

Utilising Dynamic Capabilities to Develop a Competitive Advantage in the Zimbabwean Pharmaceutical Sector under Hyperinflation

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Abstract

This research is a qualitative exploration of dynamic capabilities' influence on competitive advantage in the pharmaceutical manufacturing sector in an emerging market with hyperinflation. The rising global demand for effective healthcare systems, particularly in developing countries, makes it necessary to enquire about the competitiveness of pharmaceutical manufacturers who deliver essential medicines to the nation. An interpretive research paradigm was adopted to explore utilising dynamic capabilities for competitive advantage in pharmaceutical firms. Data were collected via semi-structured interviews with a purposively selected sample of twelve industry experts and then thematically analysed.

The research revealed that the alignment of dynamic capabilities to competitive advantage is not a straitjacket but is regulated by the financial, regulatory, and market environments and hyperinflation. In these environments reside the individual deterrence of dynamic capabilities, leading to ineffective seizing of opportunities despite firms being able to sense and regenerate their capabilities. Industry recommendations are to prioritise resource allocations towards seizing opportunities while mindful of dynamic capability retardants hindering their efforts, for future researchers to focus on the weighted contribution of each capability to determine those giving greater competitive advantage returns, and to the government to introduce quotas and rebates for public medicine manufacturing.

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1. Introduction

This qualitative study explored the role of dynamic capabilities in regaining lost competitive advantage under hyperinflationary conditions in the pharmaceutical manufacturing industry of a developing country.

1.1. Background

Zimbabwe suffered one of the most severe hyperinflation and economic crises in world history in the period 2004-2010 leading to many manufacturers and skilled individuals leaving the country in search of greener pastures (Asante, 2013). After the adoption of the US dollar currency in 2010, the economy did not recover due to a liquidity crunch and a lack of global competitiveness owing to the stronger US dollar manufacturing base, which rendered locally produced products uncompetitive in price (Chinjova and Zinhumwe, 2019). This led to the country reverting to the local unstable currency in 2019, leading to the resurgence of hyperinflation and a slowdown in productivity (Chowdhury & Sundaram, 2023; Vasantkumar, 2021).

Zimbabwe was once the breadbasket of Southern Africa, with one of the most advanced and diversified manufacturing sectors in the Southern African region. However, this is history as most companies have closed, some are operating way below capacity utilisation, and others have relocated (Gopoza, 2020). Several reasons for the ruin of Africa's most prosperous economies have been highlighted: fiscal indiscipline, civil unrest, and an unstable political environment perpetuated by the current governance structures (Mutenga and Vyas-doorgapersad, 2021).

The Zimbabwean pharmaceutical sector has not been spared the collapse characterising the national economy. From 2011-2015 alone, about 458 manufacturing entities, including pharmaceutical companies, closed operations due to viability and competitiveness challenges ('2015 Zimbabwe National Budget Statement', 2014). Only eight pharmaceutical manufacturing companies remain in a country that used to boast a robust health and pharmaceutical system (Okereke, 2022). Although the few existing pharmaceutical manufacturers are on the brink of collapse on account of poor competitiveness against cheap imported medicines and lack of government funding among other challenges (Zimbabwe Pharmaceuticals & Healthcare Report - Q1 2021, 2021), it is worth investigating how these firms are utilising their inherent capabilities to stay in business. Portifa Mwendera, president of the Pharmaceutical Society of Zimbabwe, was quoted as pointing out that most of the pharmaceutical companies in Zimbabwe were operating between 10% and 60% of capacity due to currency shortages preventing the importation of active pharmaceutical ingredients (Zimbabwe Pharmaceuticals & Healthcare Report - Q1 2021, 2021). However, given its market size, Zimbabwe's pharmaceutical market has a high growth potential to be tapped (BMI Research Q4, 2017). The pharmaceutical market in Zimbabwe is expected to register a compound annual growth of 4.35% over the forecast period 2022-2027 should a conducive environment for competitiveness be created (Zimbabwe Pharmaceutical Market Analysis - Industry Report, 2022).

Competitive advantage is a critical business success enabler lacking within the Zimbabwean manufacturing industry (Siyakiya, 2018). The pharmaceutical sector in Zimbabwe has been subject to macroeconomic challenges, including hyperinflation and restricted liquidity that have existed for at least the past decade. Whilst there exists a rising global demand for effective, efficient, and trustworthy healthcare delivery systems, particularly in developing countries (Ariani, Koesoema and Soegijoko, 2017), it is essential to enquire about the competitiveness of pharmaceutical manufacturers who are the main contributors to the delivery of medicines to the nation. This will facilitate pharmaceutical firms' viability and existence to serve the country.

Despite the growth potential, the existing threat to industry competitiveness has made it necessary to investigate why and how pharmaceutical manufacturers gain competitive advantage by utilising their inherent resources and dynamic capabilities amid the prevailing hyperinflation. Previous research has claimed that sustainable competitive advantage can be achieved through continuous adjustment of the business to leverage firms' dynamic capabilities (Wang, Senaratne and Rafiq, 2015; Yi, Han, and Cha, 2018; Nwachukwu, Chladkova and Fadeyi, 2018; Hoang and Ngoc, 2019). Flexible business models have been found to support firm survival amongst Zimbabwean retail stores and it is possible that a similar approach may build resilience in the pharmaceutical sector (Chikoko & Maumbe, 2022). Prior studies in this area emphasised the role of organisational and internal factors on the dynamic capabilities' and how these capabilities influence competitive advantage (Fainshmidt et al., 2019a; Hou, 2008; Teece, 2018a).

1.2 Problem statement

The current research interest was to contribute to existing knowledge by considering how the macro-environmental factor of hyperinflation impacts the interaction between dynamic capabilities and competitive advantage in an emerging market. This concept has been studied relatively widely in developed nations, and it seems worthwhile to extend the research to an emerging market (Vu, 2020). Moreover, previous research has, to some extent, focused on reviewing dynamic capabilities as a means to create and sustain competitive advantage (Teece, 2016; Čirjevskis, 2019; Vu, 2020) but lacks the scope to include regaining a lost competitive advantage in a hyperinflation environment. The market volatility seen under hyperinflation forces firms to become more resilient to market shocks (Chikoko & Maumbe, 2022) and adopt flexible business models, which emphasises the importance of utilising dynamic capabilities.

Problem: Amid the current competitiveness challenges within the pharmaceutical manufacturing industry, the literature does not explain the impact of dynamic capabilities' influence on competitive advantage in an emerging economy with hyperinflation.

1.3 Research Questions

The qualitative study aimed to evaluate the influence of firms' dynamic capabilities on competitive advantage in the pharmaceutical manufacturing sector of an emerging market. It seeks to expand the current knowledge in applying dynamic capabilities theory to the competitiveness of pharmaceutical manufacturing entities. Moreover, the study sought to crystallise some dynamic capabilities in various pharmaceutical firms and inform the industry on how they can use these inherent capabilities in their businesses to gain competitive advantage. As such, the research questions were as follows:

- a) Research Question 1: What are the dynamic capabilities needed for business competitiveness that the pharmaceutical firms in the industry possess?
- b) Research Question 2: How can the firms' unique sensing, seizing and reconfiguration capabilities be utilised to regain lost competitiveness? and
- c) Research Question 3: How does hyperinflation affect the alignment of current firms' capabilities to their competitive advantage?

The study objectives to respond to the stated research questions are thus, to identify the dynamic business competitiveness capabilities in the Zimbabwean pharmaceutical industry, establish the ways in which these dynamic capabilities can be leveraged to regain lost competitiveness, and establish the effects of hyperinflation on firms' capabilities to regain competitive advantage.

This research paper commences with the introductory background of the study, which gave a basis for formulating the research questions. The second section comprises the literature review of the dynamic capabilities and competitive advantage concepts and their applicability in various settings and environmental conditions. It also explores the two related theories, namely the resource-based view and the dynamic capabilities theory of a firm. Hyperinflation as a concept and its impact on competitive advantage of pharmaceutical firms were also discussed in relation to the dynamic capabilities of pharmaceutical firms in Zimbabwe. The third section outlines the methodology used in the study and the research findings in the fourth section. The paper concludes by detailing the managerial implications and recommendations to stakeholders and a brief conclusion highlighting the study's limitations and recommendations for future research.

2. Literature Review

2.1 Dynamic capabilities and firms' competitive advantage

The definition and role of dynamic capabilities in firm competitive advantage are discussed in this section.

2.1.1 Dynamic capabilities definition

Dynamic capabilities are antecedent organisational and strategic routines by which managers alter their

resource base acquire and shed resources to generate new value-creating strategies (Newbert, 2005). Alternatively, dynamic capabilities could also be viewed as the capacity of an organisation to purposefully create, extend, or modify its resource base (Bruni and Verona, 2009). The two definitions above focus mainly on the organisational ability to effectively utilise the valuable, rare, inimitable, and non-substitutable (VRIN) resources, as they were described by Barney (1991) and later updated by Barney and Hesterly (2006), who proposed a refined (VRIO) model of defining the strategic resources that firms can utilise, to gain competitive advantage. The duo argues that whilst the organisation may have valuable, rare, and inimitable resources, the firm itself should be organised enough to exploit the full competitive potential of its resources, the refined valuable, rare, inimitable, and organisation/organised (VRIO) model. Accordingly, the two definitions of dynamic capabilities above opine that they relate to the organisational ability to effectively fuse its strategic resources into its business model and strategy to gain competitive advantage. A further research insight has defined dynamic capabilities as the organisation's capacity to purposefully create, extend and modify the existing resource base, thus facilitating the change and renewal of current processes and promoting innovation to fit the environment better (Makkonen *et al.*, 2014). Another relevant dimension to the present study has considered dynamic capabilities as the capacity to sense and shape opportunities and threats, to seize opportunities, and to maintain competitiveness through enhancing, combining, protecting, and, when necessary, reconfiguring the business enterprise's intangible and tangible assets (Gnizy, Baker and Grinstein, 2014). Furthermore, dynamic capabilities could be viewed as integrating, building and reconfiguring the resource base over time to respond to changing environments (Rice *et al.*, 2015). The later definitions were more refined towards a business strategy. They were cognisant of the changing circumstances businesses should overcome to gain a sustainable competitive advantage and perform better.

2.1.2 Competitive advantage definition

Competitive advantage is a long-lived but conceptually troubled concept, and scholars and industrialists often define it to suit their preferred contexts (Sigalas, 2015). One of the early but still considered foundational, definitions of competitive advantage was given by Porter (1985) when he described competitive advantage as having the ability to create supreme value for the consumers at a low cost or at a price that the consumers are willing to pay. This definition focuses on cost leadership and differentiation advantages, whereby companies gain or retain consumers attracted by lower prices or more perceived product or service value than competitors. Scholars also forwarded other definitions following Porter's definition framework. An organisation's Competitive advantage enables it to perform better than other competitors in the industry (Chaharbaghi and Lynch, 1999). A further understanding of the concept has brought about improved definitions after realising that cost leadership and differentiation are the pinnacles

of competitive advantage, as initially claimed by Porter's definition. This is further confirmed by the wording of other contemporary definitions scholars give on this concept. Kotler and Armstrong (2012) explained that competitive advantage is merely an advantage over competition by offering a lower value and/or better benefits to the ultimate consumer. It is also a condition in which a product or service is deemed better than the competition (Dash, 2013). Madsen and Walker (2017) assert that a company possesses a competitive advantage if it commands superior profits above the nominal average of its industry.

The definitions of competitive advantage take either of the two dimensions or a combination. They are either focusing on the performance attribute of a firm (Porter, 1985; Chaharbaghi and Lynch, 1999), that is, profitability, cost-benefit, and above-average returns or focusing on the sources of competitive advantage (Kotler *et al.*, 2012; Dash, 2013; Madsen and Walker, 2017b) such as cost leadership, location, technologies, etc. The current study regarded competitive advantage as a combination of both dimensions. As such, the working definition of competitive advantage, in this study, was regarded as the supreme performance commanded by a company over its competition, emanating from its ability to identify and use its inherent capabilities effectively.

2.2 Theory Base

2.2.1 Resource-based theory

The resource-based theory (RBT) regards organisations as packets of strategic resources whose combination of quality and quantity determines the competitive advantage in particular organisations (Barney, Ketchen and Wright, 2011). The resource-based theory (RBT) provides a framework to explain and formulate the basis of a firm's competitive advantage (Slotegraaf, Moorman and Inman, 2003; Barney, Ketchen and Wright, 2011). Progressive research on the resource-based theory further argues that whilst the VRIN resources may be essential to competitive advantage, their presence within a firm might not be beneficial should the firm not be fully organised to exploit the full competitive advantage potential in its resources (Barney and Hesterly, 2006). To this end, Barney and Hesterly (2006) put forward the valuable, rare, inimitable, and organised VRIO model in explaining how an organisation utilise its resources to gain a competitive advantage. Applying the tenets of the resource-based theory to the prevailing circumstances in the manufacturing sector in Zimbabwe, the advocacy of the theory would suggest that the troubled firms possess unique strategic resources, which, when correctly exploited, can yield a competitive advantage. Evidence of the existence of valuable, rare, difficult-to-imitate, and difficult-to-substitute physical, human, and organisational capital resources that have a bearing on the competitiveness of business incubators was provided.

Whilst the resource-based theory has been credited for its ability to predict the firms' competitive advantage in its industry, some shortcomings of the theory were also highlighted in the literature. The theory has been

regarded as static and unable to elaborate on the effect of an organisation's action upon its resources over time (Lin and Wu, 2014). Another recent perspective also demonstrated that a resource-based view is flawed in its resource-centred approach but should incorporate the stakeholders' perspective (Barney, 2018). The argument given by Barney (2018) here was that in competitive settings, a firm would not be able to attract the kind of resources it needs to generate profits, and therefore, to attract the types of resources that can generate profits, managers must recognise that stakeholders besides shareholders have claims on the profits that their resources help generate.

2.2.2 Dynamic capabilities theory

The resource-based theory could not provide an interpretation of resource creation, resource development, and firms' ability to cope in dynamic environments (Galvina, Rice and Liao, 2014). Dynamic capabilities theory was then developed as an advance on resource-based theory (RBT) and to address the challenges with the claimed static nature of the previous theories of competitive advantage (Bleady et al., 2018). Dynamic capabilities theory asserts that an organisation needs not only to have unique and difficult-to-imitate resources but also to be capable of integrating, utilising, and configuring its resources to adapt to the changing environments (Rice et al., 2015). Dynamic capabilities may thus be regarded as a source of sustainable competitive advantage (Teece, 2016).

Figure 1 below illustrates the relationship between a firm's resources and dynamic capabilities. Teece (2016) further explains the concept of dynamic capabilities as involving three basic capabilities that firms ought to have to gain competitive advantage, and these affect the ability to sense the availability of opportunities and customer needs. Organisations with astute sensing capabilities can scan their environment and anticipate change in the business environment well ahead of their competitors (Teece, 2007). The second capability is seizing, which is mobilising resources to capture value by devising and refining business models appropriate to the sensed opportunities (Teece, 2018a).

Lastly, the reconfiguration capability involves making a controlled renewal through constant transformation. Transformation capability enables a firm to upgrade its ordinary capabilities and direct these, and the capabilities of partners, toward high-payoff endeavours (Teece, 2014).

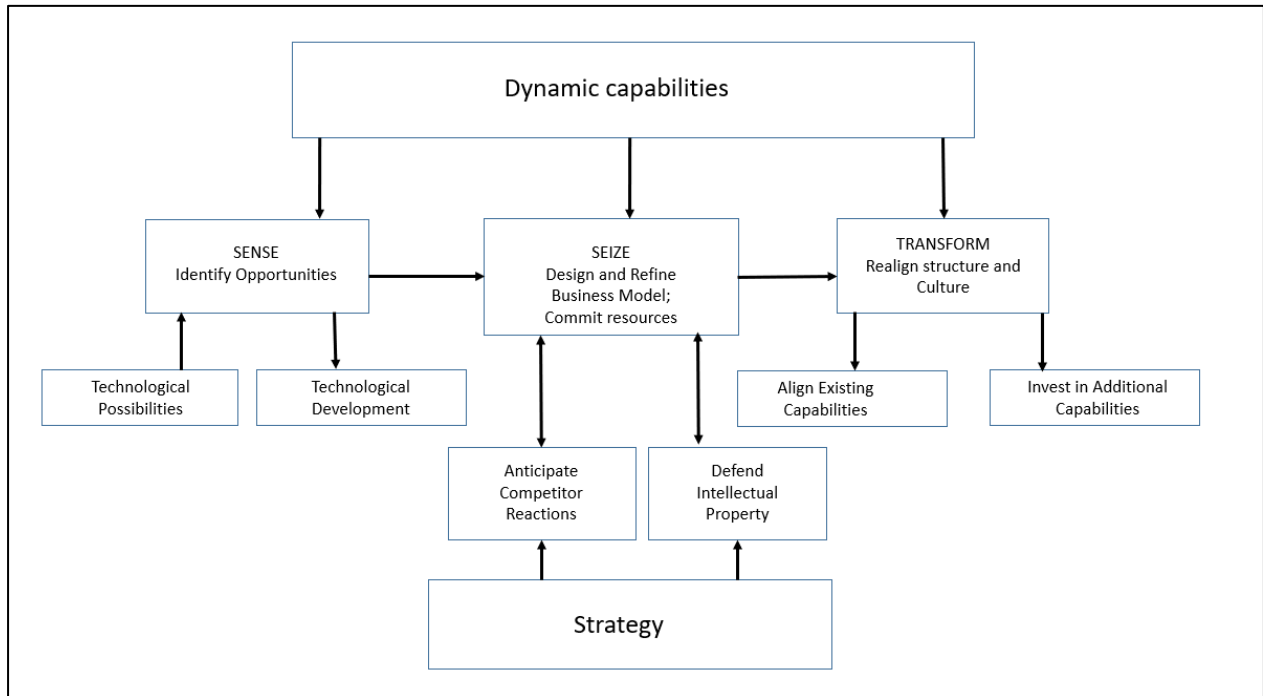


Figure 1: Dynamic capabilities in the context of organisational resources (Teece, 2018; Behrendsen and Tombach, 2020)

Recent studies have suggested that whilst literature has orchestrated the positive influence of dynamic capabilities on competitive advantage, the relationship is not always linear, owing to other moderating parameters. The impact of dynamic capabilities on competitive advantage is jointly affected by organisational and environmental factors (Fainshmidt *et al.*, 2019a). In their research, Fainshmidt *et al.* (2019) argue that dynamic capabilities only produce competitive advantage should the capabilities support the compatible strategic orientation and align with the levels of change and resource allocation propensities within the organisation.

Considering the above argument, pharmaceutical companies that have similar resource bases and capabilities may not simultaneously convert the same into a competitive advantage, but only the organisation whose strategy fits the levels of dynamism in line with the resources the firm is willing to spend in implementing the competitive strategy.

The demerits of Fainshmidt *et al.* (2019) argument lies in the fact that it brings about too many variables in the influence of dynamic capabilities on competitive advantage. This further complicates a fair understanding of the dynamic capabilities concept of its influence on competitive advantage, which is already scarce in empirical studies (Zhou *et al.*, 2019a).

2.2.3 Current study theory selection

The current study mainly employed the dynamic capabilities theory above the resource-based theory. This choice of theory is informed by the fact that the present research focuses on firms under economic challenges, and it is thus a given fact that most of these firms are struggling to obtain resources, especially those of a financial nature. Thus, a better bargain would be in the use of capabilities of the firms to regain competitive advantage than in the scarce resources they possess.

On the other hand, the study is being conducted in a volatile, uncertain, complex, and ambiguous (VUCA) environment in which the static nature of the resource-based theory will impede the attainment of valuable information from the study. Dynamic capabilities theory, a newer theory that emerged from resource-based theory, is thus more current for application.

2.3 Hyperinflation and firm competitiveness

In financial terms, inflation is regarded as an increase in aggregate consumer demand over the total supply resulting from an increase in money supply (Tamimi and Orbán, 2020). The influential role of macroeconomic factors such as inflation on firms' competitiveness has been a focal point for economic researchers (Obeng-Krampah, 2018). In developing countries like Nigeria and Zimbabwe, adverse macroeconomic factors such as hyperinflation and exchange rates are some of the principal factors affecting the competitiveness of manufacturing firms (Owolabi and Nasiru, 2017).

Whilst the resource-based and dynamic capability theories opine that the internal attributes of an organisation determine its position in the competitive environment (Denizel, Özdemir and Ozdemir, 2006), the survival and growth of firms also depend on interaction with macro-economic factors such as inflation and firms' characteristics, including its resources and capabilities (Egbunike and Okerekeoti, 2018).

A similar phenomenon was observed in a typical developing country, Ghana (Obeng-Krampah, 2018) when he concluded that inflation, among other macroeconomic variables, is a significant driver of firms' financial performance. This verified effect of inflation on firms' competitiveness suggests that whilst manufacturing firms may effectively utilise their valuable, rare, imperfectly imitable, and non-substitutable (VRIN) resources and dynamic capabilities, the successful delivery of competitiveness is, to a greater extent, governed by inflationary pressures and other adverse macroeconomic fundamentals.

3. Research Methodology

The study employed a qualitative interpretivism research paradigm with a generic (Kahlke, 2028; Yadav, 2023) inductive approach. The available literature on the study theories, competitive advantage and hyperinflation concepts informed the formulation of the interview guide, which included open-ended questions, and the resultant transcripts were analysed inductively, seeking both pre-identified and new

concepts. The analytical process laid out by Saldana (2021) was utilised for the analysis. In this process, the transcripts were coded individually, and then codes were aggregated into logical collections called categories. The categories later merged into themes, constituting the study's findings.

The population of this study included all eight pharmaceutical manufacturing firms in Zimbabwe, and a purposive sample of 12 industry experts was selected from this population.

3.1. Ethics

An interview consent form was issued and signed by the research subjects, who had the right to withdraw at any stage should they desire. All personal confidentiality and anonymity information, or corporate secrets and patents shared by research subjects, were held in confidence. An ethical clearance was obtained with the IMM Graduate School before the commencement of data collection.

4. Results and Findings

The population for this research from which the results were sampled comprises the eight registered pharmaceutical manufacturing firms in Zimbabwe. The criteria for selecting the research subjects were such that participants should meet the following attributes as a minimum requirement:

- Serving as sales/marketing manager, research and development manager, regulatory affairs manager, finance manager, general manager, operations manager, or director of a pharmaceutical company.
- The research subject should have at least five years working experience in the pharmaceutical sector.
- The interviewees must express their free consent to the data collection interview.

The data analysis began with codes from interview transcripts grouped into categories, then themes. The results were presented as responses to the three research questions of the current study. The research questions were treated as the major subheadings with themes and categories as second and third-level headings of the results and discussion presentation. Direct quotes from the transcripts support each claim.

4.1 Research question 1: What are the dynamic capabilities needed for business growth that the pharmaceutical firms in the industry possess?

The results of the current study outlined four capabilities that are observable within the industry. These are maintaining a committed and innovative workforce, utilising the digital space for the drug supply chain, constant research and development, and establishing social capital with the regulator. All these cited capabilities are aligned towards the ability of the firms to generate competitive resources that can enable a competitive advantage. Therefore, the capabilities were collectively categorised as resource generation.

4.1.1 Resource generation

Maintaining a committed and innovative workforce

The participants perceived that pharmaceutical firms in Zimbabwe have limited financial resources and a committed and innovative workforce. Employee commitment has been found to have a positive effect on engagement and performance (Ngwenya & Pelsler, 2020) so is important in the utilisation of relevant competencies. Interviewee 7 was quoted as saying, *“It is not a secret. It may not be by choice because local manufacturers may not have the money to buy relevant equipment.”* Referring to human resources skills in the industry, Interviewee 7 was further quoted as saying, *“I am looking at resources like human resources. They (local firms) are already employing some of the best resources on the market.”*

Constant research and development approach

The current study also revealed that firms have used a constant research and development approach to keep their products relevant in the market and optimise costs. A committed and innovative workforce has also made the firms leverage amid limited financial resources. Khan et al. (2020) cited that the interaction of human capital and technological innovations is positively linked to economic development. This suggests that firms with sound human capital, although devoid of financial resources, have the potential to be competitive with their well-financed counterparts. These findings echoed the similar assertions in literature that the organisations would be empty shells without human capital, as it is the critical resource that sustains organisations and allows them to maintain their competitiveness (Mubarik, Shahbaz and Abbas, 2022).

Maintaining a social capital with the regulator

The current study unveiled that, given the powerful regulatory body in Zimbabwe, firms should aim to generate and maintain social capital with the regulator to assist them in circumstances of new registrations and other regulatory frameworks (Chowdhury & Sundaram, 2023). Trying to explain this opinion, Interviewee 1 had this to say, *“So sometimes those are the things that come into play where one company might have an advantage because it has received a license from the authority and the other companies are failing to get the same license so that company now has an advantage.”* Literature supports that social capital positively impacts working relations and work effectiveness. One such source claims that when relational and structural forms of social capital manifest in the relationship, assessment practices become significant in driving business partners’ social performance (Akintimehin et al., 2019). The current study echoed the assertion that social capital significantly affects competitive advantage and firm performance.

Taking advantage of the digital space in the drug supply chain

Most participants perceived that taking advantage of the digital space in the drug supply chain amid the stringent marketing regulations by the regulatory authority can yield a competitive advantage for the firms. Interviewee 6 said, *“there’s also a gap in as far as adapting to or taking advantage of the digital space in*

terms of drug supply and the like, we do not have, there's a gap in that, also owing to regulatory, where MCAZ will tell you what to do and what not to do when you're in the digital spaces." New digital technologies emerging every day are on their way to disrupting nearly all areas of traditional business processes. For that reason, supply chain managers need to shift their attention from cutting costs to enabling new approaches and making corporations more connected and agile to create value across the enterprise (Agrawal and Narain, 2018). On the other hand, since digital advancement is constant (Shaughnessy, 2018), the digital transformation capabilities of a firm may become an indispensable resource regeneration capability.

The current study outcomes suggest that firms can evade the obstructing advertising regulations by using digital marketing, which is currently outside the scope of the current regulations. Trying to explain this fact, Interviewee 3 said, *"There are, however, other ways within the digital space that are not so much regulated, and companies can take advantage until they are under control"*.

4.1.2 Dynamic market capabilities

Another set of capabilities possessed by the pharmaceutical firms in Zimbabwe, as alluded to by the research subjects, can be categorised as dynamic market capabilities owing to their area of applicability, which is the pharmaceutical market, and these include:

- a) niching for competitive advantage,
- b) brand positioning, and
- c) differentiation by aesthetic appearance.

Niching for competitive advantage

The current research claims that firms are niching for competitive advantage. Interviewee 1 cited that *"it's as if they(firms) compete at different levels, depending on which products you are focusing on, and it's an issue of marketing"*. Since all medicines manufactured in Zimbabwe are generic, firms were said to be selecting a specialised market to target, such as paediatric medicines and stand out from the rest. One urging in the literature on the use of a niching strategy noted that unless drug companies find new products to replace the many bestsellers with expiring patents or adapt in other ways, such as focusing on niche markets, they may enter dangerous waters (Collier, 2011). The potential profitability of niche market therapies is well demonstrated by the number of these drugs that have already achieved a competitive status (Kumar, Kakkar and Dahiya, 2014). Niching provides some specialisation and skills perfection to the company practising this strategy (Herbst, 2019). Specialisation and skills development attributes may have the potential for the firm to generate abilities that competitors cannot easily reproduce. Teece (2018) commented that for a firm to have a competitive advantage, it must possess valuable, rare, imperfectly imitable, and non-substitutable (VRIN) resources coupled with dynamic capabilities to exploit these

resources.

Brand and product positioning

On this point, Interviewee 6 said, “*when you position a pharmacy, you position it well, you demystify a pharmacy; it’s not a place for sick but a place for health, beauty, supplements and the like.*” Respondents opined that consumers must feel good going into a pharmacy to buy supplements and other pharmaceutical products without feeling a stigma attached to this activity. Hilton (2016) said the pharmacy industry should seek new disruptive solutions to enhance its status and competitiveness. One such solution suggested is service value networks (SNVs), which do not limit the channels through which a product may be marketed. Concerning drugs, OTC products, in particular, pharmaceutical companies can position their products on several dimensions in line with market preferences (Moschis, 2022). Hence, the ability of a firm to identify any new and unexplored market may be considered a market capability and may result in a competitive advantage over those firms that have not yet entered this market.

Differentiation of generics by aesthetic appearance

Another marketing capability pointed out in the interviews is the differentiation of generics by aesthetic appearance. Supporting his assertion, Interviewee 6 said, “*yes, the look matters, definitely the look matters. Many companies are going all out to present their brands in unique packaging.*” A good, reputable, fine-looking product will give a competitive advantage (Lorenzini, Mostaghel and Hellström, 2018) and can be an indispensable resource for firms.

As illustrated in Figure 2 below, one theme could be identified in the study along the lines of the dynamic capabilities that the firms in the industry possess. This theme was termed “recognising opportunities” and is supported by two sub-data categories, resource generation and dynamic market capabilities, as detailed in the preceding sections.

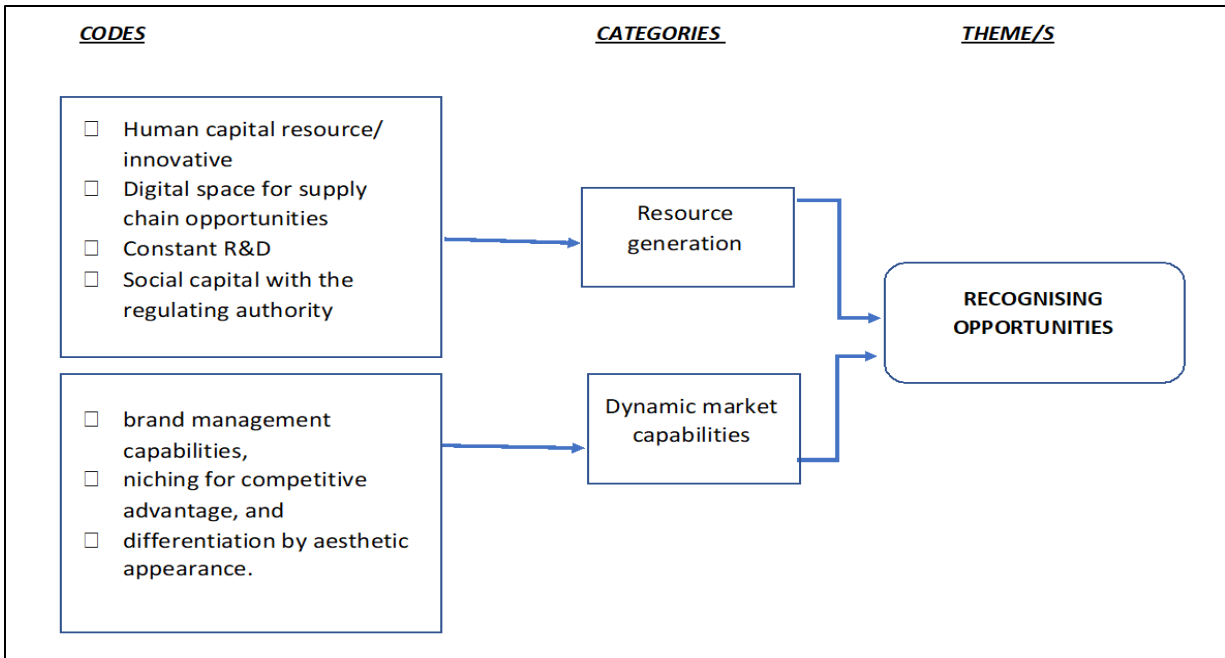


Figure 2: Data codes, categories, and theme/s for research question 1 (own study).

4.2 Research Question 2: How can the firms’ unique sensing, seizing and reconfiguration capabilities be utilised to regain lost competitiveness?

This section explores the answers to research question 2, starting with how the firms can use their sensing capabilities to yield competitive advantage, followed by the seizing and reconfiguration capabilities.

4.2.1 Strategic planning for competitive advantage

4.2.1.1 Sensing capability

Firms are aware of untapped export opportunities in the region.

In this regard, Interviewee 7 said, “I do not think there is much growth locally anymore. They need to grow from a regional perspective because Botswana, for example, lacks manufacturing. Neither does Namibia. Mozambique has one or two manufacturing plants. Angola has none. I would then go and serve that market from a regional perspective.” The current study submissions assert that this is a disruptive opportunity in the poorly structured pharmaceutical industry within the SADC region outside of South Africa.

Use of dietary supplements rather than curative medicines.

Interviewee 6 said, “I was referring to issues of supplements, ... that’s an opportunity because our generation agrees to the life of taking supplements.” A current study claims that some sectors of consumers have been said to be increasingly embracing dietary supplements and nutraceutical therapy rather than pharmaceuticals. As such, firms may need to position themselves to capture this market.

Consumerism behaviour is giving rise to lifestyle diseases.

Interviewee 6 explained that “... *consumerism behaviour has a ripple effect on health. So, this is a potential market.*” Interviewee 6 highlighted that the increased consumerism in the economy has given rise to some lifestyle diseases, such as hypertension, diabetes, acids, etc. This presents many gaps to fill for the pharmaceutical industry in terms of providing remedies for these lifestyle challenges. Literature echoes the sentiment that emerging economies are readily exploitable territories for the innovative products of pharmaceuticals due to a change of lifestyle occurring, and these changes accompany a shift in disease patterns. The incidence of diabetes and oncologic diseases is expected to grow by 20% or more by 2030 (Tannoury and Attieh, 2017).

Environmental sustainability strategy

Another area that exposed the limited sensing capabilities of pharmaceutical firms is the utility of environmental sustainability strategy to harness competitive advantage. Some respondents on this issue highlighted that they hardly see an opportunity in this area, except for their efforts to fulfil regulatory compliance. Interviewee 7 said, “*Environmental sustainability strategy is not a big seller in the pharmaceutical industry because already people are saddled with so many rules and regulations, such that the environment is already included in the many regulations*”. In literature, environmental sustainability strategies are claimed to be a good source of competitive advantage as they increase the efficiencies and draw new business because of consumer trust (Walsh and Dodds, 2017). Given the overwhelming support of literature on environmental sustainability strategies for competitive advantage, Zimbabwean firms may need to step out of mere regulatory compliance and go the extra mile, consciously conserving the environment and implementing green marketing to harness positive publicity and customer goodwill. Customer goodwill is an essential organisational resource (Kifordu and Ogala, 2020) that competitors can hardly take away from the firm. As such, a VRIN resource gives a good working platform for firms’ dynamic capabilities (Singh, 2022).

4.2.2 Strategy implementation

In the context of this study, the theme of strategy implementation was discussed around the areas of opportune seizing, resource and systems efficiency, dynamic market capability, and dynamic capability retardants as categories.

The dilemma of the Zimbabwean pharmaceutical industry is indeed strategy implementation, as captains of the industry shared many and sufficient ideas to facilitate competitive advantage. Still, only a few seem to have been implemented. Despite some dynamic capabilities impediments noted in the interviews, such as hyperinflation, limited financial resources, hostile country perception, etc., said to be derailing strategy implementation, firms themselves may have a part to play in their own failures.

4.2.3 *Opportunity seizing*

Although many opportunities exist for firms to exploit, ranging from strategic alliances, product expansion drives, diversification into medicine-related fields, and speculative stocking, among others, the actual exploitation of these opportunities, highlighted in the interviews, remains scarce within the industry. This situation reflects those dynamic capabilities, especially seizing an opportunity, are indeed firm-specific (Zhang *et al.*, 2022), as all the firms whose personnel were interviewed almost echoed similar assertions. Still, the level of strategy implementation is different. Interviewee 4 said, “*The industry knows what it wants; we know what we will be looking for at all those conferences and conventions...*” At such conferences, ideas and some of these opportunities within the sector are openly discussed; however, only a few firms are practically seizing the opportunities. This state of the industry resonates with Birkinshaw, Zimmermann and Raisch (2016), who claim that it is impossible to identify a universal set of capabilities for the firms; however, a distinct set of capability outcomes on the mode of adaptation of the specific organisation.

4.2.4 *Resources and systems efficiency*

Regulatory harmonisation

Interviewee 2 claimed, “*The one (opportunity) that looks imminent and closer is the opportunity to expand the market, and this is coming through the harmonisation of regulatory processes for Africa.*” Pursued by the industry is the harmonisation of regulatory systems within the region. The current study submissions opine that the formulation of sub-unions of regulatory authorities, such as ZAZIBONA in SADC, are testimony to the industry’s commitment to see this harmonisation a reality, as it shall remove some technical trade barriers currently prevailing.

Since the regulatory harmonisation advantage applies to all firms in the industry, it cannot be regarded as a VRIN resource that aids dynamic capabilities (Teece, 2018b). A VRIN source should be unique to a firm (Teece, 2018b), and dynamic capabilities include an explicit role for management/leadership that allows systemic change to start from within, which is the source of heterogeneity across firms (Schoemaker, Heaton and Teece, 2018). The existence of regulatory harmonisation could meet neither dynamic capability nor VRIN attributes. However, its presence may catalyse existing capabilities and resources to yield a competitive advantage over rivals with no equal capabilities and resources.

Figure 3 below illustrates all the relevant codes, categories and themes pertaining to research question 2. The diagram, as constructed from the current study, demonstrates that for strategic planning, firms should employ their sensing capabilities to unveil opportunities, such as untapped export opportunities, an attentive market that responds well to marketing efforts, and an environmental sustainability strategy. These sensing capabilities would be coupled with marketing capabilities to formulate strategies to counter competition

(Zhou *et al.*, 2019b). At the same time, resources and systems efficiency should be sound to support the strategy implementation and marketing activities (Mayende and Joseph, 2020). Therefore, dynamic market capabilities are essential in strategic planning, implementation and opportunity seizing.

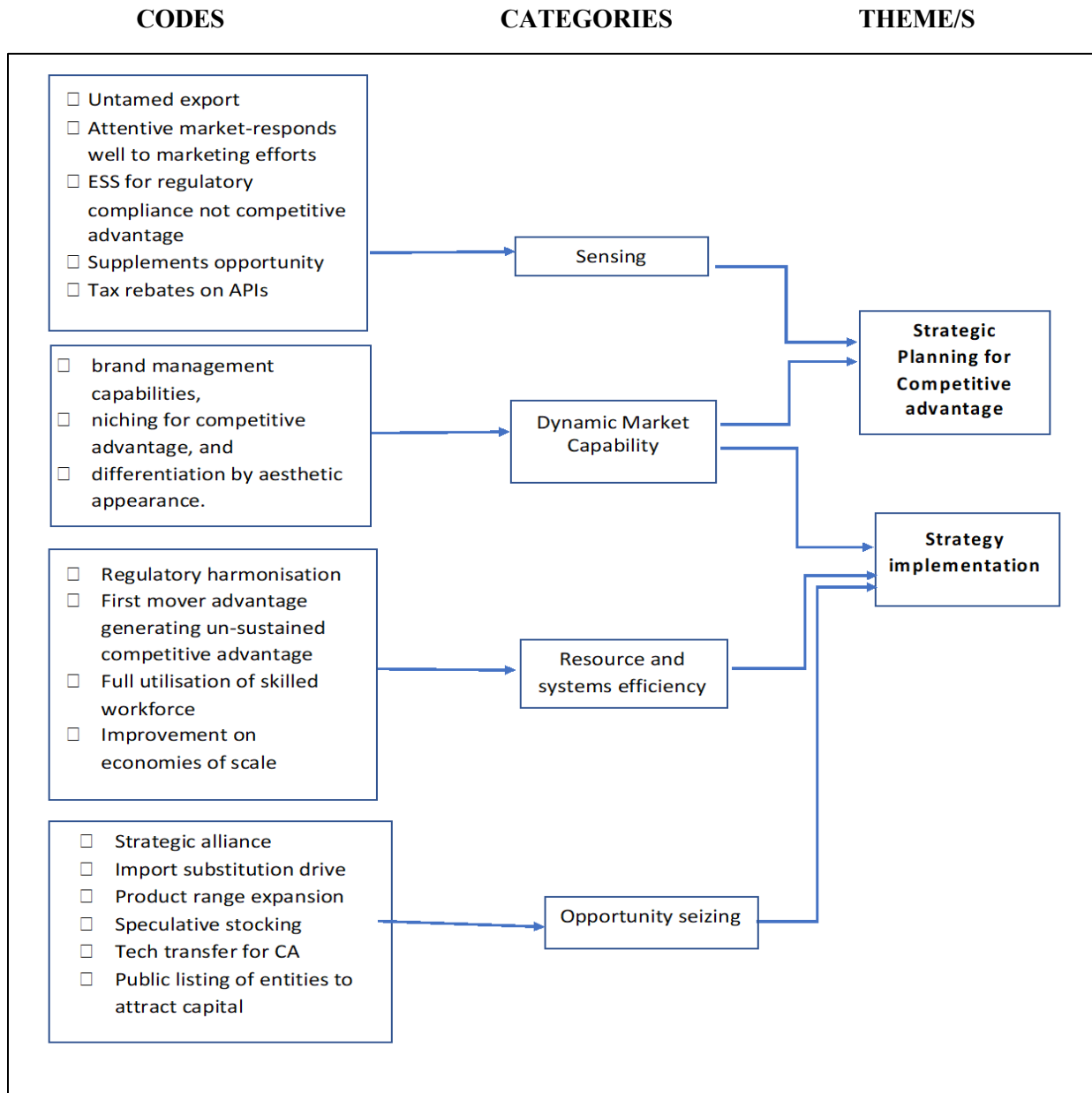


Figure 3: Data codes, categories, and themes for research question 2 (Own study)

4.3 Research Question 3: How does hyperinflation affect the alignment of current firms' capabilities to their competitive advantage?

The current research submissions pointed out that there is often a competitive advantage trade-off for survival amid a volatile economic environment. Referring to this approach by the pharmaceutical firms,

Interviewee 4 had this to say; “... it is mostly to do with the fact that most of them are operating under constraints. So, it’s not a matter of prioritising that sometimes, even if an opportunity exists, the priority may be just to survive the tide for that time.”

The negative country perception (Tasara et al, 2021) impedes exports and international linkages due to hyperinflation and an ailing economy. Interviewee 7 said, “... people know what they want, but the country’s perception is a big drawback. So, I would say capabilities exist, but the country’s perception is hiding them.”

A theme that emanated from the answers to the third and final research question was dynamic capabilities retardants, with hyperinflation inhibiting the full exploitation of dynamic capabilities for competitive advantage and sustaining competitive advantage theme.

4.3.1 Dynamic capabilities retardants

Dynamic capabilities retardants entail several factors impeding firms’ ability to employ their dynamic capabilities effectively. The current research findings claim that the prevailing hyperinflation in the economy makes price leadership strategy challenging to implement since prices always increase, regularly removing any reputation of lower pricing to any business player. Trying to explain this fact, Interviewee 4 said, “... it then becomes difficult to be competitive with our price.” In an average economy, firms employ dynamic capabilities to create, integrate, and reconfigure internal and external competencies to tackle conditions that otherwise undermine their current market positions (Schoemaker, Heaton and Teece, 2018). One such competence that manufacturers may generate in a competitive environment is price leadership arising from competitive sourcing and process efficiency capabilities. However, hyperinflation creates a complex operating environment for firms as it reduces the effectiveness of an economy by pushing business players away from financial transactions (Sedevich, 2012).

The research findings unveiled that inflation is bound to perpetuate poor customer relationship management (CRM), as consumers will never forget a firm that often delivers products at a higher price. Explaining this fact, Interviewee 2 said, “Your customer will always remember that I went into this shop, and I wanted to buy this, when I turned around, they told me that the price had changed, they will always remember”.

Bureaucracy in the regulatory processes, such as medicine registrations, was cited in the current study as an impediment to firms’ drive to register new drugs and increase their product portfolio. Interviewee 1 lamented the bureaucracy in his statement, “I would say to a significant extent they (regulator) play a key role in that. Also, to have a company applying for a license and putting their house in order, and for it to take two years or something like that, I mean, that is ridiculous.”

The current research findings opined that the industry lacks financial resources, which has pressured the sector to live from hand to mouth with little resources to finance technological advancement (Hamadziripi

& Jana, 2023). Trying to explain this fact, Interviewee 4 said, *“I know that for the technical know-how, the ability is there. However, the equipment and other things that may be needed need financing.”* On the same point, Interviewee 7 said, *“It is not a secret. It may not be by choice because local manufacturers may not have that kind of money to buy relevant equipment.”*. Fainshmidt *et al.* (2019) highlighted that for dynamic capabilities to yield competitive advantage, a supportive strategic orientation should be appropriate for the environment's dynamism and resource spending levels. This suggests that the dynamic capabilities of a firm may remain dormant and unexploited unless the organisation is resourced enough to exploit them.

The current study opines that Zimbabwe has stringent advertising regulations wherein consumers are exposed to DSTV, which freely advertises foreign drugs. Explaining this fact, Interviewee 3 said, *“... we have stringent regulations when it comes to the advertisement of medicine in Zimbabwe, whereas people have access to things like DSTV, satellite television, where they see adverts from other countries.”* This technically presents an unfair trading ground for the local firms, who cannot freely advertise on mass media platforms.

Lastly, country perception has been cited by Interviewee 7 as a drawback of international linkages (Tasara *et al.*, 2021). Elaborating on this point, Interviewee 7 said, *“I would say the capabilities to identify opportunities, whatever capabilities are there, they have been clouded by a negative country perception.”* At another point in the interview, Interviewee 7 repeated, *“So the people know what they want, but the country perception is a big drawback.”* To this end, international business partners regard Zimbabwe as an unsafe investment environment; thus, much must be done to market the country and the industry to global capital and linkages.

Figure 4 below explains the dynamic capabilities model of the pharmaceutical manufacturing sector that emerged from the current study. The three pillars of dynamic capabilities, sensing, seizing and reconfiguration capabilities, are always cyclical and interlinked. However, the macro environments under which the firms operate have a moderating effect on dynamic capabilities in yielding competitive advantage. Such domains established in the study are financial, hyperinflation, regulatory environment, and market environment.

In the financial environment, a lack of financial resources highlighted in the current study impedes firms' ability to retool and finance working capital, such that the firms would operate on old and inefficient equipment, resulting in a high cost of production. Considering this sad reality in the local industry, Interviewee 7 said, *“I'm looking at plant and equipment. They are literally stretching using antiquated equipment, just giving it a bit of life so that they keep going and they don't close.”*

Regarding the hyperinflation environment, the current study unveiled that hyperinflation affects the alignment of dynamic capabilities to yield a competitive advantage in several ways. Firstly, hyperinflation renders the price leadership strategy challenging to implement as prices continue to increase.

Hyperinflation also affects customer relationship management (CRM) as ever-changing prices of commodities frustrate consumers, making consumer relations challenging to mend. In this case, no matter how firms integrate, reconfigure, and transform their internal capabilities (Teece, 2018a), they may not gain a competitive advantage from price leadership or customer goodwill.

Regulatory bureaucracy and stringent advertising law impediments were highlighted in the current study as the major challenges in the regulatory environment. Internal capabilities of firms to timeously produce new products to meet an imminent market need are often stifled by lengthy registration periods. Lamenting this kind of bureaucracy, Interviewee 1 said, *“I would say to a significant extent they (regulator) play a key role in that. Also, to have a company applying for a licence and putting their house in order, and for it to take two years or something like that, I mean, is ridiculous.”*

Lastly, challenges in the market environment highlighted in the current study include unequal marketing privileges with foreign products who freely advertise their products through DSTV, and the local firms are met with many regulatory restrictions. Another impediment manifesting in the market, as described in the current study, is poor price competitiveness emanating from the high cost of production. Lastly, a negative country perception prohibits international linkages as investors regard the country as an unsafe investment environment. Mostafiz, Ahmed and Hughes (2022) claim that firms can build strong dynamic marketing capability (DMC) from open innovation to enhance the performance of entrepreneurial firms. However, when market and regulatory impediments stifle such open innovation, it may be challenging to generate and sustain the dynamic market capabilities for the firm.

Therefore, the pillars of dynamic capabilities, sensing, seizing and reconfiguration capabilities, may not alone be enough to generate a sustained competitive advantage without a favourable alignment of the environmental factors. Dynamic capabilities lead to a competitive edge when they support a strategic orientation appropriate for the levels of dynamism in the environment (Fainshmidt *et al.*, 2019b).

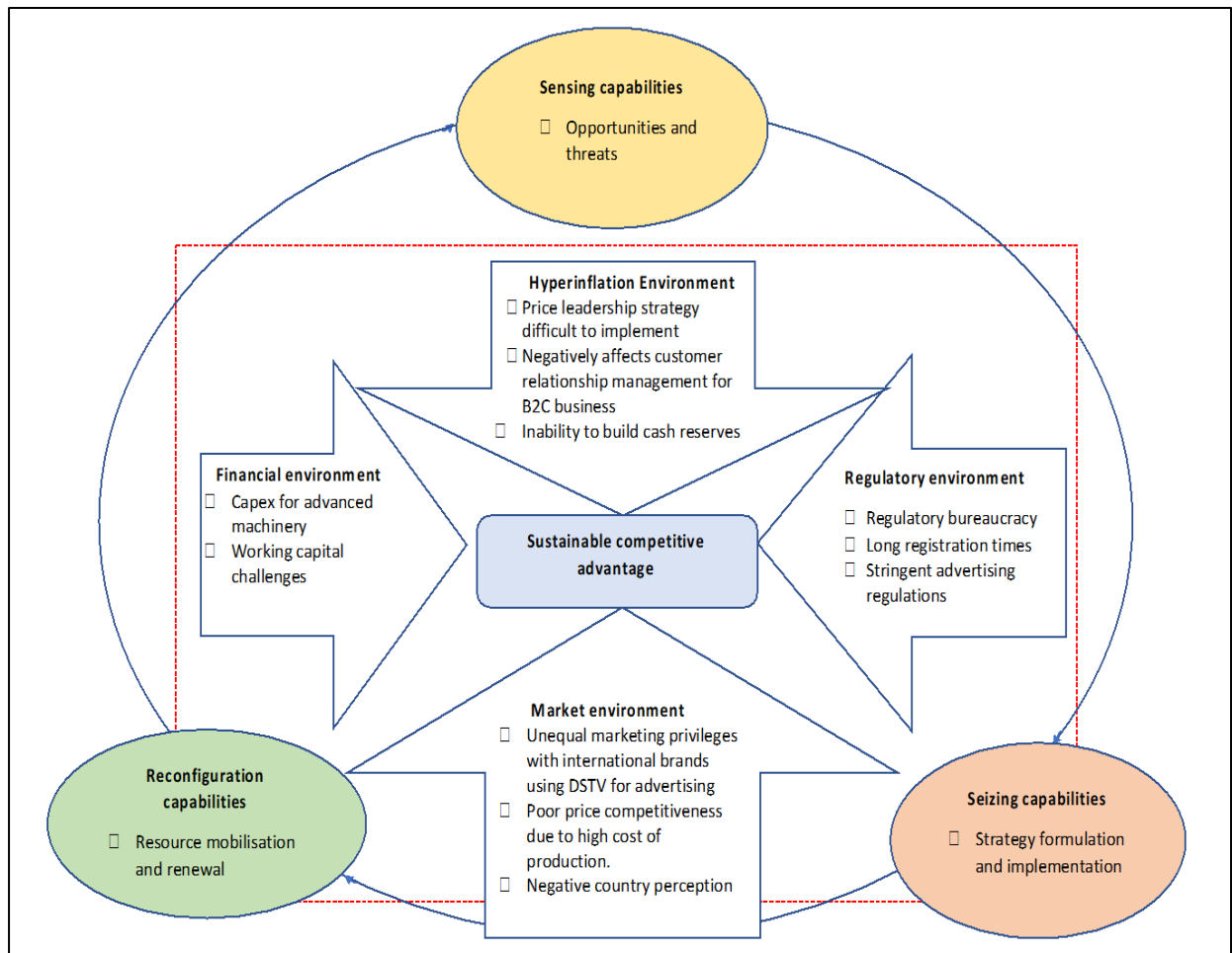


Figure 4: Dynamic capabilities model for the pharmaceutical sector (Own study)

4.3.2 Sustaining a Competitive Advantage.

The theme of sustaining competitive advantage is premised upon the firms' efforts to consolidate market position, dynamic market capability, resource generation and overcome dynamic capabilities retardants (DCRs).

The rationale for combining these factors to determine the realisation of a sustained competitive advantage lies in the logic that the firms were confirmed in the study to need financial and other resources to exploit their capabilities desperately. In support of this assertion, Interviewee 7 said, "*Financial resources, there are hardly any available as loans do not come easy. You need to do a lot for the loans that are available to get them. So, I would say, to be fair on the industry, in terms of resource utilisation, I think they are doing all they can.*" Therefore, resource generation is crucial for a firm to sustain its competitive advantage.

On the other hand, the study confirmed that firms must practice some market ingenuity to produce a competitive advantage. Interviewee 1 said, "*... it's an issue of marketing; companies that are really*

marketing their brands are the ones that have an advantage over the others.” Owing to the current study’s view that resources are needed to sustain dynamic capabilities, they have been shown (Figure 5) to span all the dynamic capabilities, namely, sensing, seizing and reconfiguration capabilities.

Dynamic marketing capabilities are illustrated in the diagram, Figure 5, to be a key determinant in the seizing capabilities involving the strategy implementation and all the efforts to defend a market position that a firm can employ, such as niching, differentiation, etc.

Lastly, the current study illustrates that firms’ ability to attain a sustained competitive advantage lies in their ability to withstand obstacles, regarded as dynamic capability retardants (DCRs) presented by the operational environment. As cited in the research interviews, some of the DCRs to be overcome by pharmaceutical firms include the regulatory bureaucracy, lack of financial resources, hyperinflation effects, and the negative country perception repelling international linkages.

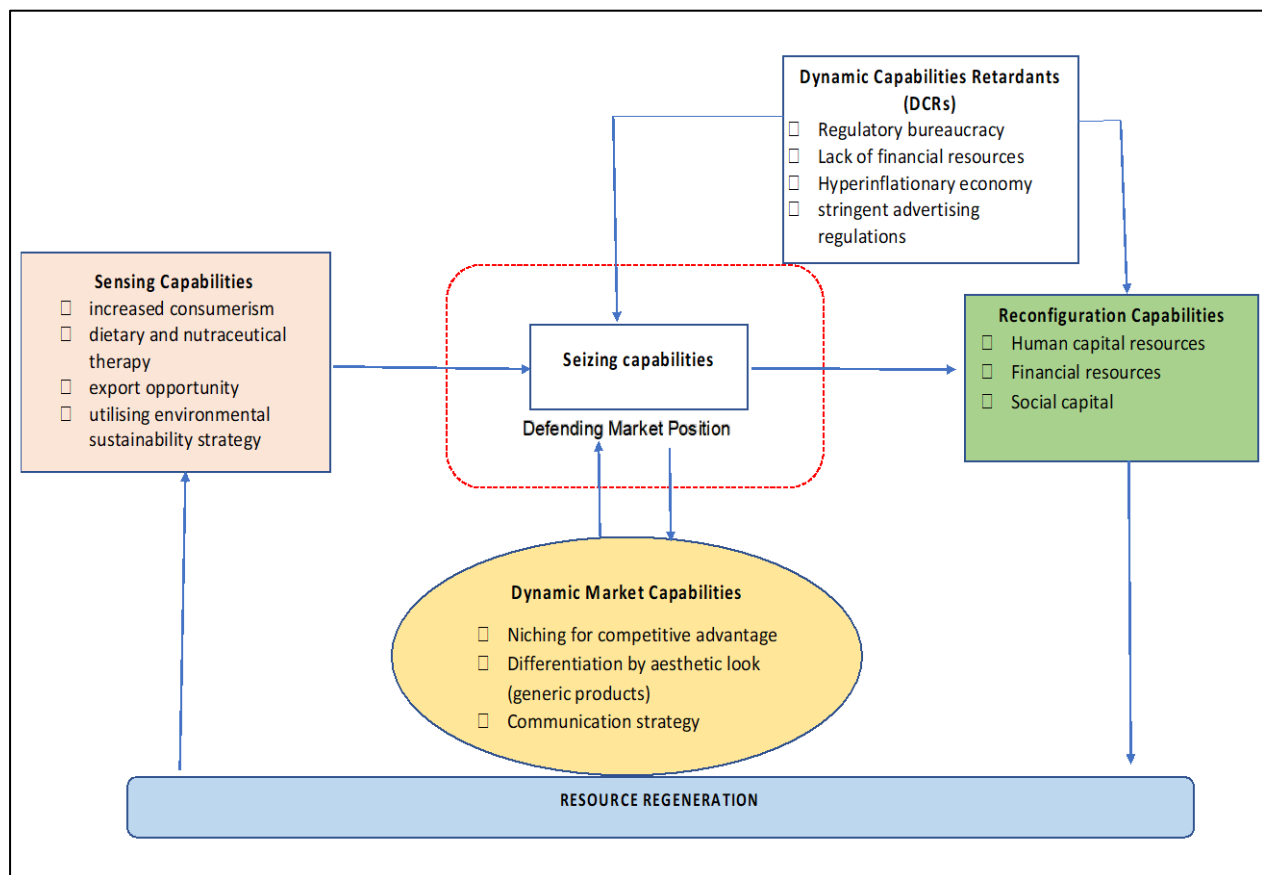


Figure 5: Factors determining sustained competitive advantage (own study)

The model above, Figure 5, sought to explain the linkage of factors determining a sustained competitive advantage as depicted in the study. In this diagram, the firm will use its resource-generating ability to effectively scan for opportunities in its environment. However, the firm’s ability to seize these

opportunities upon implementing strategies for competitiveness is limited by dynamic capability retardants (DCRs) but is propelled by the dynamic market capabilities of the firm. Hence, the ultimate ability to defend a market position and remain competitive is determined by the firm's ability to overcome the DCRs and the strength of the dynamic market capabilities. Finally, the human capital, financial and social capital resources will help the firm to renew its capabilities in a resource regeneration phase, which is a continuous process.

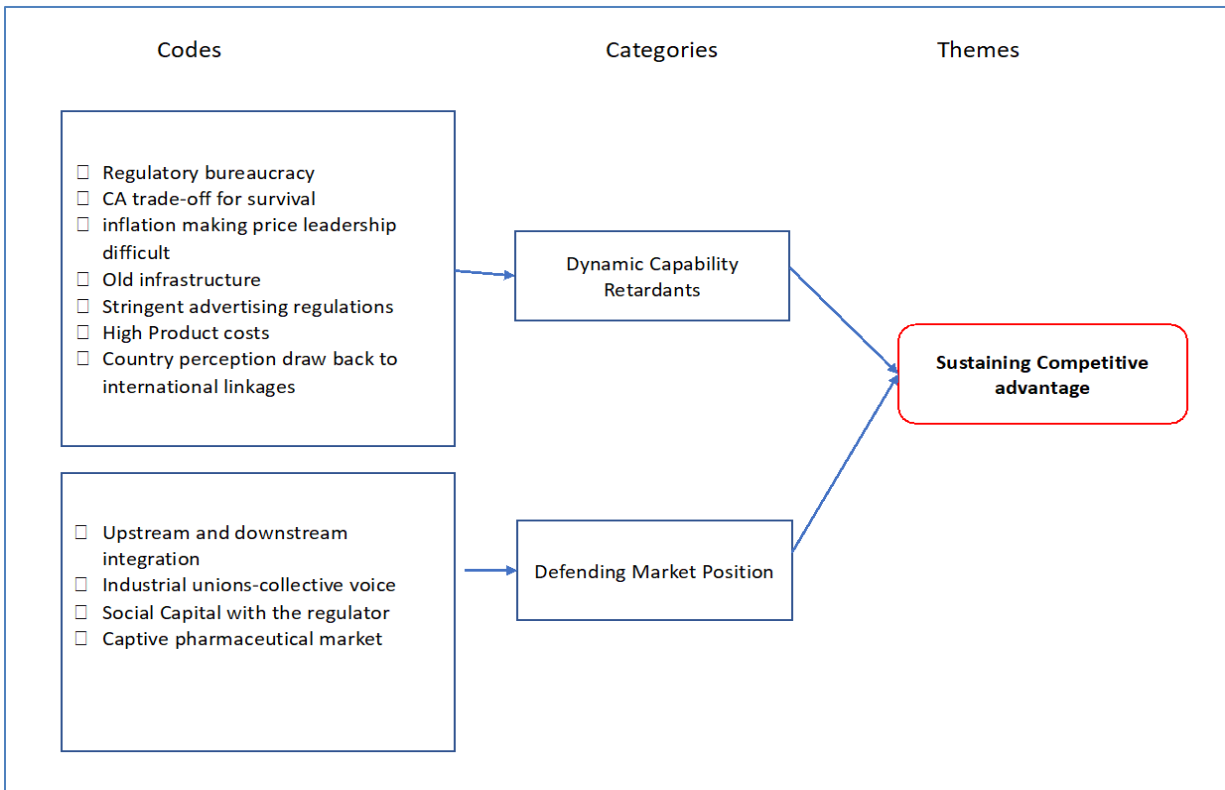


Figure 6: Data codes, categories, and themes for research question 3 (Own study)

5. Managerial Implications

This section outlines the recommendations to various stakeholders in the Zimbabwean pharmaceutical industry, namely the captains of industry, the pharmaceutical industry at large, the government and future researchers as follows:

5.1 To the captains of industry

The current study has unveiled that although the firms in the pharmaceutical industries are aware of the opportunities at their disposal, and they are thus capable of effectively scanning for options, the firms still

fall short in seizing these opportunities for competitive advantage. To this end, organisational resources and investment should be made towards an effective strategy implementation to enable the timely seizing of opportunities.

The current study has also unveiled that a firm's success in generating competitive advantage lies in its ability to implement robust strategies, such as niching, differentiation by the aesthetic look of generic medicines, and an effective communication strategy. However, no matter how good the strategies an organisation adopts, the organisation needs to have the agility to overcome some dynamic capability retardants, such as hyperinflation, regulatory bureaucracy, and lack of financial resources that tend to derail all the firm's competitive efforts. In light of this, firms are urged to utilise those rare opportunities amid an economic crisis, such as over-borrowing during hyperinflation and repaying at an eroded value. Firms can also deliberate to gain social capital with the regulatory authority for preferential treatment on registrations and other regulatory services.

5.2 To the pharmaceutical industry

The pharmaceutical industry needs to form industrial unions among the firms and utilise these to lobby for better import tariffs with the government. This will enable the industry to produce competitive prices that compete with imports from other better economies.

5.3 To the government

For the sake of supporting the pharmaceutical industry and, thus, the health provisions for the public, the government needs to make a deliberate effort to support local production. This can be achieved through implementing the following, among other things:

- Duty rebates on all starting materials (raw material and packaging),
- Introducing quotas for local firms in public medicine procurement and
- Medicines are a potential foreign currency earner, and as such, the government should encourage exports by introducing export incentives, such as tax holidays to exporters.

5.4 To future researchers

The investigation unveiled that although the pharmaceutical firms in Zimbabwe are not well-resourced financially, they have significant non-financial resources and capabilities that they are utilising for competitive advantage. Such capabilities include constant research and development, a committed and innovative workforce, and taking advantage of the digital space in the market and drug supply chain. Other firms have evolved amid the economic challenges to implement downstream integration in their value chain, such as registering pharmaceutical warehouses and retail pharmacies. On this basis, future research may

focus on the weighted contribution of each of the capabilities in the industry to determine the ones that give more competitive advantage returns, thus informing the industry on the allocation of scarce resources.

6. Conclusions, Limitations and Future Research

The research revealed that pharmaceutical firms in Zimbabwe are not well-resourced financially. However, they have significant non-financial resources and capabilities that they are utilising for competitive advantage. These include constant research and development, a committed and innovative workforce, and taking advantage of the digital space in the market and drug supply chain. On this basis, future research may focus on the weighted contribution of each of the capabilities in the industry to determine the ones that allow more competitive advantage returns, thus informing the industry on the allocation of scarce resources. The research also revealed that the alignment of dynamic capabilities to competitive advantage is not a straitjacket but is regulated by different environments in which the firms find themselves. These include financial, regulatory, and market environments and hyperinflation. In these varied environments reside the individual deterrence of dynamic capabilities of the firms, leading to the ineffective seizing of opportunities despite the firms being able to sense and regenerate their capabilities. Dynamic capabilities have been typically conceptualised as sensing, seizing, and reconfiguration/transforming (Breznik et al., 2019; Leemann et al., 2021; Teece, 2014); the current study presented a complexity of the seizing operation of a firm in the form of dynamic capability retardants.

Like other qualitative investigations, an important limitation of the current study is that the findings are not generalisable (Denny and Weckesser, 2018). However, qualitative research is not intended to be generalisable since it is generally designed for exploration or theory generation, not theory testing.

Qualitative research is often preferred for exploratory studies where phenomena have not been adequately studied or contexts have changed. The findings from the study may be tested statistically elsewhere. Some of the limitations of this study are listed below:

- Experts in the field are few and may be difficult to access.
- The researcher's interviewing skills may influence the quality of the data collected (Queirós, Faria and Almeida, 2017).

Further research is recommended in dynamic capability retardant abatement for competitive advantage. Research must investigate solutions to the environmental impediments ruining the alignment of dynamic capabilities to firms' competitive advantage.

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