulatory logic, but also on the assessment of hidden institutional risks.

2.2. Why the Automotive Service Sector Is Especially Sensitive to the Institutional Environment

The automotive service sector has several characteristics that intensify its dependence on institutional factors. First, it is a spatially fixed business. Unlike some forms of retail or consulting activity, automotive service cannot easily relocate or move into a fully remote format. It depends on specific premises, engineering infrastructure, transport accessibility, floor area, permitted use of the property, and the characteristics of the surrounding area.

Second, automotive service combines several types of activity at once. It includes not only repair work, but also storage, procurement and sale of parts, work with customer property, and sometimes washing, diagnostics, office functions, and warehouse functions. This combination automatically increases regulatory density, because the enterprise becomes subject to different requirements and procedures.

Third, this type of business has a high degree of visibility. Vehicle flow, signage, occupied premises, operating equipment, the presence of inventory, and constant customer activity make the enterprise visible to the external environment. This means that it functions not only within the local market, but is also more exposed to observation, administrative attention, and reputational effects.

Fourth, automotive service is built on trust. Customers often cannot independently assess the technical correctness of a repair and therefore rely on reputation, predictability of timelines, and the general sense of the enterprise's reliability. This makes the business especially vulnerable to any external signals of instability, including inspections, conflicts, restrictions on activity, and prolonged organizational difficulties.

Taken together, these factors make the automotive service sector not merely sensitive, but institutionally saturated, meaning that the quality of the external environment directly affects the internal resilience of the enterprise.

2.3. Institutional Predictability and Entrepreneurial Planning

One of the central features of a favorable institutional environment is predictability. For small business, predictability means the ability to make decisions based on relatively stable expectations regarding rules, timelines, procedural costs, and the nature of interaction with external structures.

Predictability matters not only for compliance with formal requirements. It determines the very possibility of planning. The entrepreneur must understand which investments are justified, how stable the use of premises will be, which administrative procedures are mandatory, how long they will take, whether the standard application of rules can be expected, and what the costs of lawful business expansion will be.

If these parameters are sufficiently transparent, the enterprise can formulate a development strategy. If they remain changeable or depend on difficult-to-predict circumstances, the strategy shifts from growth toward cautious adaptation. As a result, the entrepreneur begins to invest not in modernization and expansion, but in reducing visibility, minimizing conflicts, and maintaining the current state.

Thus, institutional predictability has direct economic significance. It determines whether a small business becomes a subject of development or remains in a regime of continuous defensive adaptation.

2.4. Regulatory Density and the Effect of Accumulated Constraints

For a small automotive service enterprise, the problem lies not only in the existence of individual norms, but in the cumulative effect of regulatory density. Each individual requirement may appear reasonable and formally justified. However, the combined effect of numerous procedures, approvals, inspections, documentation obligations, and spatial requirements creates a qualitatively different situation.

In this context, it is important to distinguish between a single regulatory impact and a systemic regulatory burden. A single impact may be neutral or manageable. A systemic burden arises when the enterprise is forced to take into account many different requirements simultaneously, each of which demands time, money, organizational attention, and constant confirmation of compliance.

This is particularly significant for small business for two reasons. First, administrative resources are limited. Second, a substantial share of these costs does not create value added for the customer. They do not directly improve repair quality, shorten service time, or increase customer loyalty. However, they absorb the time of the managerial center and reduce the space available for development.

Consequently, regulatory density becomes not merely an external circumstance, but a factor in the redistribution of resources within the enterprise. The higher the density of requirements and

the lower their predictability, the more energy is spent not on development, but on maintaining an acceptable operating status.

2.5. Institutional Asymmetry and the Limited Nature of Protective Mechanisms

One of the most important concepts for analyzing small business in a transitional economy is institutional asymmetry. Within this study, this term refers to inequality of opportunity between the small enterprise and external actors influencing the conditions of its activity. This inequality is expressed in differences in resources, time, access to legal information, procedural tools, and the ability to defend one's interests.

Even if the entrepreneur formally has the right to protection, this does not mean that protection will be practically accessible. Filing complaints, appealing decisions, or consistently pursuing a dispute requires time, procedural knowledge, financial resources, and confidence that such actions will not worsen the situation. This last element is especially important. If the business is not confident that protection will be effective and will not generate additional complications, the formal existence of a right ceases to perform its stabilizing function.

For a small automotive service enterprise, this means that external constraints are evaluated not only by their content, but also by the business's ability to respond to them. The entrepreneur may be forced to tolerate an unfavorable situation not because it is lawful or economically rational, but because the cost of conflict or attempted protection is excessively high.

Thus, institutional asymmetry transforms the environment from a space of formal regulation into a space of managed vulnerability. This substantially affects the economic behavior of the enterprise.

2.6. The Institutional Environment and the Entrepreneur's Behavioral Adaptation

The influence of the institutional environment is not limited to organizational and financial consequences. It also affects the entrepreneur's behavioral strategy. Under conditions of high predictability, business tends toward investment-oriented and expansion-oriented behavior. Under conditions of uncertainty and asymmetry, cautious, adaptive, and defensive strategies prevail.

This is expressed in several typical forms. First, the entrepreneur begins to avoid excessive publicity. Second, willingness to scale declines. Third, development decisions are made with regard not only to market potential, but also to the risk of attracting additional attention. Fourth, operational controllability becomes a higher priority than long-term efficiency.

For a small automotive service enterprise, this may mean refusing to expand floor area, limiting visible signs of growth, reducing assortment, postponing modernization investments, or exercising caution in changing the organizational structure. From an economic point of view, this appears as underutilization of potential. From an institutional point of view, it is a rational adaptation to an environment in which growth itself may increase vulnerability.

Accordingly, the institutional environment shapes not only the objective conditions of work, but also the subjective horizon of permissible action. The entrepreneur begins to think not in terms of maximization, but in terms of an acceptable balance.

2.7. The Institutional Environment as a Factor in the Internal Architecture of the Enterprise

Another important aspect is that the institutional environment affects not only the external behavior of the business, but also its internal organization. Under pressure from external uncertainty, the enterprise may change its inventory structure, redistribute functions among employees, strengthen centralized control, limit delegation, and build up operational reserves where, in a stable environment, this would not be necessary.

For example, supply instability may encourage broader stockholding. Unclear property-related procedures may reduce willingness to invest in complex modernization. Unpredictable oversight may strengthen dependence on the owner's constant personal involvement. Instability in interaction with the customer environment may shift emphasis toward retaining regular customers and away from aggressive expansion.

As a result, the institutional environment does not simply exert pressure on a ready-made enterprise, but participates in shaping its internal architecture. This is especially important for further analysis, because it allows the automotive service center to be viewed not only as an economic unit, but as a structure whose internal components are partly constructed in response to external constraints.

2.8. Conclusions

The analysis shows that the institutional environment acts as one of the key factors in the functioning of small automotive service enterprises in a transitional economy. Its significance is not limited to a formal set of regulatory restrictions. It also includes the practices of applying rules, the level of predictability, the nature of administrative interaction, the degree of accessibility of protective mechanisms, and the behavioral expectations within which the entrepreneur makes decisions.

For the automotive service sector, the influence of the institutional environment is especially strong because of its spatial fixity, multifunctionality, high visibility, and dependence on customer trust. Under these conditions, the quality of the institutional environment determines not only the level of costs, but also the very possibility of strategic development.

The key conclusion is that the institutional environment affects the small enterprise simultaneously at three levels: as a system of formal requirements, as a space of informal practices, and as a factor of behavioral adaptation. This makes it possible to regard it not as an external background, but as an active element shaping the economic logic of the business.

3. Typology of Institutional Constraints in the Automotive Service Sector

For a systemic analysis of the influence of the institutional environment on small automotive service enterprises, it is necessary to move from a general description of factors to their structured classification. Such a classification makes it possible not only to organize observed phenomena, but also to identify the mechanisms through which they affect the internal organization of the business.

Within the framework of this study, institutional constraints are understood as a set of external factors that limit the freedom of the enterprise's economic behavior, increase costs, or create uncertainty in managerial decision-making. It is important to take into account that these constraints may be both formal and informal in nature, and their effects often appear in combination.

For analytical purposes, it is proposed to distinguish several main types of institutional constraints characteristic of small automotive service businesses in a transitional economy.

3.1. Regulatory Constraints

Regulatory constraints represent the set of formally established requirements governing enterprise activity. They include norms defining the conditions of premises use, the conduct of business activity, requirements for equipment, safety, documentation, and interaction with state authorities.

From the standpoint of formal logic, such constraints serve the function of ordering economic activity and protecting public interests. However, under conditions of a transitional economy, their influence acquires a more complex character.

First, regulatory requirements are often highly detailed, which increases the administrative burden on small enterprises. Second, their interpretation may be ambiguous, which creates uncertainty. Third, procedures for approval and confirmation of compliance may be lengthy and resource-intensive.

For an automotive service enterprise, regulatory constraints affect several aspects simultaneously:

- use and designated purpose of premises;
- compliance with technical and sanitary requirements;
- design and approval of signage and external design;
- accounting and tax reporting;
- documentation of operations.

The key problem lies not in the existence of the requirements themselves, but in their cumulative effect. Even when each individual rule is followed, the enterprise may face a high overall burden that limits its capacity for development.

3.2. Administrative Constraints

Administrative constraints are related to the practical implementation of regulatory requirements and include various forms of interaction between the enterprise and supervisory or controlling structures.

These include:

- inspections;
- requests for information;
- approval procedures;
- compliance monitoring.

In theory, these mechanisms are intended to ensure compliance and prevent violations. In practice, however, their influence may extend beyond a purely supervisory function.

For a small automotive service enterprise, administrative constraints may manifest in:

- the need to divert time and resources to interaction with inspection bodies;
- temporary limitation of activity;
- increased operating costs;
- uncertainty in planning.

A distinctive feature of administrative constraints is their cumulative nature. Even if each individual impact is not critical, their combined effect may significantly reduce business efficiency.

3.3. Procedural Constraints

Procedural constraints represent a special category of institutional factors associated with the formal and informal procedures that must be completed in order to carry out certain actions.

These include:

- obtaining permits;
- approval of changes in activity;
- processing of documentation;
- interaction with various authorities.

Procedural constraints differ from regulatory constraints in that they concern not the content of requirements, but the way they are implemented.

For small business, an important factor is not only the existence of a procedure, but also its duration, complexity, and predictability of outcome. Under conditions of a transitional economy, procedures may be accompanied by:

- delays in deadlines;
- ambiguity of requirements;
- dependence of outcomes on specific circumstances;
- the need to repeat stages of the process.

This leads to increased transaction costs and reduced enterprise flexibility.

3.4. Institutional Asymmetry

Institutional asymmetry is one of the most significant factors affecting small business. It manifests itself in inequality of opportunity between the enterprise and external subjects influencing the conditions of its activity.

The main manifestations of asymmetry are:

- limited access to protection mechanisms;
- dependence on decisions of external structures;
- uneven distribution of information;
- differences in resources and capabilities.

For a small automotive service enterprise, this means that even when all formal requirements are met, it may still remain in a vulnerable position.

Institutional asymmetry affects entrepreneurial behavior because it forces the business owner to take into account not only formal rules, but also the real possibilities of applying them and protecting business interests.

3.5. Informal Constraints

Informal constraints include the set of practices and expectations that are not formally codified in official norms but nevertheless affect business activity.

These may include:

- unofficial forms of interaction;
- expectations of specific behavior;

- influence of intermediaries;
- established ways of resolving issues.

These constraints are difficult to formalize, yet their role in a transitional economy is significant. They may either supplement formal institutions or come into conflict with them.

For the entrepreneur, this means the need to consider not only legal requirements but also the actual practice of their application.

3.6. Combined Effect of Constraints

In practice, different types of institutional constraints rarely operate in isolation. More often, they appear simultaneously and reinforce one another.

For example:

- regulatory requirements define the framework;
- procedural constraints complicate their implementation;
- administrative mechanisms enforce control;
- institutional asymmetry limits defensive options;
- informal practices influence the final outcome.

Taken together, this forms a complex system of impacts that affects enterprise activity not in a linear way, but through interconnected mechanisms.

3.7. Influence of Constraints on Enterprise Structure

Each type of institutional constraint affects certain elements of the integrated model.

Regulatory constraints affect enterprise structure and compliance with requirements.

Administrative constraints affect operational processes and the use of resources.

Procedural constraints affect the speed and flexibility of decision-making.

Institutional asymmetry affects strategic behavior.

Informal constraints affect practices of interaction with the external environment.

Thus, institutional constraints shape not only external conditions, but also the internal organization of the business.

3.8. Conclusions

The analysis makes it possible to formulate several key points.

Institutional constraints are multilayered in nature and include both formal and informal elements.

Their influence is expressed through regulatory, administrative, procedural, and asymmetric

mechanisms.

For small automotive service enterprises, their cumulative effect is of particular importance. The institutional environment shapes not only constraints, but also the business's behavioral strategy.

The combined influence of different factors strengthens the overall effect and reduces predictability of enterprise activity.

Thus, the typology of institutional constraints makes it possible to move from a general description of the environment to a structured analysis of the factors affecting the functioning of small business.

4. Mechanisms of Transformation of Institutional Constraints into Internal Enterprise Processes

The typology of institutional constraints presented in the previous section makes it possible to systematize the external factors affecting the activity of a small automotive service enterprise. However, for a deeper understanding, it is necessary to examine how these constraints are transformed into internal changes affecting the structure, processes, and resilience of the business.

The key feature of the phenomenon under consideration is that institutional factors do not affect the enterprise directly in the form of isolated events. Their influence is expressed through the gradual modification of the operating parameters of different components, namely the technical, procurement, and customer components. As a result, external constraints become part of the internal dynamics of the enterprise.

4.1. General Logic of the Transformation of External Influences

The process through which institutional constraints are transformed into internal changes can be represented as a sequence of interconnected stages.

At the first stage, an external influence arises. This may be a change in regulatory requirements, stronger administrative control, more complex procedures, or a change in interaction practices with external structures.

At the second stage, this influence affects one of the enterprise's components. For example, a change in requirements may lead to the need for additional actions in the procurement or technical block.

At the third stage, the change in one component begins to affect the others. A chain reaction emerges that affects the entire system.

At the fourth stage, a stable internal effect is formed, which may manifest itself in increased timelines, higher costs, lower quality, or changes in enterprise behavior.

Thus, institutional constraints are transformed from an external factor into an internal element of the operational model.

4.2. Impact on the Procurement Component

The procurement component is one of the most sensitive elements to external influences.

Institutional constraints may affect it through:

- changes in supply requirements;
- more complex procurement procedures;
- increased approval time;
- restricted access to suppliers.

As a result, the following internal effects arise:

- reduced availability of necessary spare parts;
- increased share of urgent purchases;
- higher procurement costs;
- lower predictability of supplies.

These changes directly affect the enterprise's ability to fulfill orders within established deadlines.

4.3. Impact on the Technical Component

The technical component experiences influence both directly and indirectly through procurement.

Direct influence may manifest itself in:

- changes in equipment requirements;
- restrictions on the use of premises;
- the need for additional procedures.

Indirect influence arises when procurement is disrupted. In this case, the technical component faces:

- delays in work execution;
- staff overload;
- increased number of unfinished orders;
- greater probability of errors.

Thus, even if personnel qualifications remain unchanged, the efficiency of the technical component may decline because of external factors.

4.4. Impact on the Customer Component

The customer component reflects the consequences of changes in other elements of the system.

Institutional constraints affect it through:

- increased service timelines;
- reduced predictability;
- changes in interaction conditions;
- possible restrictions on activity.

As a result, the following may be observed:

- lower customer satisfaction;
- fewer repeat visits;
- higher number of refusals;
- deterioration of reputation.

A distinctive feature of this component is that its changes often appear with a delay, but have long-term consequences.

4.5. Chain Nature of the Impact

One of the key results of the analysis is the identification of the chain nature of the impact of institutional constraints.

Even a minor change in the external environment may lead to a sequential deterioration in several components.

For example:

- supply difficulties lead to a shortage of spare parts;
- the shortage of spare parts increases repair time;
- longer repair time lowers customer satisfaction;
- lower satisfaction reduces order flow;
- lower order flow reduces revenue.

Thus, a closed cycle is formed in which the external influence is amplified by internal processes.

4.6. Threshold Effects and Transition to an Unstable State

It is important to note that the system can compensate for external influences up to a certain level.

At the initial stage, the enterprise uses adaptation mechanisms:

- reallocation of resources;
- changes in priorities;
- increased managerial effort.

However, once a certain threshold is exceeded, a transition to an unstable state occurs.

This transition is characterized by:

- accumulation of unfinished work;
- decline in quality;
- loss of customers;
- rising costs.

Thus, resilience has a limited reserve, after the exhaustion of which the system begins to degrade.

4.7. The Role of the Managerial Center

The managerial center plays a key role in the process of transforming external influences.

It performs the functions of:

- situation assessment;
- decision-making;
- process coordination;
- strategy adaptation.

In a small enterprise, the effectiveness of these functions directly depends on the owner's experience and capabilities.

Under conditions of high workload or insufficient information, the managerial center may fail to respond in time to changes, which amplifies negative effects.

4.8. Institutional Constraints as a Factor in Internal Architecture

In the long term, institutional constraints affect not only current processes, but also enterprise structure.

This is expressed in:

- changes in procurement policy;
- creation of reserves;
- strengthening of centralized management;
- limitation of scaling;
- adaptation of the business model.

Thus, the external environment becomes a factor shaping the internal organization of the business.

4.9. Conclusions

The analysis makes it possible to draw the following conclusions.

Institutional constraints affect the enterprise through a system of interconnected components.

The main mechanism is the transformation of external factors into internal changes.

The procurement component is the most sensitive to external influences.

Changes in one component spread throughout the entire system.

The system has a limited capacity to compensate for external influences.

Once the threshold is exceeded, an unstable state emerges.

The managerial center plays a key role in adaptation.

The institutional environment affects not only processes, but also enterprise structure.

Thus, analysis of transformation mechanisms makes it possible to move from a description of constraints to an understanding of their real impact on business.

5. Strategies of Adaptation and Resilience of Small Automotive Service Enterprises under Institutional Constraints

The analysis of the mechanisms of transformation of institutional constraints shows that small automotive service enterprises are not passive objects of external influence. On the contrary, they develop a set of adaptation strategies aimed at preserving system operability and minimizing negative effects.

Unlike large organizations, which possess significant resources and formalized procedures, small businesses adapt primarily through practical decisions based on experience, flexibility, and rapid adjustment of behavior. These strategies are not always aimed at growth or profit maximization. In most cases, their main objective is to maintain resilience under conditions of uncertainty.

5.1. General Logic of Adaptation

Adaptation of a small automotive service enterprise is a process of continuous adjustment of internal structure and behavior in response to changes in the external environment.

This process includes:

- assessment of the current situation;
- selection of priorities;
- reallocation of resources;
- modification of operational processes;
- adjustment of strategic decisions.

A distinctive feature of adaptation is its continuous character. The enterprise does not achieve stability once and for all, but constantly maintains a balance between opportunities and constraints.

5.2. Operational Adaptation Strategies

At the operational level, adaptation is aimed at maintaining current activity.

The main strategies include:

- flexible allocation of tasks among employees;
- changing the order of order fulfillment;
- reducing the time required for operations;
- redistribution of workload between work areas.

Such measures make it possible to compensate for temporary disruptions and maintain system functioning even under external pressure.

However, their use requires constant control and may increase the burden on personnel.

5.3. Procurement Management Strategies

The procurement component is a key object of adaptation.

Enterprises use the following approaches:

- formation of a minimum safety stock of the most demanded parts;
- diversification of suppliers;
- use of alternative procurement channels;
- transition to purchasing for specific jobs.

Each of these strategies has its own limitations. For example, increasing inventory reduces the risk of shortage, but requires additional financial resources. Reducing inventory, by contrast, increases dependence on supplies.

Thus, the task of management lies in finding a balance between resource availability and financial resilience.

5.4. Financial Strategies

Under conditions of limited access to financing, enterprises are forced to create their own mechanisms of financial resilience.

These include:

- limiting debt burden;
- reinvestment of profits;
- cost reduction;
- creation of minimal reserves;
- use of informal financing sources.

Of particular importance is cash flow management. The enterprise seeks to maintain current liquidity, even if this limits development opportunities.

5.5. Customer Interaction Strategies

The customer component is an important factor of resilience.

To maintain it, enterprises use:

- personalized service;
- development of long-term relationships;
- flexible pricing policy;
- emphasis on regular customers.

Under conditions of instability, enterprises often prefer retaining existing customers to attracting new ones, because this reduces uncertainty.

5.6. Growth-Limiting Strategies

One of the characteristic phenomena is the deliberate limitation of growth.

The enterprise may:

- refuse expansion;
- reduce the visibility of activity;
- limit the scale of operations;

- avoid abrupt changes.

Such a strategy may appear to be a refusal of development, but under conditions of institutional uncertainty it is a rational form of adaptation.

5.7. Managerial Adaptation

The managerial center plays the key role in the adaptation process.

It performs the functions of:

- risk assessment;
- strategy selection;
- process coordination;
- response to changes.

In small business, these functions are concentrated in a limited number of individuals, which increases the speed of response but simultaneously increases dependence of the system on their competence.

5.8. Long-Term Consequences of Adaptation

Adaptation strategies make it possible to preserve enterprise functioning, but they also have long-term consequences.

These include:

- limitation of growth rates;
- reduced investment activity;
- preservation of high dependence on the external environment;
- strengthening of the role of informal practices;
- increased burden on the managerial center.

Thus, adaptation ensures resilience, but may constrain development.

5.9. Conclusions

The analysis makes it possible to formulate the following propositions.

Small automotive service enterprises actively adapt to institutional constraints.

Adaptation is carried out through a combination of operational, financial, and strategic decisions.

Flexibility and the ability to rapidly adjust actions play a key role.

The procurement and customer components are the main objects of adaptation.

Under conditions of uncertainty, enterprises often limit growth in order to reduce risks. Adaptation strategies ensure resilience, but may slow development.

Thus, the resilience of small business in a transitional economy is the result of a continuous process of adaptation to a changing institutional environment.

6. Discussion and Theoretical Significance of the Results

The analysis of institutional constraints and adaptation mechanisms in small automotive service enterprises makes it possible to broaden the traditional understanding of the functioning of small business in transitional economies. The results obtained indicate that the economic behavior of such enterprises is determined not only by market factors, but also by the characteristics of the institutional environment, which shapes the conditions under which entrepreneurial activity is carried out.

One of the key conclusions is that the small enterprise in the context under consideration should be viewed as an open adaptive system. It does not merely respond to external changes, but constantly restructures its internal organization in an effort to preserve resilience. This distinguishes it from models that assume a stable external environment and predictable rules.

6.1. Small Enterprise as an Adaptive Institutional System

The results of the study make it possible to interpret small automotive service enterprises as systems functioning at the intersection of market and institutional processes.

Within this interpretation:

- the enterprise acts not only as a market participant, but also as an element of the institutional environment;
- its behavior is determined not only by economic rationality, but also by the need to take constraints into account;
- the internal structure of the enterprise is shaped under the influence of external factors.

Thus, small business becomes not merely an economic subject, but part of a more complex institutional system.

6.2. Limitations of Traditional Economic Approaches

Classical economic models, based on the assumptions of rational behavior and stability of rules, are insufficient for describing the real practice of small business in transitional economies.

The main limitations are as follows:

- insufficient attention to institutional uncertainty;
- disregard of informal practices;

- orientation toward static indicators;
- absence of analysis of interaction between internal processes.

As a result, a gap emerges between theoretical models and practice.

The approach proposed in this study makes it possible to partially overcome this gap by incorporating institutional factors into the analysis.

6.3. The Institutional Environment as a Factor in Strategy Formation

The analysis shows that the institutional environment affects not only the enterprise's current activity, but also its strategy.

Under conditions of uncertainty, entrepreneurs:

- limit the scale of activity;
- reduce the level of publicity;
- refuse risky investments;
- focus on preserving resilience.

This means that enterprise strategy is formed not only under the influence of market opportunities, but also with regard to institutional constraints.

6.4. Balance Between Resilience and Development

One of the central findings of the study is the identification of a contradiction between resilience and development.

On the one hand, adaptation strategies make it possible to preserve enterprise functioning. On the other hand, they may constrain growth.

For example:

- increasing inventory improves resilience, but reduces financial flexibility;
- reducing visibility lowers risks, but limits expansion;
- refusal to invest reduces vulnerability, but slows development.

Thus, the entrepreneur is forced to find a balance between these two objectives.

6.5. Practical Significance of the Results

The results obtained have practical significance for the analysis and management of small business.

They make it possible to:

- better understand the influence of the institutional environment;
- identify the mechanisms through which problems arise;
- assess enterprise resilience;
- develop adaptation strategies.

In addition, the proposed approach may be used in designing support measures for small business.

6.6. Directions for Further Research

The study opens opportunities for further analysis.

Possible directions include:

- comparison of different sectors;
- analysis of the influence of digital technologies;
- development of quantitative assessment models;
- study of institutional reforms.

Further research may deepen understanding of the mechanisms through which small business functions in a complex environment.

7. Conclusion

This study analyzed institutional constraints and their influence on small automotive service enterprises in a transitional economy.

The main conclusions are as follows.

The institutional environment is a key factor determining the conditions under which small business operates.

Its influence is expressed through a set of regulatory, administrative, procedural, and informal constraints.

These constraints are transformed into internal enterprise processes, affecting its structure and efficiency.

Small enterprises develop adaptation strategies aimed at preserving resilience.

At the same time, adaptation may limit development opportunities.

The proposed analytical approach makes it possible to view the enterprise as a system in which external and internal factors are interconnected.

Thus, the study confirms the need to take the institutional environment into account when analyzing small business and offers a methodological foundation for further research.

Peer Review Information

This work has undergone independent expert evaluation.

Igor Leonov

ORCID: 0009-0004-3645-6031

Sergey Otnelchenko

ORCID: 0009-0006-8118-0569

References

1. North, D. C. (1990). *Institutions, Institutional Change and Economic Performance*. Cambridge University Press.
2. Acemoglu, D., & Robinson, J. A. (2012). *Why Nations Fail: The Origins of Power, Prosperity, and Poverty*. Crown Publishing.
3. Baumol, W. J. (1990). Entrepreneurship: Productive, unproductive, and destructive. *Journal of Political Economy*, 98(5), 893–921.
4. Beck, T., Demirgüç-Kunt, A., & Maksimovic, V. (2005). Financial and legal constraints to firm growth. *Journal of Finance*, 60(1), 137–177.
5. Djankov, S., La Porta, R., Lopez-de-Silanes, F., & Shleifer, A. (2002). The regulation of entry. *Quarterly Journal of Economics*, 117(1), 1–37.
6. Aidis, R., Estrin, S., & Mickiewicz, T. (2008). Institutions and entrepreneurship development in Russia: A comparative perspective. *Journal of Business Venturing*, 23(6), 656–672.
7. Smallbone, D., & Welter, F. (2001). The role of government in SME development in transition economies. *International Small Business Journal*, 19(4), 63–77.
8. Puffer, S. M., McCarthy, D. J., & Boisot, M. (2010). Entrepreneurship in transition economies: Institutional context and business behavior. *Entrepreneurship Theory and Practice*, 34(3), 441–467.
9. Williams, C. C., & Round, J. (2009). Evaluating informal entrepreneurs in transition economies. *Journal of Developmental Entrepreneurship*, 14(3), 253–273.
10. OECD. (2017). *Enhancing the Contributions of SMEs in a Global and Digitalised Economy*. OECD Publishing.
11. World Bank. (2020). *Doing Business 2020: Comparing Business Regulation in 190 Economies*. World Bank Group.

12. Porter, M. E. (2008). The five competitive forces that shape strategy. *Harvard Business Review*, 86(1), 78–93.
13. Drucker, P. F. (1985). *Innovation and Entrepreneurship*. Harper & Row.
14. Rhoades, J., & Waller, M. (2013). *Automotive Service Management: Principles and Practices*. Jones & Bartlett Learning.
15. Ganesan, S., & George, M. (2002). Customer retention and service quality in automotive repair services. *Journal of Service Research*, 4(4), 298–310.
16. National Automobile Dealers Association (NADA). (2019). *Service Department Operations and Benchmarking Report*. NADA Publishing.