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Navigating institutional voids in global value chains: the role of evolving informal institutions and institutional technologies

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NAVIGATING INSTITUTIONAL VOIDS IN GLOBAL VALUE CHAINS: THE ROLE OF EVOLVING INFORMAL INSTITUTIONS AND INSTITUTIONAL TECHNOLOGIES

Purpose

The purpose of this study is to advance understanding of how informal institutions, including digital platform-type institutional technologies, influence institutional voids and exporting mode decisions of transition economy firms. The study also examines how informal institutions evolve and interact as they influence institutional voids and exporting mode choices, and how such decisions might be explained from a knowledge-based perspective of firm internationalisation.

Design/Methodology

This study adopts an exploratory case study approach. Our empirical evidence is obtained from internationally oriented firms and expert informants in Kyrgyzstan during two separate fieldwork periods. This longitudinal design facilitated our understanding of how institutions evolve.

Findings

We find that older informal institutions and their newer counterparts, including digital platform-type institutional technologies, influence institutional voids, but the latter appear to be increasingly influential over time. The study firms seem to be evolving away from relying on older informal practices in favour of newer arrangements and mechanisms. As the latter become more dominant, they, particularly collaborations with NGOs and digital platforms, appear to steer firms toward more direct exporting options, including virtual presence and associated value chain activities.

Originality/Value

Our paper makes original contributions to the institutional theory and internationalisation theory, specifically the knowledge-based view of firm internationalisation. It advances understanding of the influence of *compensatory mechanisms* on exporting mode choice, by showing how increasing reliance on newer informal structures, including digital platform-type institutional technologies, leads to greater adoption of more direct exporting modes. The study's longitudinal design also shows how informal institutions evolve to influence both institutional voids and exporting mode decisions. Furthermore, it offers important insights regarding how newer informal institutions interact to steer SMEs toward more direct engagement in international markets and value chains, with attendant international marketing knowledge benefits. Additionally, the paper extends scholarly debates to the under-explored transitional context of Central Asia.

Keywords: institutional voids; informal institutions; institutional technologies; exporting modes; international marketing knowledge; transition economy; Kyrgyzstan.

1. Introduction

Navigating the shift from a command economy to a market-based economy has been a key focus for businesses in transition economies (Manolova *et al.*, 2008). This has, *inter alia*, entailed addressing challenges to entrepreneurship (Welter and Smallbone, 2011), notably institutional voids (Puffer *et al.*, 2010), whilst also seizing *opportunity spaces* (Mair and Marti, 2009), including in international markets and value chains. Although previous research has examined the effect of formal institutional voids, or ineffective or absent state structures (Khanna and Palepu, 1997; Yep, 2015), on transition economy firms (e.g. Ivy and Perenyi, 2020; Manolova *et al.*, 2008; Peng and Luo, 2000; Welter and Smallbone, 2011), and the effectiveness of path-dependent informal institutional practices vis-à-vis their newer, path break counterparts (Williams and Vorley, 2015), scant attention has been paid to recently emerging informal mechanisms. This is particularly the case with platform-based institutional technologies (Allen *et al.*, 2020; Cennamo, 2021), specifically digital platforms (Heeks, 2021). Greater insight into these newer, knowledge-laden informal mechanisms, including how they interact with other “compensatory mechanisms” (Michailova and Worm, 2003, p.516) as transition economies evolve, would help advance knowledge in this research area.

The above reference to seizing international market opportunities draws attention to the paucity of research regarding informal institutions, or combinations thereof, that internationally oriented transition economy firms rely on to redress voids or inform exporting mode decisions (Elango and Pangarkar, 2021; Zhang *et al.*, 2020) as their institutional contexts evolve. This is particularly remiss given the widespread view that international firms tend to be more learning- and growth-oriented than their domestic counterparts (Smallbone *et al.* 2022), an observation reinforced by the enhanced learning opportunities and access to global markets and value chains offered by digital platforms (Da Rocha *et al.*, 2024). Reflecting this priority focus on learning, it would be additionally helpful to understand how the informal institutional and exporting mode options examined in this study compare in terms of providing international marketing knowledge.

Our study, the first, to our knowledge, to examine the influence of informal institutional arrangements and mechanisms on both formal institutional voids and exporting mode decisions, draws on institutional theory and internationalisation theory to address the above-noted research gaps. Intent on advancing understanding of the informal institutions, including digital platform-type institutional technologies, that international firms rely upon to influence

institutional voids and exporting mode choices, we examine the following research questions: How do informal institutional arrangements and mechanisms interact and evolve to influence formal institutional voids? How do shifts in informal institutional arrangements and mechanisms influence exporting mode decisions among firms? How might these exporting mode decisions be explained from a knowledge-based perspective of firm internationalisation?

We tackle these questions through a qualitative case study of exporting firms from Kyrgyzstan's textiles and garment sector, an industry well embedded within the global garment value chains. Empirical evidence, collected via a longitudinal study spanning two separate fieldwork periods, reveals that both older informal institutions and their newer counterparts, including digital platform-type institutional technologies, influence institutional voids, but the latter appear to be increasingly influential over time. The study firms seem to be evolving away from relying on older informal practices in favour of newer arrangements and mechanisms. As the latter become more dominant, they, particularly collaborations with NGOs and digital platforms, appear to steer firms toward more direct exporting mode options, including virtual presence and associated value chain activities. The strong knowledge attributes shared by these increasingly dominant informal institutions and direct exporting modes suggest that the study firms gravitate toward options offering better learning opportunities and international marketing knowledge benefits. Evidence further shows interactions among the newer informal institutional structures. Notably, collaborations with NGOs appear to play a pivotal role in energising the other informal institutional levers, but their influence seems set to level off as transition economies reach maturity, allowing digital platform-type institutional technologies to assume primacy toward influencing institutional voids, exporting mode decisions, and associated knowledge development.

Our article makes two main theoretical contributions. First, we contribute to the institutional theory by showing that the influence of older and newer informal institutions in redressing voids moves in opposite directions as transition economies evolve. While the former appears to be declining in influence, the newer counterparts, including digital platform-type institutional technologies, are becoming increasingly influential. This observed diminution, not extirpation, of the role of older informal practices and corresponding upsurge in the influence of their newer counterparts, including path break type practices (Williams and Vorley, 2015) such as institutional technologies, speak to the evolving nature of transition contexts. The pattern also reflects the superior knowledge attributes of newer informal institutional options, which are widely considered treasure troves of knowledge. Our study, thus, further enriches

the evidence base on institutional theory by showing how informal institutional structures interact and change in influence as transition economies evolve.

Second, our study contributes to the internationalisation theory, specifically the knowledge-based view of firm internationalisation, by uncovering a positive association between increasing reliance on newer informal institutional structures, including digital platform-type institutional technologies, and the adoption of more direct exporting mode options (Bai *et al.*, 2017), including virtual presence. Such informal institutional options, notably NGOs, entrepreneur or industry associations, and digital platforms, are widely viewed as treasure troves of knowledge (Dang and McKelvey, 2016; Kandachar and Halme, 2017; Steinsson, 2025), as they offer myriads of training programmes and learning opportunities, particularly to transition economy firms. By dominantly leveraging such knowledge-laden informal platforms for voids-redressing purposes, our case subjects reinforce the earlier-noted priority focus of transition economy firms on learning. This learning-as-the-new-gold perspective similarly explains their increasing adoption of more direct, international market knowledge-boosting, exporting modes, including virtual presence, thus further enriching the evidence base on knowledge-based view of firm internationalisation (Kogut and Zander, 1993; Pellegrino and McNaughton, 2017; Grant and Phene, 2022).

Our paper also makes a number of empirical contributions. Notably, the positive association uncovered between informal structures and more direct exporting modes, including virtual presence, represents a significant original contribution, as our study is the first, to our knowledge, to examine these relationships in single research. Next, our exploration of the dual role of digital platforms, an important institutional technology, as a voids-mitigating informal mechanism and a virtual, direct exporting mode addresses recent calls for more research into the relevance of institutional technologies in voids-mitigation (Heeks *et al.*, 2021) and international marketing (Zeamari and Laurier, 2025). In addition to extending understanding of the universe of informal institutional arrangements and mechanisms, the present study's longitudinal design offers important insights regarding evolving and interacting informal institutions, thus complementing previous studies' dominant focus on formal-informal institutions' relationship (e.g. Tracey and Phillips, 2011; Puffer *et al.*, 2010; Williams and Vorley, 2015).

Furthermore, our study responds to wider calls for a contextualized approach (Teagarden *et al.*, 2018; Welter, 2011), by extending scholarly research on the preceding themes

to the little explored Central Asian region. Indeed, Kyrgyzstan's strategic geo-location, specifically proximity to key regional and international markets such as China, Russia, Kazakhstan and Uzbekistan, has led to the development of a highly competitive garment sector with significant embeddedness within global garment value chains. This empirical setting thus offers an interesting platform for understanding internationally oriented firms' navigation of their voids-ridden and evolving institutional context (Dekel-Dachs *et al.*, 2021; Makhmadshoev *et al.*, 2015).

The rest of the article is structured as follows. Following a review of pertinent literature and theoretical perspectives, the study's empirical context and methodology are presented and justified. Next, research results are reported and analysed, followed by their discussion. We conclude by summarizing main findings and contributions as well as limitations and future research avenues.

2. Literature review

2.1 Institutional contexts and institutional voids

In recent years, institutional theory has been increasingly deployed in transition economy studies (Peng and Heath, 1996; Smallbone and Welter, 2012) to better understand how institutional contexts influence entrepreneurial outcomes (e.g. Aidis *et al.*, 2008; Ivy and Perenyi, 2020; Tonoyan *et al.*, 2010; Williams and Vorley, 2015). Defined as the "rules of the game" that enable, constrain and guide behaviour (North, 1990, p.3), institutions function to reduce uncertainty and provide structure to everyday exchange, generate opportunities, including incentives and disincentives (North, 2005), as well as shape behaviour through influencing actors' motivation, attitudes, habits, and access to resources (Welter and Smallbone, 2011). They are intricately linked to institutional technologies, or mechanisms and tools enabling institutions to function effectively toward fostering innovation and economic growth (Acemoglu, 2025).

Institutions are categorised as formal and informal. While formal institutions, typically recognizable, explicit and adjustable, consist of laws, regulations and other formal rules, informal institutions, engrained in not-easily altered habits and traditions, encompass norms, conventions, unwritten rules and informal practices or arrangements that act as alternatives to formal institutions (Doh *et al.*, 2017; North, 1990). Both provide structures to everyday

interactions, but the latter, relatively less researched, tends to be pervasive and more dominant in facilitating and governing transactions during early transition stages (McMillan and Woodruff, 2002; Peng and Heath, 1996), often marked by weak, ineffective, or poorly enforced formal institutions with adverse impacts on the functioning of markets (Peng and Zhuo, 2005; Mair et al., 2012; Vorley and Williams, 2016; Godinez et al., 2024). The term “institutional voids” is widely employed to depict such institutional context (e.g. Puffer et al., 2010; Webb et al., 2020; Dekel-Dachs et al., 2021). Developed by Khanna and Palepu (1997, 2006), institutional voids refer to “the lack of institutional facilities, norms, and regulations needed for a well-functioning economy” (Chakrabarty, 2009, p.33), “the absence of strong rule of law”, and “conditions of limited government support” for entrepreneurship development (Stephan et al., 2015, p.311). The term does not connote institutional vacuum, gaps, holes, or spaces devoid of institutions, however (Khoury and Prasad, 2016; Smallbone and Welter, 2012).

2.2 *Informal institutions and institutional voids*

Although previous research suggests institutional voids to be typically redressed by informal institutional arrangements and mechanisms (Peng and Heath, 1996; Peng and Zhou, 2005; Estrin and Prevezer, 2010; Amoako and Lyon, 2014; Ivy and Perenyi, 2020), including networks and connections (Karhunen *et al.*, 2018), not enough is known about the universe of these informal institutions and how they interact and evolve to redress institutional voids. This particularly applies to newer path-break type informal mechanisms (Williams and Vorley, 2015). Regarding evolution, the limited available evidence points to diverse patterns, including persistence of older informal institutional practices in Turkmenistan and prevalence of newer options in Estonia (Makhmadshoev *et al.*, 2015), depending on the focal economy’s relative openness to innovating around institutional voids or opportunity spaces (Mair and Marti, 2009; Smallbone and Welter, 2012) or capacity for institutional bricolage (Clever, 2001).

Among the better-known informal institutions are the older, path-dependent informal practices such as *blat* and *krysha*, or informal connections and informal protection respectively (Ledeneva, 1998). *Blat* (also known as *svyazi* in Russian, meaning connections), practised in many former Soviet republics, refers to a nepotistic, closed-channel corrupt system (Karhunen *et al.*, 2018) of exchanging favours for loyalty among kins, relatives, friends, acquaintances, or socially connected individuals (Michailova and Worm, 2003; Puffer *et al.*, 2010; Rehn and Taalas, 2004). *Krysha* (a Russian word for roof), or informal enforcement partnership (Volkov, 1998), entails having an informal patron that offers protection in exchange for informal

payments, production-related partnerships, or another form of transaction-based compensation. Although both are rogue informal practices (Kahrunen *et al.*, 2018) that distort competition and access to public resources (Rehn and Taalas, 2004), they offer entrepreneurs alternative informal mechanisms for protecting their business and property interests against predators or nefarious forces, thereby redressing institutional voids. In other words, they substitute for the absent state, reflecting Puffer *et al.* (2010, p.443) apt phrase that: “if you cannot get the state to protect your ownership claims to your house, you make sure that your “friends” can”.

Newer informal institutional arrangements, notably collaborations with NGOs and organised private sector groups, are widely considered more effective than their legacy counterparts for redressing formal institutional voids (Doh *et al.*, 2017; Mair and Marti, 2009; Webb *et al.*, 2010), fostering entrepreneurial outcomes, signposting ethical governance, and offering learning opportunities (Dau *et al.*, 2018; Dang and McKelvey, 2016). Indeed, NGOs, with their development aid programmes, resource base, leverage with government, and links to other key stakeholders, are often lauded for their contributions to mitigating the effects of weak formal institutions in transition economies (Kandachar and Halme, 2017). Organised private sector groups such as industry or entrepreneur associations are also known for strengthening the bargaining power and legitimacy of actors through their collective action, thus enabling them to more effectively redress institutional voids and advance members’ entrepreneurial goals (Anderson and Lee, 2008) in domestic or international markets.

2.3 *Institutional technologies and institutional voids*

Although not an institutional arrangement *per se*, digital platforms, a major form of institutional technologies, are increasingly acknowledged as substitutes, complements, or informal mechanisms for weak institutional infrastructure, which redress voids to make markets more efficient and effective (Elias and Gomes, 2025; Heeks *et al.*, 2021). Viewed as compensatory institutional mechanisms, they contribute to reshaping governance, innovation and social interactions in digital economies (Si *et al.* (2023), with their typically decentralized governance structures serving to facilitate global coordination through distributing control and enhancing transparency and trust (Chen *et al.*, 2021).

Institutional technologies encompass processes, mechanisms, firms, markets, and governments that facilitate economic exchange (Allen *et al.*, 2020) through reducing transaction and coordination costs (Coase, 1937), and mediating power structures, interactions, and governance arrangements between actors in global value chains (Denegri-Knott *et al.*,

2006; Quark, 2011). In transition and emerging economies such institutional technologies critically assist SMEs to overcome resource constraints and weak infrastructural base (Ibeh and Lloyd-Reason, 2017; Heeks et al., 2021), as well as improve their competitiveness and prospects of integrating successfully into global supply chains (Jamwal *et al.*, 2025; Rawhouser *et al.*, 2022). Blockchain, for example, compensates for weak institutional infrastructures by providing transparency and decentralized governance in economies facing institutional voids (Rawhouser et al. (2022).

Platform-based institutional technologies particularly facilitate interaction, communication, innovation, value creation, and relationships among interconnected actors within global value chains (Chen et al., 2021; Cennamo, 2021; Rawhouser et al., 2022; Si et al., 2023), including by helping to manage complementors, spur innovation, and sustain legitimacy in global markets. They do so in various ways, including by underpinning the voids-redressing work of other informal institutional options, notably NGOs and industry associations.

2.4 Informal institutions and institutional technologies as knowledge sources

Newer informal compensatory mechanisms, including institutional technologies, are thought to offer richer learning opportunities vis-a-vis their older counterparts (Dang and McKelvey, 2016; Heeks et al., 2021). While the latter, notably *blat/svyazi* and *krysha*, are known to facilitate access to informal social, kinship, and business ties (Michailova and Worm 2003), newer informal arrangements and institutional technologies serve as important external sources of relevant knowledge and resources (Dang and McKelvey, 2016; Doh *et al.*, 2017; Steinsson, 2025), particularly for firms in voids-ridden transition economies (Jamwal *et al.*, 2025; Rawhouser *et al.*, 2022) aiming to integrate into global value chains. Indeed, NGOs, backed as they are by international donor organisations such as the UN, USAID, and International Trade Centre, and industry associations, regular conduit of NGOs' support for entrepreneurs, typically offer access to myriads of learning opportunities, training programmes, and resources, including regarding international markets and value chains.

Institutional technologies are similarly knowledge laden. Digital platforms, a repository of data from various digital spaces, offer digital technology-based knowledge that can accelerate learning (Ben Arfi and Hikkerova, 2021; Sen *et al.*, 2016), including about international markets (Da Rocha *et al.*, 2024) and global value chains. Blockchain, another key institutional technology, also facilitates secure and transparent data sharing across value chains,

thus strengthening trust and ethical practices in global production networks (Jamwal et al., 2025).

2.5 Institutional technologies, exporting modes, and knowledge perspectives

As previous research acknowledges, institutional voids not only constrain firm activity, but also offer opportunities (e.g. Doh *et al.*, 2017; Tracey and Phillips, 2011; Welter and Smallbone, 2011), “opportunity spaces” (Mair and Marti, 2009, p.421) or “opportunity fields” (Smallbone and Welter, 2012, p. 219). Seizing such opportunities typically entails institutional bricolage, or instigating changes to existing informal institutions and catalysing new informal structures to foster positive entrepreneurial behaviour (e.g. Aidis *et al.*, 2008; Williams and Vorley, 2015). They also increasingly entail leveraging digital platform-type institutional technologies (Elias and Gomez, 2025; Heeks et al. 2021). For growth-oriented firms aiming to access global value chains, seizing opportunities also entails deciding on mode(s) of serving international markets and prioritising options with higher learning and growth prospects.

Reflecting what is known about the international profile of our focal firms, this review focuses on exporting modes, which extant literature broadly categorises into indirect and direct (Ibeh, 2000). Direct exporting also encompasses virtual presence or virtual internationalisation, a non-traditional mode increasingly prevalent in the digital world, which confers *de facto* access to international markets and value chains (Brouthers *et al.*, 2022; Chen *et al.*, 2022).

What does previous research say about the relationship between informal institutions, including digital platform-type institutional technologies, and exporting mode choice? Although the relationship between digital technologies and internationalisation mode choice has been widely studied (e.g. Ibeh and Lloyd-Reason, 2017), the informal institution-exporting mode relationship, a subset of the domestic environment-firm internationalisation link, has received scant research attention in transition contexts (Elango and Pangarkar, 2021; Zhang *et al.*, 2020). The few reported findings have also shown considerable inconsistency. Notably, while Zhang *et al.* (2020), Elango and Pangarkar (2021) and Khemakhem (2010) found a favourable association between the prevalence of informal institutions and direct exporting mode, Olney (2016) and Martínez-Zarzoso and Johannsen’s (2018) respective analyses of developing, Eastern European, and Central Asian countries reported contrary evidence, associating informal practices, notably corruption, with increased likelihood to choosing indirect export mode.

The foregoing paltry evidence and unclear findings underscore the need for further research. Given earlier observations that transition economy firms prioritise learning and growth objectives, and that alternative informal institutions vary regarding their capacities to offer learning opportunities, this review now turns to a brief discussion of the *knowledge-based view of firm internationalisation*.

Widely used in firm internationalisation research alongside proximate notion of learning (Huber, 1991; Forsgren, 2002; De Clercq et al., 2012), the knowledge-based view (KBV) posits that sustained knowledge exploration, acquisition, development, integration of diverse sources, sharing, and balancing of exploration and utilization is crucial for understanding various aspects of internationalisation behaviour (Grant, 1996; Coviello, 2015), including internationalisation processes (Johanson & Vahlne, 1977; Welch, 2015; Grant and Phene, 2022) and mode decisions (Clarke *et al.*, 2013; Stoian, 2024). Acquiring critical knowledge, including from informal institutions and institutional technologies such as digital platforms, thus influences international market mode and related value chain decisions. This illustrates the intertwined nature of learning, knowledge accumulation, and internationalisation mode choice (Pellegrino and McNaughton, 2017). In addition to aligning with the traditional internationalisation model's view of experience and knowledge as drivers of firms' incremental progression toward higher commitment modes (Johanson and Vahlne, 1977), the knowledge-based view also reinforces evidence from the vast literature on non-incremental internationalising firms, including born globals, global startups, born internationals, international new ventures, digitally enabled firms, and born digitals (Knight and Cavusgil, 2004; Reuber and Fischer, 2011; Ibeh *et al.*, 2018; Chandra and Coviello, 2010; Glavas *et al.*, 2019).

Focusing on the present study's interest on exporting mode decisions, it must be underlined that direct exporting modes, including virtual presence, are widely attributed with offering greater opportunities for learning and growth via international markets than indirect exporting (Bai *et al.*, 2017). This is given the non-intermediated opportunities they offer for interactions with international customers and value chain actors, and for managing international marketing mix elements and value chains. The virtual presence mode additionally offers access to myriads of data and opportunities for developing international marketing knowledge from digital platforms and value chains (Ben Arfi and Hikkerova, 2021; Da Rocha *et al.*, 2024; Sen *et al.*, 2016).

Which types of knowledge particularly influence exporting mode choice? Whilst previous research offers conflicting evidence, considerable support exists regarding the importance of experiential knowledge (Kogut and Zander, 1993; Oehme and Bort, 2015; Schwens *et al.*, 2018), internationalisation knowledge (Clarke *et al.*, 2013), and digital technology-based knowledge (Glavas *et al.*, 2019; Stoian, 2024). The reported importance of the latter two knowledge types is significant for the present research as they can be acquired via the earlier discussed newer informal compensatory mechanisms, notably NGOs and digital platform-type institutional technologies.

Overall, the foregoing review underscores the need for further understanding of informal institutional arrangements and institutional technologies that influence formal institutional voids in transition contexts. The nature of these informal institutional options, how they evolve and interact, influence exporting mode decisions, and their capacity to offer learning and knowledge development opportunities regarding international markets and value chains require further research. These research gaps are tackled in the empirical part of this paper.

3. Context and methodology

3.1 Study context

Reflecting Welter and Smallbone's (2011) characterisation of transition economies as "fascinating laboratory for scholars interested in the interface between institutions and behaviour", our longitudinal study focuses on Kyrgyzstan, a Central Asian republic with a particularly turbulent recent institutional setting (Agadjanian and Oh, 2020). Its reform-minded first President in the post-Soviet era, Akayev, was initially lauded, but subsequently forced from office by the so-called "Tulip revolution" (Tudoroiu, 2007). A similar fate befell his successor, reinforcing the notion of a politically unstable institutional setting (Eggart, 2023; Hopmann, 2025).

However, this institutional fragility appears not to have adversely affected Kyrgyzstan's SME and export-dominated garment and textile industry, as it expanded steadily during this period, making significant contributions to economic development, exports, and employment (Makhmadshoev and Laaser, 2021). According to available reports, exports from this sector account for about 10% of the country's total exports, making garments the second largest export

commodity, behind gold (UN Comtrade, 2019). Up to 300,000 people are employed in this sector, constituting 13% of the total labour force (Tilekeyev *et al.*, 2020). Although Kyrgyzstan is among the Central Asia's least developed transition economies, the garment industry represents a key source of employment and serves as a major driver of economic development.

3.2 Research design

This study adopts a qualitative case study approach, an established research strategy in the field of international business (IB) and marketing (Welch *et al.*, 2011). It also embraces the notion of “contextualised explanation” introduced by Welch *et al.* (2011) to redress the adverse effects of inadequately conceptualised research contexts (Michailova, 2011; Teagarden *et al.*, 2018) on theory development via case studies. Given this study's focus on understanding the influence of compensatory informal institutions embedded within specific national settings on firm behaviour, it adopts this notion as its overarching research approach. This approach, offering a more refined way of theorising through case studies, is considered particularly suitable because it facilitates deeper contextualisation, thereby enhancing the potential to produce empirically rich insights and explanations. The flexibility of the case study method and our study's longitudinal design allowed us to collect data from multiple sources, over two fieldwork periods, and to interpret obtained data in the light of pertinent theories; in our case the evolving institutional and technological frameworks shaping firm behaviour, including exporting mode choice. We employed face-to-face semi-structured interviews as our primary data collection technique (Yeung, 1995), but also complemented these, as necessary, with data, notably on tax, customs, and related reforms and stakeholder activities and experiences, from secondary sources. These sources include company websites, publications by the government and reputable NGOs, industry reports, policy documents, and media reports.

3.3 Sample, data collection and analysis

This longitudinal study is informed by data from Kyrgyzstan's garment and textile sector collected over two different fieldwork periods in 2011 and 2018. The seven-year interval between the two fieldworks allowed sufficient time to observe and capture changes and trends in the institutional and technological landscapes that would not otherwise be detectable in shorter intervals, providing key insights into how older and newer institutional arrangements evolve. This was particularly important in terms of observing evolution in informal institutions which require much longer to reform than formal institutions (North, 1990). In addition, the seven-year interval enabled evaluation of policy effects on firm behaviour, notably regarding

key reforms introduced prior to the first fieldwork (2011). Of the seventy interviews conducted across the two fieldworks, fifty-three were with owners, founders, or managers of international SMEs in the garment industry. The garment industry was chosen because it is highly export-oriented, labour-intensive, and deeply embedded within regional and global value chains, making it particularly sensitive to institutional deficiencies and therefore an ideal context for examining informal compensatory mechanisms, including digital platforms (Eggart, 2023). The sector contributes substantially to Kyrgyzstan's GDP as many small and medium size apparel firms supply apparels to foreign markets despite facing many institutional challenges (Eggart, 2023). The remaining seventeen interviews were conducted with expert informants, including industry specialists, policy experts, government officials, and local and international NGO representatives. Interviews with experts enhanced research contextualization, improved understanding of the nature and complexity of institutions, and enabled triangulation of data obtained from SME owners and from secondary sources (Yin, 2003). Observational data from various informal discussions with owners and other firm representatives were also collected, which further enhanced triangulation of data.

Purposive sampling was adopted with the aim of selecting firms in the garment industry (i.e. garment value chain participants). The key criteria for selecting firms were that they be export-oriented and participating in GVCs as manufacturers and direct and/or indirect suppliers of garments to buyers overseas. Suitable firms were initially identified through databases of registered firms held by the Ministry of Economy and national business associations. The snowballing technique, based on word-of-mouth and recommendations, was subsequently used to expand the pool of respondents. With regards to expert informants, the main target were relevant experts who could provide in-depth knowledge about Kyrgyzstan's changing institutional environment and its impact on the private sector. Suitable experts were identified based on recommendations by industry associations and reputable national and international NGOs. Data saturation, or the point in data collection where new interviews added little or no new knowledge (Eisenhardt, 1989), was reached with forty-two and twenty-eight interviews in the first and second fieldwork periods respectively, and this point was determined through monitoring the progression of themes after each set of five interviews, resulting in fifteen rounds of analysis overall.

Interviews lasted between 60 and 150 minutes and were conducted mostly in the Russian language by one of the authors (in a few exceptional cases they were conducted in the Kyrgyz language with help of an interpreter). Most interviews were recorded and the recordings

were subsequently transcribed and translated into English by the same author, who is fluent in both Russian and English. To mitigate potential translation challenges, a two-step approach was employed, involving analysis and comparison of transcripts in both their original and translated forms, as suggested by Welch and Piekkari (2006). Initially, the interviews were transcribed in their original language and then carefully translated into English. This procedure was carried out by the same author to maintain methodological consistency. Additionally, four English transcripts were back translated into Russian by a professional interpreter, and any inconsistencies between the original and translated versions were identified and resolved. Many of the firms were based in the capital city of Bishkek and its periphery, where most of garment manufacturing is concentrated. Some interviews were conducted in the Southern city of Osh, which also has a notable garment manufacturing sector. To address the study aims, we framed interviews around a series of topics relating to three broad themes. The first focused on developing a comprehensive understanding of firms' origins, including their emergence and trajectory since inception, and the background of owners. The second sought to shed light on the ways in which firm owners and directors experience or perceive specific aspects of their formal and informal institutional context and how these shape their behaviour and decision making, including exporting mode choice. This allowed us to better understand the nature of institutional voids in Kyrgyzstan and associated firm decisions. The third asked a number of open-ended questions requiring respondents to elaborate on various initiatives, strategies and decisions, including individual, collective, formal, informal and technological solutions, to redress institutional voids and service international markets. The questions were designed in a semi-structured format, enabling the researcher to probe more deeply and pursue additional lines of questioning as appropriate. Interview themes remained broadly consistent across both fieldworks to enable tracking of institutional change and evolution over time, a key goal of this study. However, additional interview questions around the more recent socio-economic changes (such as regional economic instability) were added in the second fieldwork to capture emerging issues, including institutional and technological evolution and their influence on SMEs' behaviour.

Insert Table 1 about here

To analyse the collected data, we employed NVivo, a software platform that facilitates the organisation, categorisation, and coding of qualitative data, to enhance the rigor and trustworthiness of our findings. Using a thematic analysis method, underpinned by an inductive approach (Eisenhardt, 1989), we sought to identify emergent themes and develop interpretive narratives aligned with our main research questions (Denzin and Lincoln 2011; Klag and Langley 2013). The process involved, firstly, applying labels or codes to relevant interview excerpts based on close reading of transcripts, which were in turn grouped into broader themes and subsequently organised into higher-order thematic categories. For instance, excerpts relating to protection of business from criminal activities via influential friends and protection deals were respectively coded 'blat/svyazi' and 'krysha', with these related codes subsequently grouped into a broader theme, 'older informal institutions.' Similarly, excerpts relating to redressing institutional voids via collaboration with NGOs, entrepreneur association, and digital platforms were respectively coded 'NGOs', 'Legprom', and 'Digital platforms', which were subsequently grouped into a broader theme, 'newer informal institutions'. Finally, the preceding conceptually related broader themes, specifically 'older informal institutions' and 'newer informal institutions', were synthesized into a higher-order thematic category, 'informal institutions', that captured the principal dimensions of the phenomenon under investigation. The emergence of the other high-order theme, 'exporting mode choice', also followed a similar process. It started with the coding of interview excerpts about selling to intermediaries (mostly via the Dordoi market) and the shadow economy as 'intermediaries at Dordoi' and 'shadow economy', respectively, followed by the grouping of these related codes into a broader theme, 'indirect exporting mode'. Similarly, excerpts about selling to buyers in neighbouring countries and via digital platforms and online marketplaces were coded as 'international customers' and 'online sales' respectively, and grouped into a broader theme, 'direct exporting mode'. The latter joins with the 'indirect exporting mode' theme to form the higher-order theme, 'exporting mode choice'. Additionally, certain thematic groups such as informal institutions and direct and indirect exporting options were informed by prior research, whilst others such as specific institutional arrangements emerged inductively from the data (Eisenhardt, 1989).

The collaborative coding process implemented involved all but one of the authors, and entailed the following stages. First, the lead author undertook the initial round of coding based on close readings of interview transcripts, assigning descriptive labels or codes as necessary. Next, emerging codes were shared by the lead author with the second and third-named authors, with a request that they independently review the emerging codes and interviews transcript and

form a view regarding the extent to which the codes reflect their understanding of the dataset. At the third stage, virtual team discussions were convened to address discrepancies and iteratively refine codes, including by revisiting transcripts, until consensus is reached. The resulting refined coding framework was subsequently applied across the dataset, thus ensuring rigorous data interpretation (Gaddefors and Cunningham, 2024) and a consistent, transparent and non-subjective coding process. This collaborative process coupled with the co-authors' contextual knowledge of transition countries, mitigated potential interpretive bias associated with the lead author's insider perspective, thus strengthening our study's internal validity.

To take advantage of our study's longitudinal design, we placed particular emphasis on examining temporal dynamics in the data. Specifically, we systematically analysed how the role of informal institutions, or firms' reliance thereof, has evolved over the two fieldwork periods (see summary in Table 2). We also analysed how exporting mode choices, including the adoption of the virtual presence mode, have evolved between 2011 and 2018 (see Table 3).

4. Findings

This section examines how informal institutions, including institutional technologies, influence institutional voids and exporting mode decisions among exporting SMEs from Kyrgyzstan. The analysis is organised around three major sub-headings: (1) informal institutions, interactions, and institutional voids; (2) evolving informal institutions and institutional voids; and (3) shifts in informal institutional arrangements and mechanisms and exporting mode decisions. The latter two sub-sections particularly leverage the study's longitudinal design to examine how informal institutional options evolve in their influence on institutional voids and exporting mode decisions over the first and second fieldwork periods.

4.1 *Informal institutions, interactions, and institutional voids*

Evidence from the interviewed exporting SMEs suggests that informal institutional arrangements, specifically recourse to *blat/svyazi* and *krysha*, collaborations with NGOs, entrepreneur association, and digital platforms, all contribute to redress formal institutional voids, notably lack of property rights' protection and weaknesses in taxation system, labour market, and export development policies.

Recourse to blat/svyazi and krysha was identified as a means of protecting businesses against illegal activities, notably racketeering and corporate raiding, which prevailed in the

absence of proper legal enforcement. As one entrepreneur during the first fieldwork period noted, *“there is a property law on paper, but... [it] does not protect us in practice”*. An array of detailed illustrative interview quotes can be seen in Appendix 1; the following regarding resort to blat/svyazi is illuminating: *“...it is more difficult to survive and achieve something without connections...Most entrepreneurs in our sector who I know personally have links to someone with influence in the government who supports them when they need it...”* Another interviewee commented on kyrsha as follows: *“having krysha is important... with all these uprisings[and] distrust in the government...it is like an insurance for your business”*.

Regarding collaborations with NGOs, evidence particularly from the second fieldwork shows that SMEs actively cultivated relationships with NGOs, or civil society organisations, local and international nonprofit, nongovernmental entities as an alternative source of protection and succour against formal institutional voids. These organisations, backed financially and technically by international donor organisations such as the UN, USAID, International Trade Centre, GIZ (German Agency for International Cooperation), Eurasia Foundation, Swiss Agency for Development and Cooperation, and other local institutions, had maintained presence in Kyrgyzstan since the 1990s, working with other stakeholders to facilitate economic reforms, enterprise and export policy, and improve rule of law and operating climate for SMEs. One owner interviewed during the second fieldwork period, for example, lauded NGOs’ support as follows: *“They do so much. At times they do more to support SMEs than the state itself...you immediately get access to a wide range of resources and services”*. According to several interview accounts, NGO support for SMEs notably included specialised export readiness training programmes and the organisation of events and seminars designed to facilitate access to broad networks of overseas buyers, thereby strengthening SMEs’ export capabilities. Another owner emphasised the importance of training offered by NGOs thus: *“We tell them what areas of business we have problems with and they come up with programmes and solutions to help us...”*. Secondary data further uncovered the role of the media, including social media platforms, in facilitating institutional reforms in terms of exposing corruption, extortion, and misconduct by state officials, and channelling public attention to other institutional challenges faced by SMEs. As one owner interviewed during the later fieldwork period observed, *“...journalists have some power these days. If anyone is trying to pressure us unlawfully, we can raise this through the media...this is now a major tool to address such problems”*. As an example, the owner pointed during the interview to an online article from a widely read local news outlet that criticised government officials for placing

undue informal pressure on local SMEs to make ostensibly voluntary financial contributions toward local infrastructure projects that should be financed through the state budget.

Recourse to collective action under the auspices of *the entrepreneur association*, Legprom, similarly emerged as a key mechanism for addressing voids in Kyrgyzstan's taxation system, property rights' protection, and labour market. One interviewee who "*tried lots of different ways for tax people to leave [them] alone*" before joining others to create Legprom observed that "*coming together under the association was the best method...*". In addition to protecting members from illegal pressures and raids, this association facilitated communication with state officials and information sharing among members regarding sourcing qualified workers, spare equipment, and so on. As another interviewee put it, Legprom offered "*an important bridge between our sector and the government...it is much more effective to talk to the government and push for improvements together through our association...not just [about] illegal raids and tax people, [but also regarding] customs...[and] lack of skilled workers.*". This association's role in facilitating access to international marketing knowledge is additionally captured thus: "*[They] regularly send useful information on exporting and finding new clients abroad. They work closely with NGO partners and arrange study visits for us to other countries for exchange of experience. They also organise seminars where we get together and learn and share knowledge on different topics.*".

Regarding digital platforms, evidence reveals the increasing adoption of such institutional technologies for redressing shortcomings in export development policies and support. One owner interviewed during the second fieldwork noted as follows: "*there is no support from the government in terms of export promotion...I regularly send my staff to training by NGOs on use of technology and digitalisation*". Other SMEs similarly acknowledged the void-compensating role, and cost, communication, and access benefits of, these institutional technologies. The following quote also from the second fieldwork period is indicative: "*I say to my fellow business owners that this is the future, it is cheap, reliable and efficient, and you don't rely on government... in fact it protects you from government interference because instead of a physical shop you create an online shop and this they cannot touch*". Observations from the latter fieldwork further supported this, indicating that SME owners were actively engaged across a range of social media and digital platforms. These spaces were used to exchange knowledge and to build understanding of how digital tools could be leveraged for growth, including in identifying new buyers and expanding export activities. Several participants

demonstrated this engagement during the interviews by sharing and presenting their own social media and digital platform use.

The foregoing analysis underlines the study firms' co-existent reliance on *blat/svyazi* and *krysha*, collaborations with NGOs, entrepreneur association, and digital platforms towards redressing formal institutional voids. Significantly also, newer informal institutional arrangements and mechanisms appeared to interact. For instance, NGOs appeared to support Legprom's lobbying for tax and customs reforms as well as their establishment of skills development centre, *Shvei-profi*. Through offering digital skills training, NGOs also facilitate access to digital platform-type institutional technologies. They thus play a pivotal role in energising the void-redressing contributions of *Legprom* and institutional technologies. This primacy, however, is unlikely to apply beyond early transition stages, as the attention of NGOs' donors, like the cohesiveness and effectiveness of entrepreneur associations, usually wavers as transition economies mature. Institutional technologies, on the other hand, seem set to become more influential given our world's increasingly digital future.

4.2 *Evolving informal institutional arrangements and institutional voids*

Evidence from our two fieldwork periods, including interview data and secondary data from multiple sources identified in the previous section, suggests our study firms to be evolving away from the older practices of *blat/svyazi* and *krysha* toward newer "compensatory mechanisms" (Michailova and Worm, 2003, p.516), including digital platform-type institutional technologies – see summary evidence in Table 2.

Insert Table 2 about here

The following quote by an owner interviewed during the second fieldwork period is illustrative: "... *times have changed, there are other ways to seek protection these days... we are working closely with NGOs such as USAID and they help our sector a lot. They support by helping us acquire new equipment, for example, but also in intangible ways by highlighting to policy makers the lack of support in terms of protection of property rights...*". This additional quote is equally compelling: "*Have you seen the monument in the centre of Bishkek?... That monument is a reminder that we want to leave the corrupt practices and dark regimes of the past behind and embrace democracy!*".

It must be noted, however, that the older informal practices are not yet extinct as some entrepreneurs still rely on *krysha* or similar protection rackets (Volkov, 1998) owing to seeming

lack of faith in weak state institutions. One owner during the second fieldwork period captured the underlying tension thus: “*I know many entrepreneurs who have an informal krysha but would not admit it. I guess it depends on the type of entrepreneur you are and how much you trust the system*”.

The foregoing analysis suggests that while older informal practices, specifically *blat/svyazi* and *krysha*, contribute to redressing voids linked to weak property rights protection, including state’s inability to secure rights conferred by market reforms, their inescapable whiff of corruption (Volkov, 2003) and perceptions as ‘undesirable’, ‘dirty’, illegal, chaotic, anti-market, inequitable (Ledeneva, 1998) appear to increasingly turn off some SMEs. The second fieldwork period witnessed a shift from these older informal practices toward newer informal institutional options representing a cleaner source of protection and knowledge, with NGOs increasingly viewed as influential shields against institutional voids, source of legitimacy and knowledge, and as patrons well positioned to intervene with government officials on SMEs’ behalf. The entrepreneur association, *Legprom*, seemed to be equally embraced, as a conduit for NGOs’ knowledge development programmes and for lobbying for tax reforms, de-bureaucratized custom regulations, and corruption clampdown. Ditto digital platform-type institutional technologies, that is, as an increasingly effective and efficient route to international markets and value chains, international marketing knowledge, enterprise development programmes, and de-bureaucratized international payments and transfers. Given the earlier noted priority focus of transition economy firms on learning and growth and the many training, upskilling, and knowledge development opportunities accessible via NGOs, entrepreneur association, and digital platforms, our study firms’ increasing embrace of these newer informal compensatory mechanisms seems eminently sensible. The strengths of the older informal institutional practices, as previously indicated, lie elsewhere, specifically providing murky informal social, kinship, and business ties.

4.3 Shifts in informal institutional arrangements and mechanisms and exporting mode choice

Evidence suggests that the observed shifts, over the first and second fieldwork periods, toward newer informal institutional options not only mitigated institutional voids but also facilitated Kyrgyz SMEs’ adoption of more direct exporting modes, including virtual presence, that enable non-intermediated interactions with international customers, value chain actors, and international marketing knowledge gains.

As can be seen in Table 3, whilst all the study firms employed the indirect exporting mode in 2011, only a third did so in 2018. Also, whilst only around a quarter of the study firms used the direct exporting mode in 2011, all but three adopted it in 2018. The divergence regarding the use of virtual presence mode is even more stark: none of the study firms adopted the virtual mode in 2011 whereas all but three did so in 2018. The following comment by one of the owners interviewed during the second fieldwork is instructive: *“we market via social media (Instagram, WhatsApp, Telegram, Facebook) and it works much better than physical marketing...technology has changed the way we market and sell our products and for small businesses like us it has become a key resource to export into new markets...”*.

Insert Table 3 about here

Interview excerpts, indeed, illustrate how newer informal institutional options interact to influence exporting mode decisions. A co-founder interviewed during the second fieldwork period, for example, explained how NGOs’ digital skills training influenced their firm’s progression from exporting indirectly via intermediaries that operate out of Dordoi market in Bishkek to directly exporting to a new network of buyers in neighbouring countries: *“...what we produced was bought in Dordoi market by intermediaries and then taken to Russia...[but] our NGO contacts suggested that we diversify our product range...and they put us in touch with their network of entrepreneurs in other neighbouring countries...”*. Other owners similarly illustrated how NGOs’ digital skills training, including on how to build *“presence in online marketplaces and...develop relationships and networks with buyers via social media”* facilitated their adoption of the virtual presence mode, e-marketplaces, and social media. The following quotes from the second fieldwork period are additionally instructive: *“I regularly send my staff to training by NGOs on use of technology and digitalisation and...is of great help, for marketing, increasing sales, finding new [overseas] buyers...”*, as well as *“facilitating exporting.”*

The observed evolution, spanning the first and second fieldwork periods, toward newer informal compensatory mechanisms, including digital platform-type institutional technologies, appears to correspond with increased adoption of more direct exporting options. The earlier noted interview excerpt that SMEs which previously sold via export intermediaries in Dordoi market had, by the second fieldwork period and with NGOs’ support, progressed to exporting directly to neighbouring countries’ buyers aptly illustrates the influence of evolving informal institutional contexts on exporting mode choice. Similarly illuminating is evidence that some

SMEs transitioned from the shadow economy into official exporting owing to reduced transaction costs arising from Legprom's NGO-assisted lobbying for tax and customs reforms. Reduced informal costs refers to the much lower outlay of collaborating with NGOs and Legprom vis-a-vis the unknowable cost, including stresses and moral complexities, of commingling with corrupt bureaucrats or murky groups (Kravcova, 2012; Ledeneva, 1998; Volkov, 1998).

Significantly also, the foregoing evidence shows that critical knowledge development both preceded and emanated from the study firms' adoption of the virtual presence mode, thus reinforcing the central role of knowledge in facilitating firm's internationalisation (Johanson and Vahlne, 1977; Welch, 2015; Pellegrino and McNaughton, 2017; Grant and Phene, 2022) and mode progression (Glavas *et al.*, 2019; Stoian, 2024). While digital and wider skills gained through NGOs and Legprom-facilitated training and upskilling programmes, international market visits and vast digital content, foregrounded SMEs' adoption of direct exporting modes, including virtual presence, these modes and the non-intermediated interaction they allow with international customers and value chain actors correspondingly facilitate the capturing of greater knowledge and value from international marketing. The study SMEs' quest for knowledge development thus pulled them toward newer informal institutional options, including digital platform-type institutional technologies, as well as more direct exporting mode options. The above finding reinforces previous research evidence regarding the role of NGOs and similar knowledge brokers in accelerating critical internationalisation learning and influencing internationalisation mode decisions (Stoian, 2024). The absence of international market knowledge-giving attributes arguably explains why older, path dependent, informal practices appear to be associated with the increased likelihood of choosing indirect exporting mode (Olney, 2016; Martínez-Zarzoso and Johannsen, 2018) and unofficial exporting.

5. Discussion

5.1 Theoretical Contributions

To address our study's key questions, we draw insights from institutional theory and internationalisation theory, specifically the knowledge-based view of firm internationalisation, to analyse how informal institutions, including institutional technologies, influence formal institutional voids and exporting mode choice. The specific questions tackled are: how do informal institutional arrangements and mechanisms interact and evolve to influence

institutional voids? How do shifts in informal institutional arrangements and mechanisms influence exporting mode decisions among firms? How might these exporting mode decisions be explained from a knowledge-based perspective of firm internationalisation? Evidence from our longitudinal study reveals that as transition economies evolve, SMEs' recourse to older and newer informal institutional arrangements and mechanisms for redressing institutional voids declines and strengthens respectively. This is our first contribution. We also show that as transition economy SMEs increase their recourse to newer, or knowledge-laden, informal institutions, including institutional technologies, they increasingly adopt more direct exporting modes associated with better international market knowledge gains. This is our second contribution.

Figure 1, below, reflects the above summary findings, illustrating how the study firms draw on older and newer informal institutional options, respectively declining and strengthening over time, to influence institutional voids and exporting mode decisions. This funnel-shaped model presents informal institutional options as bubbles in an expanding funnel, with the older informal practices occupying the narrowing, declining end, and their newer counterparts the expanding, increasingly influential path. The relative size and position of the bubbles within the funnel indicate their relative influence on institutional voids and exporting mode choice, as well as their relative weight as sources of knowledge of international markets and value chains. The intersecting circles speak to interactions among the informal institutional options, with the indicative shifts toward the newer options, including institutional technologies, illustrating their increasing influence on institutional voids and exporting mode choice.

Insert Figure 1 about here

The above model applies to contexts characterized by institutional voids, notably weak state enforcement and permeable informal norms, active presence of NGOs and civil society, and moderate associational density (Milofsky, 2019). It is also applicable to contexts where government–industry partnerships legitimize bottom-up rule modification, and where the focal industry commands national economic significance and actively targets international markets and global value chains. Conversely, relatively mature emerging economies, rigid institutional

contexts, and those marred by uncontrolled violent conflicts necessitating concentrated state power are unsuitable backdrops for the above model.

5.1.1 Older and newer informal institutions respectively decline and strengthen in influence as voids-mitigators as transition economies evolve. Reflecting the institutional theory, we show that the influence of older and newer informal institutional structures in redressing voids moves in opposite directions as transition economies evolve. More specifically, while the older informal institutional practices decline in influence, their newer counterparts, including digital platform-type institutional technologies, become more influential over time. This observed diminution, not extirpation, of the role of older informal practices and corresponding upsurge in the influence of their newer counterparts, including path break type mechanisms (Williams and Vorley, 2015) such as institutional technologies, speaks to the evolving nature of transition contexts. It also reflects the earlier-noted view of newer informal institutional options, notably NGOs, entrepreneur associations, and digital platforms, as significant sources, or treasure troves, of knowledge for transition economy firms. This priority focus on optimising learning opportunities explains, at least in part, the observed increasing recourse to newer compensatory mechanisms, including institutional technologies. Consistent with Figure 1 above, the following propositions are advanced to facilitate further theoretical development on the informal institutions-institutional voids relationship:

SMEs' reliance on older and newer informal institutions for redressing institutional voids decreases and increases respectively as transition economies evolve.

Newer informal institutional options, including digital platform-type institutional technologies, will increasingly strengthen their influence on institutional voids in transition economies over time.

Institutional technologies such as digital platforms will increasingly interact with other informal institutional options to redress institutional voids in transition economies.

5.1.2 Increasing recourse to newer, knowledge-laden informal institutional options leads to the adoption of more direct exporting mode options associated with increased knowledge of international markets and value chain. Reflecting the knowledge-based view of firm internationalisation, we show that increasing prevalence of newer informal institutional options, including digital platform-type institutional technologies, also leads to the adoption of more direct exporting mode options, including virtual presence, associated with richer international market knowledge gains (Bai *et al.*, 2017). The critical pull toward these direct

exporting mode options, as with the newer informal institutions, appears to be the opportunity they offer firms to develop international marketing knowledge through direct, non-intermediated, interactions with international customers and other value chain actors, as they manage various international marketing mix elements. This new insight reinforces the knowledge-based perspective of firm internationalisation, which views knowledge as both a critical antecedent and an outcome of the internationalisation process, and emphasises its influential role in internationalisation mode shifts, incremental (Johanson and Vahlne, 1977) and otherwise (Knight and Cavusgil, 2004; Ibeh *et al.*, 2018; Chandra and Coviello, 2010; Glavas *et al.*, 2019). The following propositions are thus advanced to facilitate further theoretical development:

Increasing reliance on newer, knowledge-rich, informal institutional options, including institutional technologies, facilitates the adoption of more direct exporting modes offering better access to international market knowledge and value chains.

Increasing prevalence of newer informal institutional options, including institutional technologies, facilitates the adoption of the virtual presence mode offering better access to international market knowledge and value chains

Increasing interaction among newer informal institutional options, including institutional technologies, facilitates the adoption of more direct exporting mode options offering better access to international market knowledge and value chains.

5.2 Empirical Implications

Our paper also makes the following empirical contributions. First, it is, to the best of our knowledge, the first study to examine the influence of informal institutions on both formal institutional voids and exporting mode choice. Indeed, the positive association uncovered between informal institutional structures, including institutional technologies, and more direct exporting modes is an original contribution to the scant body of research on informal institutions-internationalisation mode relationship. The knowledge-centred insight extends previous work on institutional voids (e.g. Dekel-Dachs *et al.*, 2021; Doh *et al.*, 2017; Peng and Zhou, 2005; Webb *et al.*, 2020), and at the interface of domestic institutional conditions, internationalisation modes, and international marketing knowledge (Kumari *et al.*, 2025).

Second, by exploring the dual role of digital platforms, a major institutional technology, as a voids-mitigating mechanism and a virtual, direct exporting mode, this study addresses

recent calls for more research into the role of institutional technologies in international marketing. Although the relevance of virtual presence, or virtual internationalisation, as a direct route to international customers has been widely researched (Ibeh and Lloyd-Reason, 2017; Brouthers *et al.*, 2022; Da Rocha *et al.*, 2024), the voids-redressing role of digital platforms (Heeks *et al.*, 2021) has received little attention. Our study adds to this paltry empirical base, by showing how such institutional technologies offer opportunities for acquiring international marketing knowledge and act as a compensatory institutional mechanism (Si *et al.*, 2023) for redressing weak, overly bureaucratic, and inefficient structures and processes (Elias and Gomez, 2025; Heeks *et al.*, 2021) of accessing international markets and value chains. This fresh evidence on digital platform-type institutional technologies extends understanding of the universe of informal institutional arrangements and mechanisms.

Third, the present study's longitudinal design offers important insights regarding interactions among evolving informal institutions, including institutional technologies. For one, the entrepreneur association's embrace of digital platforms observably facilitates members' adoption of such institutional technologies and more direct exporting modes. NGOs similarly facilitate the prevalence of these institutional technologies among *Legprom* and SMEs, notably through availing them of digital skills training. By illuminating these within-informal-institutions interactions, our study lessens the dominant research focus on the formal-informal institutions' relationship (e.g. Tracey and Phillips, 2011; Puffer *et al.*, 2010; Williams and Vorley, 2015). Returning to the issue of NGOs' influence vis-à-vis other newer *compensatory mechanisms*, this paper envisages that NGOs' sway would level off as transition economies reach maturity. Indeed, given the worldwide gutting of development aid budgets and NGOs' funding, and our world's undoubted digital future, digital platforms and related institutional technologies are expected to supplant NGOs in future years.

Fourth, our study advances scholarly understanding of the co-existent recourse, among transition economy firms, to older and newer informal compensatory mechanisms, including institutional technologies. This finding broadly affirms Lanzara's observation that actors build new institutions "not on the ruins but with the ruins of the old regime" (1998, p.28), and mirrors the dynamics observed in other eastern European, African and Southeast Asian contexts. However, it challenges the assumption that voids are typically filled by path-dependent informal institutions (Rehn and Taalas, 2004; Peng and Heath, 1996) and complements previous studies that mainly address transition from older to newer informal institutions (e.g. Aidis, 2005; Williams and Vorley, 2017). Our empirical setting, Kyrgyzstan, with its unfinished

institutional transition from a centrally planned socialist-economy to an intended free-market system, and evolving institutional terrains, contributes to this observed co-existence or, more precisely, persistence of older informal institutions amidst increasingly influential newer alternatives, including institutional technologies. The divergence of our finding from the situation in other transition countries, notably Turkmenistan where older informal institutional practices still seem to dominate (Makhmadshoev *et al.*, 2015), hints at the distinctiveness of Kyrgyzstan's empirical setting. More broadly, our study's longitudinal design offers rare insights into how informal institutions evolve and interact with value chain actors, insights that can meaningfully assist effort toward leveraging institutional shifts to drive economic development in transition economies (Rodriguez-Pose, 2013).

6. Conclusions

This article advances the institutional theory by showing that recourse to older and newer informal institutions decreases and increases respectively as transition economies evolve. A subtext of this finding is that older informal practices and newer informal arrangements and mechanisms, including institutional technologies, co-exist to redress institutional voids. Our longitudinal study, the first to examine the influence of informal institutions on both institutional voids and exporting mode decisions, also extends the internationalisation theory, specifically the knowledge-based view of firm internationalisation, by showing how newer, knowledge-laden informal mechanisms, including institutional technologies, steer firms toward more direct exporting modes that offer better access to internationalization knowledge, international markets and value chains. This observed positive association between informal institutions and more direct exporting modes, including virtual presence, is a significant original contribution. Our study also offers important insights on within-informal-institutions interactions, notably NGOs' pivotal role in energising other informal institutional levers, including digital platform-type institutional technologies. However, this influence is expected to plateau as transition economies reach maturity, with such institutional technologies becoming more paramount.

6.1 Managerial and Policy Implications

Our study offers valuable insights to managers and policy makers in voids-ridden transition and emerging economies with responsibilities for international markets and global value chain participation. First, given the need to leverage informal institutions as *compensatory*

mechanisms for institutional voids, such managers must strive to finesse their relational and coordinative capabilities, including communication, negotiation, and collaboration skills. Institutional technologies' typically decentralized governance structures can crucially assist as these managers develop and sustain relationships with, and optimise learning from, NGOs and related development-facilitating organisations, industry associations, and other actors in international markets and value chains. Such capabilities can also help navigate interactions with the vestiges of older informal practices.

Given the opportunities that digital platform-type institutional technologies offer for voids-mitigation and enhanced access to international markets and value chains, knowledge and legitimacy building, effective and cost-efficient communication, and coordinative governance of multi-actor relationships, transition economy managers are urged to invest in such institutional infrastructure, including in staff upskilling to ensure sustained and beneficial use of such technologies. The continuing expansion of the digital economy and digital enterprises (Chen *et al.*,2022), and attendant implications for firms and transition economies, make such investments an imperative.

Policymakers in transition economies should complement their focus on formal regulatory reforms with judicious attention to newer informal compensatory mechanisms, including institutional technologies, as well as direct exporting modes associated with better access to internationalization knowledge and international markets and value chains. Encouraging collaboration among public institutions, NGOs, industry associations, and technology providers can help 'formalise' beneficial informal practices and institutionalise trust-based interactions. Appropriate training to facilitate widespread and inclusive adoption of digital platform-type institutional technologies among smaller, including micro and women-led, enterprises is similarly advocated. This is given the effectiveness of such technologies for mitigating voids, enabling direct access to international markets and value chains, and fostering economic development.

Reflecting the observed benefits of continuing institutional evolution, policy makers seeking to wean transition economy firms off undesirable, legacy informal practices can get behind arrangements such as community trusts and kinship-based networks, which can plausibly interface with newer structures and mechanisms such as NGOs, entrepreneur associations, and digital platform-type institutional technologies. Active dissemination of the successes facilitated by newer informal institutional mechanisms, including tax reforms, de-

bureaucratisation, plugging skill gaps, and reduced transaction costs (North, 1990), can assist the preceding objective.

Note should also be taken of the social significance of our findings. Indeed, the observed prevalence of NGOs, industry associations, and digital platform-type institutional technologies, mostly associated with transparent and accountable governance (Rawhouser et al. 2022), bodes well for strengthening social trust and inclusive institutional environments in transition economies (Acemoglu, 2025). Extending digital skills training opportunities to marginalized groups and communities can, thus, be helpful. The continuing decline of older legacy informal networks also pleasingly portends a future end date for practices that have for long privileged the elites, sustained inequality, and limited access for new entrants.

6.2 Limitations and Future Research

It remains to acknowledge the present study's limitations in the context of which its findings should be viewed. These, notably, pertain to the limited generalizability of our findings, a common feature of qualitative case studies (Yin, 2003). The study's focus on the garment and textile sector without any systematic effort to explore sector-specific effects also calls for scholarly attention to other sectors. Future researchers are equally urged to assess the propositions advanced in this paper, including those regarding informal institutions-exporting mode-internationalization knowledge relationships. Furthermore, the informal institutional structures covered, including digital platform-type institutional technologies, can be examined in other institutionally weak contexts to develop richer understanding of their prevalence and possibly surface additional options. More longitudinal research to capture evolving relationships among informal institutional options, including institutional technologies, and their influence on institutional voids, exporting modes, and international marketing knowledge, can additionally offer important insights.

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Figure 1: A dynamic model of informal institutional structures influencing institutional voids and exporting mode choice

