

# Navigating Institutional Voids and Market Dynamics

*A Diagnostic Framework for Enterprise in Chad (2000–2026)*

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## ABSTRACT

Enterprise development in many African economies is constrained by institutional voids—the absence of market-supporting institutions—and volatile market dynamics. The Central African context, characterised by significant infrastructural and regulatory gaps, presents a critical but under-researched case. This paper develops and applies a diagnostic framework to analyse how firms identify, navigate, and mitigate the risks posed by institutional voids and market volatility. It aims to delineate the adaptive strategies enterprises employ for survival and growth within this constrained environment. The research employs a longitudinal, mixed-methods design, integrating archival analysis of economic and policy data with in-depth, semi-structured interviews with founders and senior managers of 42 small and medium-sized enterprises across three key sectors. Analysis reveals that over 70% of firms prioritise building redundant, informal networks over formal market transactions to compensate for weak contract enforcement. A dominant theme is the strategic internalisation of functions, such as private security and power generation, normally provided by state institutions. Enterprise strategy in this context is fundamentally shaped by the need to substitute for missing institutions, leading to hybrid organisational forms that blend formal and informal practices. This adaptation, while enabling operation, imposes significant transaction costs and limits scalability. Policymakers should focus on creating credible platforms for public-private dialogue to co-create institutional solutions. Development finance institutions are advised to design financial products that specifically underwrite the high transaction costs of operating in such environments. institutional voids, market dynamics, diagnostic framework, enterprise strategy, hybrid organisations, transaction costs This paper provides a novel diagnostic framework that integrates institutional theory with behavioural strategy to explain firm-level adaptations in a high-void context, offering a granular analysis of strategic trade-offs.

**Keywords:** *Institutional voids, Market dynamics, Sub-Saharan Africa, Enterprise development, Diagnostic framework, Emerging markets, Business environment*

### Article Highlights

- Firms strategically internalise functions like security and power due to state institutional gaps.
- Adaptation leads to hybrid organisational forms blending formal and informal practices.
- These survival strategies impose high transaction costs and limit enterprise scalability.
- The diagnostic framework integrates institutional theory with behavioural strategy.

### Policy Implications

Create credible platforms for public-private dialogue to co-create institutional solutions. Design financial products to underwrite the high transaction costs of operating in high-void environments.

*A longitudinal, mixed-methods study of 42 SMEs in Chad.*

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