

ENTREPRENEURIAL COGNITION, INSTITUTIONAL VOIDS, AND VENTURE EVOLUTION IN NIGERIA'S OPPORTUNITY-CONSTRAINED ECONOMY

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Article History	Abstract
Original Research Article	<p><i>This study examines the interplay between entrepreneurial cognition, institutional voids, and venture evolution in Nigeria's opportunity-constrained economy. Nigeria, characterized by high unemployment, limited formal support structures, and structural inefficiencies, presents a unique context for understanding how ventures emerge, adapt, and survive despite systemic constraints. The study conceptualizes entrepreneurial cognition as the mental frameworks, heuristics, and adaptive reasoning processes that guide opportunity recognition and strategic decision-making. Institutional voids manifested in limited access to finance, regulatory inconsistencies, and weak infrastructure create both challenges and opportunities for entrepreneurs, shaping the strategies and trajectories of ventures. Through a comprehensive review of literature and conceptual analysis, the study highlights how cognitive processes mediate the effects of institutional voids on venture evolution. Entrepreneurs navigate constraints through effectual reasoning, resource bricolage, informal networking, and iterative learning, enabling ventures to survive and adapt in highly uncertain environments. The analysis identifies key patterns of venture initiation, growth strategies, and survival mechanisms, emphasizing the centrality of cognitive agility and contextual awareness. The findings contribute to theory by integrating entrepreneurial cognition and institutional perspectives, demonstrating that venture evolution is a product of both internal cognitive capacities and external structural conditions. Practically, the study offers insights for entrepreneurs, policymakers, and support organizations, highlighting strategies to enhance resilience, adaptability, and sustainable growth. The study concludes that effective entrepreneurship in opportunity-constrained contexts requires a combination of cognitive skill development, adaptive strategic practices, and targeted interventions to mitigate institutional gaps, offering a framework for understanding and promoting venture success in Nigeria and similar emerging economies.</i></p> <p>Keywords: <i>Entrepreneurial Cognition, Institutional Voids, Venture Evolution, Opportunity, Constrained, Economy.</i></p>
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Introduction

Nigeria's entrepreneurial ecosystem is paradoxical, with great people potential but structural, institutional, and market constraints. Economic volatility, regulatory inconsistencies, and inadequacies in formal support systems have long shaped entrepreneurs' decision-making environment in Nigeria. The study of entrepreneurial cognition the conceptual frameworks, heuristics, and decision-making processes that underlie entrepreneurial

action is crucial to understanding how ventures emerge, adapt, and evolve despite systemic difficulties. Cognition and institutional holes form a complex landscape where socio-economic environment constrains and enables opportunity recognition, resource mobilisation, and strategic adaptation.

Nigerian entrepreneurship is typically moulded by "institutional voids," or the lack or inefficiency of formal

market systems like finance, regulatory enforcement, market intermediaries, and trustworthy infrastructure. These gaps create unique opportunities for entrepreneurs to develop improvisational methods and cognitive schemas that differ from fully institutionalised economies. To survive, entrepreneurs must negotiate ambiguity, use informal networks, and learn by trial and error (Shi, 2025). Ventures in Nigeria evolve less linearly and more depending on founders' cognitive abilities and their ability to exploit or avoid institutional gaps.

Nigeria has significant unemployment, few formal job prospects, and a burgeoning youth population that is resorting to entrepreneurship for survival (Akanle et al., 2025). Opportunities are not evenly distributed. Cognitive agility and adaptive capacity are crucial for many endeavours in limited opportunity environments. Entrepreneurs must balance aspiration and feasibility given limited resources and considerable uncertainty. This makes cognitive processes like opportunity perception, problem framing, and decision heuristics crucial to venture survival and growth. This dynamic emphasises the need to understand both structural causes and psychological and cognitive mechanisms that motivate entrepreneurship in scarcity and uncertainty.

This study is based on the idea that entrepreneurial cognition and institutional restrictions shape Nigerian businesses. Much of the study on entrepreneurship in developing nations has focused on macroeconomic issues, policy initiatives, or structural impediments. Few studies have examined how entrepreneurs perceive, evaluate, and act on institutional void possibilities. This study emphasises cognition to illuminate strategic adaptation and venture evolution in a system with few formal support mechanisms.

This study has three goals. First, it examines how Nigerian founders see opportunities, make decisions, and prioritise actions under uncertainty. Second, it examines how entrepreneurs navigate institutional deficiencies in formal infrastructure, finance, and market facilitation to survive, develop, and adapt. Third, the study tries to understand venture evolution under opportunity limits and uncover techniques, practices, and cognitive frameworks that help enterprises adapt and persist.

How does entrepreneurial cognition affect Nigerian venture decision-making? How do institutional gaps affect venture growth and adaptation? What processes help initiatives evolve in limited opportunity spaces? These issues cover cognitive processes, institutional contexts, and venture trajectories to provide a holistic view of entrepreneurship in emerging economies.

This work has theoretical and practical value. It adds to the literature linking entrepreneurial cognition and institutional

theory by showing how internal cognitive mechanisms regulate external structural limitations. The study advises policymakers, venture support organisations, and entrepreneurs on how to design interventions, policies, and support structures that address both cognitive and institutional aspects of entrepreneurship. The paper analyses Nigeria but also applies its findings to other rising economies with opportunity limits and institutional gaps.

This study examines entrepreneurial action in Nigeria's opportunity-constrained economy and how cognition and institutional holes shape venture evolution. Nigerian entrepreneurs face scarcity, unpredictability, and institutional inadequacies, demanding cognitive agility, adaptable methods, and resourcefulness. These dynamics are examined to gain a deeper knowledge of how enterprises start, survive, and evolve in adverse economic situations, adding to entrepreneurship studies theory and practice.

Literature Review

Entrepreneurship in developing nations has increasingly received scholarly attention due to its essential role in economic growth, job creation, and innovation under situations of scarcity and institutional insufficiency. Nigeria, as a classic opportunity-constrained nation, provides a compelling framework for exploring the relationship between entrepreneurial cognition, institutional gaps, and venture evolution. The research relevant to this topic spans three basic domains: entrepreneurial cognition, institutional voids, and venture evolution. In addition, the junction of these areas provides the conceptual underpinning for understanding how enterprises develop and adapt in limited situations.

Entrepreneurial cognition refers to the thought processes, mental models, and decision-making heuristics that entrepreneurs apply when recognizing, analysing, and exploiting possibilities (Leong, 2024). Entrepreneurial cognition is a set of knowledge frameworks that enable opportunity perception and action under uncertainty (Magnani & Zucchella, 2023). This collection of work emphasizes that entrepreneurial success is not just a consequence of resource endowment or environmental conditions but is also impacted by the cognitive capacities of founders to evaluate complex, ambiguous, or incomplete information.

Cognitive processes in entrepreneurship include pattern recognition, causal reasoning, and effective thinking (Sandhu et al., 2025). Pattern recognition allows entrepreneurs to detect possible opportunities from seemingly unconnected material. Causal reasoning promotes methodical planning and prediction of events based on known variables. Effectuation, on the other hand,

emphasizes adaptive decision-making under uncertainty, where entrepreneurs exploit existing resources, networks, and contingencies to generate new opportunities rather than depending on predictive tactics (Ryman & Roach, 2024). These cognitive orientations are particularly essential in circumstances like Nigeria, where institutional support mechanisms are inadequate and market information is often incomplete.

Cognitive biases also play a key influence in affecting entrepreneurial behavior (Nobre et al., 2022). Biases such as overconfidence, optimism, and availability heuristics influence risk assessment, investment decisions, and strategy priority. While biases can occasionally contribute to errors in judgment, they also drive entrepreneurial action, encouraging risk-taking and experimentation that may be crucial for venture survival in resource-constrained situations. Cognitive biases and strategic decision-making might affect venture trajectories in Nigeria, where market and institutional conditions are unclear.

Institutional gaps force entrepreneurs to create new company models. For resource mobilisation, knowledge transmission, and market access, informal networks, social capital, and community-based structures typically replace formal institutions (Nobre et al., 2022). These adaptive tactics show how cognition helps entrepreneurs discover, use, and occasionally circumvent institutional limitations. Creative entrepreneurs who cross institutional holes are more resilient and adaptable, which are crucial for venture evolution in limited economies.

In places where formal institutions fail, norms, trust networks, and cultural practices compensate (Mohammad et al., 2024). Venture survival in Nigeria depends on informal systems such cooperative finance organisations, mentorship networks, and family-based resource mobilisation. The literature implies that comprehending institutional voids involves structural study and an examination of how entrepreneurs cognitively engage with and adjust to them. (Khan et al., 2024). The literature emphasises that internal capabilities and external factors affect venture evolution. Improvisation, iterative learning, and resource bricolage determine venture trajectories in opportunity-constrained economies. Due to changing conditions and institutional gaps, ventures may pivot, change business strategies, or change target markets. In restricted situations, effectuation, bootstrapping, and social capital are adaptive methods. Effectuation emphasises using current means and flexibility rather than predicted planning (Ryman & Roach, 2024). Bootstrapping means creatively leveraging limited resources to expand without financial intermediaries (Malmström & Hällérstrand, 2025). Social capital community relationships and trust enables resource exchange, market access, and

legitimacy without official assistance. Nigerian empirical studies show that entrepreneurial cognitive abilities and structural restrictions strongly influence venture evolution. High cognitive flexibility, problem-solving skills, and the ability to see unconventional prospects help entrepreneurs bridge institutional gaps and grow (Shahat et al., 2025). However, ventures that fail to adjust cognitively or strategically often stall or quit the market early, highlighting the relationship between cognition, institutional setting, and venture destiny.

Linking Entrepreneurial Cognition, Institutional Voids, and Venture Evolution

The intersection of entrepreneurial cognition, institutional voids, and venture evolution provides a comprehensive lens to understand entrepreneurship in Nigeria (Moses, 2025). Cognitive processes enable entrepreneurs to identify and exploit opportunities despite structural deficiencies. Institutional voids, while limiting, also catalyze adaptive behavior, requiring entrepreneurs to engage in improvisation and leverage informal mechanisms. Venture evolution, therefore, is not merely a function of external resources or market conditions but emerges from the interaction between internal cognitive frameworks and external institutional contexts.

Several studies suggest that entrepreneurs operating in void-ridden environments develop distinct cognitive schemas, characterized by heightened alertness to opportunities, tolerance for ambiguity, and propensity for effectual action. These cognitive attributes allow entrepreneurs to interpret institutional gaps not as insurmountable barriers but as spaces for innovation and strategic maneuvering. Consequently, venture evolution in Nigeria is marked by flexibility, experimentation, and resourcefulness, reflecting the combined influence of cognition and context.

Conceptual Framework

The conceptual framework for this study integrates the three theoretical perspectives, positioning entrepreneurial cognition as the mediator between institutional voids and venture evolution. Institutional Voids create structural challenges that limit formal support mechanisms for ventures (Saha et al., 2023). Entrepreneurial Cognition shapes how entrepreneurs perceive and respond to these voids, guiding opportunity recognition, resource mobilization, and strategic decision-making. Venture Evolution emerges as the outcome of cognitive adaptation to institutional constraints, encompassing venture survival, growth, pivoting, and long-term sustainability.

In this framework, cognition is the critical lens through which institutional gaps are interpreted and transformed

into actionable strategies. Ventures evolve not merely as a function of external conditions but through the dynamic interaction between internal cognitive capabilities and the external institutional environment (Butkeviciene & Sekliuckiene, 2022). This framework aligns with the literature suggesting that in opportunity-constrained economies, successful entrepreneurship relies on both mental agility and adaptive engagement with structural realities.

Venture Evolution in Opportunity-Constrained Contexts

Nigerian venture evolution is complicated by opportunity limits, institutional gaps, and economic volatility (Kolawole, 2025). Nigerian entrepreneurs face structural hurdles to formal finance, legal protection, infrastructure, and trained labour, unlike in fully institutionalised markets. Ventures must evolve through adaptive methods, improvisation, and cognitive agility, not linear growth paradigms. This section examines venture initiation, growth tactics, adaptation mechanisms, and survival strategies in opportunity-constrained situations, focusing on Nigeria.

High unemployment and limited formal employment possibilities in Nigeria drive people to start their own businesses. Opportunity-driven companies that fill consumer wants, market inefficiencies, or technological gaps often accompany necessity-driven entrepreneurship (Némethová, 2022). Three main elements affect venture initiation in such a context: Resource Availability: Small, informal ventures generally rely on personal savings or family support due to capital shortages. Entrepreneurs use informal networks, cooperative funding, and community backing to start businesses. Cognitive Framing: Entrepreneurs see opportunity restrictions as opportunities for innovation. Cognitive frameworks like effectuation help founders start businesses with existing resources, find unusual solutions, and adapt to new opportunities (Atrup et al., 2023). Opportunity-constrained economies have institutional gaps like weak supply chain integration or no market intermediaries. Entrepreneurs use cognitive talents to inventively match supply and demand in areas where systemic inefficiencies leave demand unfulfilled.

These initiation patterns show that Nigerian venture creation depends on the entrepreneur's cognitive talents and structural constraints. Ingenuity helps founders overcome systemic constraints to create localised, adaptive ventures that fill opportunity gaps.

Growth Strategies and Adaptation

Once founded, opportunity-constrained initiatives evolve through adaptability, resilience, and improvisation. Growth is usually iterative, adapting to market and institutional conditions (Goh et al., 2025). Entrepreneurs in Nigeria

often pivot and iterate their business models to match market conditions, client input, and resource availability. Pivoting helps ventures survive initial product-demand mismatches. Effectuation lets founders creatively use existing resources, develop partnerships, use informal networks, and try several growth paths. Contrary to predictive planning approaches, this method works well in uncertain circumstances. Entrepreneurs integrate resources, technologies, and social networks to meet operational needs. To address scarcity, small firms may reuse equipment, share infrastructure, or recruit community labour. Prudent adaptation to risk and institutional constraints leads to incremental growth. Entrepreneurs evaluate market responses, create trust, and scale operations while minimising financial and regulatory risks.

These adaptive mechanisms demonstrate the importance of cognition in venture evolution (El-Awad, 2023). Entrepreneurs must constantly assess environmental signals, predict problems, and make judgements under ambiguity. Ventures that survive these procedures are more resilient in opportunity-constrained economies.

Strategic adaptation and social, cultural, and informal institutional mechanisms are needed to survive in Nigeria's business ecosystem. Without strong formal frameworks, entrepreneurs use a variety of methods to maintain operations. Entrepreneurs depend on personal and professional networks for information, resources, and market opportunities. Trusted connections enable resource sharing, collaboration, and legitimacy, reducing institutional gaps. Entrepreneurs use savings organisations, microfinance cooperatives, and rotating credit schemes due to limited official credit access. These techniques provide vital liquidity and enable ventures to operate during financial constraints. Local ventures get reputational capital, cultural legitimacy, and social backing. Community engagement gives customers and informal monitoring, boosting venture sustainability (Mathebula). Entrepreneurs use flexible compliance tactics to navigate regulatory discrepancies. Strategic negotiation, selective adherence, or local expertise can align operations with low regulatory risk. Trial and error, observation, and feedback help ventures improve products, services, and operations. Even small-scale innovation is essential for long-term survival in opportunity-constrained situations.

This study uses a conceptual and literature-based approach, yet many Nigerian cases show how initiatives emerge under opportunity restrictions. SMEs in the technology, agribusiness, and informal retail sectors use cognitive agility and social capital to overcome structural constraints. Fintech firms use mobile technologies to bypass established banking infrastructure, while agribusinesses use local networks for supply chain coordination in areas with weak

transit and logistics. These stories show how cognition, adaptation, and ingenuity drive venture evolution despite systemic hurdles.

Theoretical Framework

The study of entrepreneurship in Nigeria's opportunity-constrained economy necessitates a theoretical lens that accounts for both the internal cognitive processes of entrepreneurs and the external institutional environment in which they operate. This section outlines the theoretical foundations underpinning the study, drawing primarily on Entrepreneurial Cognition Theory, Institutional Theory, and the Opportunity-Constrained Model. Together, these frameworks provide a multidimensional understanding of how entrepreneurs perceive opportunities, respond to institutional voids, and drive venture evolution.

Entrepreneurial Cognition Theory by Ronald Mitchell, Lowell Busenitz, and colleagues around (2002)

Entrepreneurial cognition theory emphasizes the mental frameworks and decision-making processes that entrepreneurs employ when engaging with opportunities. This theory asserts that entrepreneurship is as much a cognitive phenomenon as it is an economic or structural activity. Entrepreneurs interpret information, recognize patterns, evaluate risk, and formulate strategies through cognitive processes shaped by experience, education, socialization, and contextual exposure.

Research in this domain identifies several key cognitive mechanisms: Entrepreneurs detect meaningful relationships within seemingly random information, enabling the identification of viable opportunities. In the Nigerian context, where market information is often incomplete or ambiguous, pattern recognition allows founders to connect fragmented data points into actionable insights. Effectuation involves a flexible, means-driven approach to entrepreneurship, contrasting with predictive, goal-oriented logic. Entrepreneurs in constrained environments leverage available resources, networks, and contingencies to co-create opportunities rather than relying on formal plans or projections. While biases such as overconfidence, optimism, or anchoring may influence decision-making, they also serve functional roles by encouraging risk-taking, experimentation, and proactive problem-solving. These cognitive tendencies shape venture evolution, particularly in contexts where formal institutional guidance is limited.

Entrepreneurial cognition theory provides a critical lens for understanding how individuals interpret constraints, assess opportunities, and make strategic decisions. It emphasizes the active role of the entrepreneur as a sense-maker and problem-solver, particularly in environments characterized by uncertainty and institutional inadequacies.

Institutional Theory by John Meyer and Brian Rowan (1977)

Institutional theory offers insight into the influence of formal and informal rules, norms, and structures on entrepreneurial behavior. It posits that institutions comprising laws, regulations, policies, cultural norms, and social networks both enable and constrain economic action. In emerging economies like Nigeria, institutional voids are prevalent, creating a scenario in which formal institutions are incomplete, inconsistent, or inaccessible.

Institutional theory distinguishes between formal institutions, such as regulatory agencies, financial systems, and legal frameworks, and informal institutions, such as social networks, trust-based arrangements, and cultural norms. The presence or absence of these institutions shapes opportunity structures, resource accessibility, and venture legitimacy. Entrepreneurs navigating institutional voids must rely on informal mechanisms, such as community-based financing, mentorship, and relational networks, to compensate for gaps in formal support.

The theory also highlights the concept of institutional entrepreneurship, where individuals actively shape, modify, or bypass institutional frameworks to facilitate their ventures. In Nigeria, entrepreneurial actors often engage in adaptive practices that reflect both compliance with and circumvention of formal institutions, demonstrating the dynamic interplay between agency and structure.

Implications

Entrepreneurial cognition, institutional voids, and venture evolution in Nigeria's opportunity-constrained economy have many theory, practice, and policy consequences. Scholars, practitioners, and politicians attempting to boost entrepreneurial activity and venture sustainability in emerging nations must understand these consequences.

This study expands the literature on entrepreneurial cognition and institutional theory. This study shows how cognitive processes mediate institutional voids, unlike previous research that studied cognition or institutional contexts separately. The study expands entrepreneurship models in emerging economies by defining venture evolution as the result of this interplay, emphasizing that opportunity detection and strategic adaptation are cognitive and structural phenomena. Second, the study emphasizes the opportunity-constrained approach in venture dynamics. Institutional holes require flexible and improvisational strategies, which traditional entrepreneurship theories in opportunity-rich situations ignore. This study shows that enterprises in constrained economies evolve by iterative learning, bricolage, and efficacious reasoning rather than linear growth, suggesting

that low-resource venture life cycle models should be rethought.

Third, this approach supports cognition-institution interaction research. The study allows researchers to examine how cognitive traits, heuristics, and biases interact with institutional factors to affect entrepreneurial results by situating venture evolution in cognitive and institutional contexts. This conceptual integration allows a more complete understanding of entrepreneurship in scarcity and uncertainty.

The report offers Nigerian and other entrepreneurs practical advice. Understanding cognitive processes in venture evolution emphasises the necessity for founders to develop cognitive flexibility, effective thinking, and pattern identification. Entrepreneurs that can adjust to institutional gaps, find unanticipated possibilities, and use resources are more likely to succeed.

It also highlights the importance of informal networks and social capital in venture operations. To make up for institutional inadequacies, entrepreneurs should join community networks, peer groups, and mentorship programs. These networks may supply cash, market possibilities, and crucial information, boosting firm resilience in tough times.

The report advises entrepreneurs to prioritise adaptable and iterative tactics. Rigid planning and formal structures alone won't help Nigerian ventures. Founders should use flexible business models, embrace iterative learning, and refine products, services, and operational processes based on market input and structural restrictions.

The findings are crucial for policymakers and institutions promoting entrepreneurship in opportunity-constrained economies. First, filling institutional gaps is crucial. Expanding access to funding, reducing regulatory uncertainty, and strengthening market intermediaries can boost venture sustainability and growth. Policymakers should recognise the complementary significance of social networks, mentorship, and community-based processes and design programs that provide both formal and informal assistance.

Second, entrepreneurship training should teach cognitive skills as well as business. Entrepreneurs can better handle uncertainty and institutional gaps with problem-solving, effectuation, risk assessment, and adaptive reasoning training.

Third, context should inform entrepreneurial incubation and acceleration strategies. In Nigeria, where opportunity limits are common, incubators and accelerators that offer flexible resources, mentorship, and networking can help

companies overcome structural barriers and innovate and experiment.

Fourth, public-private partnership strategies increase resource availability and decrease institutional gaps. Entrepreneurs may struggle to secure financing, infrastructure, and market access without government, private sector, and community collaboration.

Finally, the study emphasises regulatory predictability and institutional transparency. Even little improvements in legal frameworks, enforcement consistency, and bureaucratic efficiency can minimise uncertainty, transaction costs, and entrepreneurial experimentation. Thus, institutional clarity policies can boost entrepreneurial cognition's benefits to venture evolution.

The study concludes that cognitive, institutional structures, and adaptive techniques influence entrepreneurial outcomes. The findings guide scholars, entrepreneurs, and policymakers seeking to understand and improve opportunity-constrained entrepreneurship. These actors can improve venture sustainability, innovation, and long-term economic development by addressing cognitive, practical, and structural elements.

Conclusion

Entrepreneurship in Nigeria's opportunity-constrained economy is shaped by a dynamic interplay between cognitive processes and institutional structures. This study has highlighted that entrepreneurial cognition encompassing mental models, heuristics, and adaptive reasoning plays a central role in enabling venture initiation, strategic adaptation, and long-term survival. In environments marked by institutional voids, entrepreneurs interpret constraints not merely as barriers but as spaces for creative problem-solving and innovation. The capacity to recognize opportunities, make effectual decisions, and engage in iterative learning is thus critical to venture evolution.

The analysis underscores that institutional voids in Nigeria manifested through limited access to finance, regulatory inconsistencies, and infrastructural deficiencies both challenge and shape entrepreneurial activity. While these voids constrain conventional pathways to growth, they simultaneously incentivize adaptive strategies such as resource bricolage, informal networking, and incremental scaling. Ventures that successfully navigate these voids demonstrate the capacity to combine cognitive agility with contextual awareness, translating limitations into actionable strategies that sustain operations and facilitate evolution over time.

Ultimately, the study affirms that venture evolution in Nigeria cannot be fully understood without integrating

cognitive and institutional perspectives. Entrepreneurship in opportunity-constrained contexts is not simply a reaction to external constraints but a process of active sense-making, adaptive learning, and strategic engagement. By illuminating the interdependence between cognition, institutional voids, and venture evolution, this research provides a framework for both understanding and enhancing entrepreneurial outcomes in Nigeria and other emerging economies facing similar challenges.

Recommendations

1. Programs aimed at developing entrepreneurs should focus on enhancing cognitive skills such as problem-solving, effectual reasoning, opportunity recognition, and adaptive decision-making
2. Policymakers and business support organizations should recognize and leverage the role of informal networks in resource mobilization and market access. Initiatives that facilitate networking, peer mentoring, and community-based cooperative financing can provide critical support to ventures in the absence of formal institutional mechanisms.
3. Entrepreneurial training should emphasize flexible business models, iterative learning, and adaptive strategies. Training programs must equip entrepreneurs with tools for pivoting, improvisation, and incremental scaling to respond effectively to market and institutional uncertainties.
4. Government and regulatory bodies should prioritize reducing institutional voids by improving access to finance, clarifying regulations, strengthening legal enforcement, and improving infrastructure. Even partial improvements in institutional predictability can reduce uncertainty, lower transaction costs, and facilitate entrepreneurial activity.
5. Ventures can benefit from coordinated support from multiple actors, including government agencies, private firms, incubators, and civil society organizations.

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