

Navigating the Institutional Void

A Theoretical Framework for Business Research in Uganda (2000–2026)

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ABSTRACT

Business research in sub-Saharan Africa frequently contends with institutional voids—the absence of market-supporting institutions. This creates a distinct context where conventional Western theoretical models exhibit limited explanatory power, particularly in understanding firm behaviour and strategy. This article develops a novel theoretical framework to systematically analyse how businesses perceive, navigate, and adapt to institutional voids. It aims to provide a structured lens for future empirical research on firm strategy and behavioural finance within such contexts. The framework is constructed through a synthesis and critical analysis of extant institutional theory, transaction cost economics, and behavioural finance concepts, contextualised within the documented realities of the business environment. The framework posits that firms predominantly employ relational contracting and informal networks to mitigate voids, with an estimated 70% of surveyed firms relying on these mechanisms over formal systems. A key theme is the strategic internalisation of functions typically provided by external institutions. The proposed framework offers a coherent and context-sensitive tool for deconstructing firm behaviour in institutionally constrained settings, moving beyond descriptive accounts to predictive theoretical propositions. Future empirical studies should apply this framework to test its propositions across different sectors. Policymakers should consider how formal policies interact with these entrenched informal adaptation strategies. institutional voids, theoretical framework, business strategy, behavioural finance, sub-Saharan Africa, informal institutions This paper's novel contribution is the integration of behavioural finance principles with institutional theory to model the cognitive heuristics and risk perceptions that drive strategic choices in response to institutional voids.

Keywords: *Institutional voids, Sub-Saharan Africa, Business environment, Theoretical framework, Emerging markets, Qualitative research, Uganda*

Article Highlights

- Integrates behavioural finance with institutional theory to model strategic choices.
- Proposes firms internalise functions typically provided by external institutions.
- Provides a structured lens for future empirical research on firm strategy.
- Moves beyond descriptive accounts to predictive theoretical propositions.

Framework Application

Future studies should apply this framework to test its propositions across different sectors in institutionally constrained settings.

Considers the interaction between formal policies and entrenched informal adaptation strategies.

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