Gordon Institute of Business Science
University of Pretoria

Understanding the Use of Dynamic Capabilities in Response to an Economic Crisis

23991225

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ABSTRACT

Abrupt, extreme and unpredictable changes in the economic context of a country creates significant uncertainty for businesses. During such periods, corporate leaders must navigate turbulence by implementing response strategies and leveraging internal capabilities. Achieving strategic alignment between the external environment and internal resources becomes essential for sustaining both long and short-term business performance. This study investigates how executive decision makers strategically respond to economic crises, drawing on dynamic capability theory to examine the capabilities leveraged during such periods.

A qualitative, explorative research methodology was adopted involving 12 semi-structured interviews with senior executives from nine sectors in Botswana - banking, insurance, consumer finance, specialty finance, hospitality, healthcare, real estate, non-government and mining contracting. Using a combination of inductive and deductive thematic analysis, an integrative model illustrating the interplay between economic crises, firm response strategies and dynamic capabilities was developed.

Findings reiterate that crises amplify strategic differences and reward foresight. Economic crises do not uniformly result in firm-level crises and organisational responses. The responses, which are exploitative and/or explorative in nature, are varied and contextually dependent, spanning perseverance, retrenchment, and renewal. Moreover, firms deploy, and leverage scanning, seizing and reconfiguring capabilities in varied combinations depending on their context and resources. These insights underscore the nuanced and context-dependent nature of strategic responses to economic crises.

KEYWORDS

Dynamic capabilities, response strategies, economic crisis, scanning, seizing, reconfiguring, exploitation, exploration, ambidexterity.

PLAGIARISM DECLARATION

I declare that this research project is my own work. The research is submitted in partial fulfillment of the requirements of a Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted for any degree or examination in any other University, and I further declare that I have obtained the necessary approvals and consent to carry out this research.

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CHAPTER 1: RESEARCH PROBLEM AND PURPOSE

1.1 Introduction

An economic crisis gives rise to significant changes in a firm's operating environment. When such changes are sudden and unexpected, the impacts may be particularly disruptive. Unexpected shocks heighten uncertainty and complicate strategic decision making mainly due to the lack of reliable and timely information about customer demand (Dejardin, 2023) as well as present and future threats and opportunities (Kafetzopoulos, 2021). This environment increases the risk of poor decision making and, in effect, business failure (Kozachenko et al., 2021). The impact may be especially significant when the firm-specific severity (Osiyevskyya et al., 2020) or industry-specific severity (Kottika et al., 2020) is perceived or assessed to be high.

Favourable firm outcomes - such as survival, competitive advantage, performance or general success - during these times requires focused and dynamic strategic responses to the opportunities (or threats) presented by the prevailing conditions (Kozachenko et al., 2021). This raises the enduring question: *How do firms respond in the face of sudden and unexpected change?* While there is a significant amount of literature that explores firm adaptation to exogenous shocks on either an ex-post basis or longitudinal basis, there is limited research that explores the strategic thinking and managerial approaches to adaptation *during* an exogenous shock, such as an economic crisis.

Exploitation and exploration are broad response strategies that firms adopt during times of heightened uncertainty, such as during an economic crisis. These strategies may enhance business performance (Yuen et al., 2019) or improve the likelihood of survival (Chou et al., 2024). During times of economic flux, firms may proactively or reactively respond by exploiting to improve efficiency, exploring for differentiation or pursing both. Academic literature lacks consensus, however, on the complementarity or substitutability of exploration and exploitation strategies, which are paradoxical or conflicting in nature (Osiyevskyy et al., 2020). For enhanced business performance, some studies (for example Chakma et al., 2024) make a case for the simultaneous pursuit of exploration and exploitation (ambidexterity), while others (for example Wenzel et al., 2020) demonstrate that focused strategies are better. For business survival, Chou et al. (2024) touted exploitation strategies. This notwithstanding, there is general academic alignment on the positive firm impacts of embarking on one or more response strategies, depending on the context.

Although crises heighten risks, they may also present opportunities for firms to thrive. Resultantly, the same crisis environment may lead to the failure of one firm and the success of another (Kottika et al., 2020). Therefore, firms implicitly or explicitly adopt a mode of adaptation or response that is perceived to increase the chances of success or survival. Extant literature indicates that firms that survive such episodes of turmoil are those that are better able to adapt their routines, processes, structures, culture and mindset in a dynamic manner. These dynamic capabilities enable firms to continuously scan their external environments for risks and opportunities, effectively respond to such threats and opportunities and reconfigure or transform resources in a coordinated manner (Weaven et al., 2021). Management teams must identify and interpret fast changing signals, rethink strategic and operational priorities in a timely manner and adequately structure their businesses to maintain competitiveness (Kafetzopoulos, 2020). When effectively deployed, dynamic capabilities give firms a better chance of successfully navigating environment discontinuities by supporting the implementation of chosen response strategies such as exploration, exploitation or ambidexterity.

This study integrates the concepts of firm response to crises and dynamic capabilities to provide an in-depth understanding of how corporate decision makers respond strategically in an economic crisis. It seeks to uncover the decision rules underlying the strategic choices and trade-offs firms make as well as the processes, routines and resources leveraged during such periods

1.2 Purpose

This research explores and answers the following critical questions:

1. How do top management teams perceive and understand economic crises in the context of their firms?

2. What do the priorities of management teams reveal about preferred response strategies during such periods?
3. What dynamic capabilities do firms leverage to execute on their strategic priorities during an economic crisis?

The empirical focus is on Botswana, which offers a timely and relevant context - a sudden turn in diamond sector fundamentals that has triggered a sharp economic crisis in the small, government reliant economy. The national economy has been severely affected by a sharp decline in the natural diamond sector - the main source of government revenues and the main source of export earnings (Jefferis, 2025). In 2024, local diamond sales fell by 74%, triggering a contraction in the mining sector gross domestic product (GDP). Given the economic and government reliance on diamonds for fiscal revenues, this deterioration has adversely affected government fiscal revenue generation which has in turn resulted in liquidity constraints of unprecedented magnitudes. This resulted in the negative revision of the country's economic outlook by global sovereign credit ratings agencies (Moody's, 2025) in early 2025 and outright sovereign credit rating downgrades by two rating agencies in the third quarter of the year (Moody's, 2025; S&P, 2025). The country, only one of two countries with an investment grade credit rating in Africa, now finds itself at risk of a sub-investment grade rating. A sub-investment grade rating brings higher funding costs as investors seek compensation for the higher credit risks. Higher debt servicing costs reduces capacity for expenditure elsewhere, which can be detrimental in the case of a government reliant economy such as Botswana where most economic sector and firms are directly or indirectly reliant on the government. The unique current country context is therefore ideal for a study on dynamic capabilities and strategic decision during crises.

The research adopted a qualitative approach, using semi-structured interviews to obtain insights from executives across twelve private sector businesses operating in nine economic sectors of the country. This multi-sector approach bodes well in generating broad insights given the far-reaching impacts of an economic downturn. The qualitative design enables a nuanced and contextual exploration of the lived experiences and perspectives of business leaders. Much of the existing academic literature on dynamic capabilities and adaptation strategies is dominated by quantitative methodologies (e.g., structural equation modelling, regression analysis) and empirical qualitative methodologies are sparse. Qualitative methodologies are mostly in the form of case studies or systematic reviews (Chakma et al., 2024). This is intriguing given the inherently cognitive and reflective nature of balancing short-term and long-term strategic decisions during uncertain times. By capturing the perceptions, interpretations, perspectives and actions of decision makers, this study aims to add to strategic management theory.

This study makes additional contributions to academic literature. Firstly, the study is conducted *during* an economic crisis with insights on strategic decision-making processes and tactics drawn “in the moment” or in “real-time”. This can be contrasted with empirical studies that adopt ex-post or longitudinal views on crises responses. Secondly, as far as the researcher is aware, there is a dearth of interview-based empirical research on strategic management responses to crises that focus on dynamic capabilities and adaptation strategies. This methodological novelty may assist in broadening our understanding of the research topic. Thirdly, the study adds to the ongoing theoretical debate on the firm-specificity versus universality of dynamic capabilities as discussed by Leemann & Kanbach (2022). The wide sector focus of the study helps improve insights into whether dynamic capabilities vary vastly across firms or appear to be broadly universal. Lastly, the existing body of knowledge on strategic responses to crises is built on empirical evidence from firms in large and advanced economies such as the United States, China, India and Europe (Chakma et al., 2024). This developed market bias creates a contextual gap in our understanding of how firms in smaller, less advanced economies navigate the same complexities.

1.3 Theoretical And Practical Contributions

This study seeks to make contributions to both theory and practice. At a theoretical level, the research seeks to provide a deeper understanding of strategic management tactics in crisis contexts. The study combines the theoretical perspectives of crises responses and dynamic capabilities in a developing country context to shed light on how some firms respond to exogenous economic headwinds. At a practical level the study aims to provide practical insights for decision makers navigating environmental turbulence, providing lessons on how dynamic capabilities may be leveraged for adaptation.

The literature review follows in Chapter 2 and focuses on the theoretical underpin for the research before discussing the key constructs of this research; economic crises, response strategies and dynamic capabilities.

CHAPTER 2: THEORY AND LITERATURE REVIEW

2.1 Introduction

This chapter seeks to critically analyze existing literature on the intersection of response strategies and dynamic capabilities during times of heightened external uncertainty caused by an economic crisis. The chapter first discusses the theoretical underpinnings of the research by focusing on the resource-based view (RBV) in general and then dynamic capabilities as a subset. The RBV seeks to explain how firms create value and increase their competitiveness from internal resources and capabilities during stable conditions (Copper et al., 2023) whilst the dynamic capabilities view considers resources and capabilities under dynamic or uncertain conditions. The dynamic capabilities view recognizes the different routines, processes and structures necessary for firms to survive in dynamic and uncertain environments (Leeman & Kanbach, 2022). These frameworks are an appropriate underpin for this research project as it seeks to explore the responses and capabilities emphasized by businesses going through episodes of heightened external headwinds.

The theoretical framework is followed by a critical analysis of the findings of recent academic studies into dynamic capabilities and response strategies during times of external crisis and, in the process, the researcher seeks to demonstrate the practical and academic relevance of their study.

2.2 Resource Based & Dynamic Capability Views

2.2.1 Theoretical Background

Strategic frameworks have evolved over time almost in tandem with advancements in technology and the way firms operate. The ‘competitive forces’ and ‘strategic conflict’ views framed the marketplace a firm competes in as the impetus for competitive strategy (Teece et al., 1997). Under these frameworks a company takes its queues from the structure of the marketplace in which it competes and engages in actions intended to unsettle competitors for an advantage. Broadly, questions of strategy begin with understanding the market in which a company's products compete. These models are largely suited for industries that are more static, or where a particular equilibrium can be attained.

To address some of the important limitations of these prior strategic models, the resource-based view (RBV) developed as a framework to understand a firm's unique resources and capabilities as the impetus for strategic decision-making vis-à-vis its competitors. The framework explains how businesses compete (Teece et al., 1997). It is based on the premise that firms leverage internal resources and capabilities to outcompete (Cooper et al., 2023). These resources can be physical, human, financial or intellectual (Malhotra et al., 2025). The characteristics of resources and capabilities that promote a firm's competitive advantage include valuableness, rarity, inimitability and non-substitutability (VRIN) (Cooper et al., 2023). In some cases, 'exploitability' has been included as an additional descriptor. The desired business outcomes underlying the RBV have been described differently across various literature but mostly point towards superior firm performance. This superior performance is measured relative to a firm's competitors using performance indicators such as net-income or economic value (Barney et al. 2021). The RBV may therefore help us understand how firms identify, develop and reconfigure their internal capabilities for superior relative performance.

Although the RBV is an enhancement of prior strategic frameworks it has its own limitations. A key one is its implicit assumption of stable external environments, much as the 'competitive forces' and 'strategic conflict' views assumed (Teece et al., 1997). Furthermore, RBV fails to recognize nor underscore the role and importance of firm leadership in the successful orchestration of firm resources and capabilities.

The dynamic capabilities view, on the other hand, builds on the RBV by taking management and external environmental conditions into account (Barney et al., 2021). This view argues that companies in rapidly changing environments that can use their internal resources to sense, seize and reconfigure their strategies, business models and management processes, are better placed to survive the short-term volatility and make the necessary strategic and operational changes to succeed longer term (Weaven et al., 2021).

However, a distinction between ordinary capabilities and dynamic capabilities has to be made. Ordinary (core or operational) capabilities are discrete sources of contemporaneous performance and secure the firm's operational functionality in the short term (Heubeck, 2023). Dynamic capabilities are the structures and habits that enable a firm to acquire and leverage resources to compete successfully (Weaven et al., 2021). Dynamic capabilities are therefore higher-order abilities that build on ordinary capabilities and enable a company to change or adapt when faced with rapidly changing environments (Leemann & Kanbach, 2022). These capabilities present themselves in the actions, routines and decisions of senior management in both performative or ostensive ways (Weaven et al., 2021) and are commonly classified into three groups as explored by Weaven et al. (2021) and Randhawa et al. (2021) – sensing capabilities, seizing capabilities and reconfiguration capabilities:

- **Sensing capabilities** - Encompasses the ways in which external threats and opportunities are identified and understood. This may involve intelligence gathering on competitors and customers, scanning and designated forums. These capabilities raise questions regarding the suitability and relevance of existing business models and facilitate continuous learning and knowledge creation (Randhawa et al., 2021).
- **Seizing capabilities** - Encompasses the internal processes of responding to identified opportunities and threats through the deployment of resources. This may involve the launch of new products and expansion into new markets (Leemann & Kanbach, 2022). To be effective at seizing, there must be clarity on the vision as well as consensus and alignment on the strategic intent.
- **Reconfiguring capabilities** - Encompasses the transformation and orchestration of internal resources and structures to respond to key market developments (Farzaneh et al., 2022). This may require structural changes to be embedded or an overall change in strategic focus. Reconfiguration may also require the un-learning and un-doing of old routines, processes and structures (Randhawa et al., 2021). Reconfiguration requires significant resource commitments, typically for longer periods of time and strategic alignment between efforts to explore (sense) and exploit (seize).

2.2.2 Sources & Development Of Dynamic Capabilities

Various studies offer varying perspectives on how such dynamic capabilities are developed in the first place. Some studies locate the development of dynamic capabilities at an individual level, versus simply at the firm level. Whilst there is broad alignment on the benefits of dynamic capabilities at a firm level, perspectives on the roles of individual decision makers in leveraging resources and capabilities to make strategic decisions is equally important (Heuback, 2024). These abilities, referred to as dynamic managerial capabilities (DMC), are an extension of the broader dynamic capabilities framework and recognize that individual resources, such as cognitive abilities, social capital and managerial capital, are as important as firm capabilities in strategic management (Heuback, 2024). An example of this dynamic at play is the interaction of a firm's resource orientation and entrepreneurial leadership style, and their impact on the development of dynamic capabilities. Transactional leadership styles paired with 'absorbed slack resources' foster exploitative dynamic capabilities, whereas a 'transformational leadership style' alongside 'unabsorbed slack resources' encourage explorative dynamic capabilities (Liu et al., 2019). The CEO's so called 'managerial cognition' can also play a major role in the development of dynamic capabilities (Duran & Aguado, 2022). The characteristics of the CEO are also important. CEO entrepreneurial orientation improves extant capabilities related to sensing, seizing, managing threats and reconfiguration, which then leads to positive firm performance (Liu et al., 2019). A gap in the literature into managerial capabilities is on the low-level implications of managerial capabilities on firm strategies in the context of a crisis. Understanding this should help in clarifying top management perceptions and understanding of the current economic environment, as well as their preferred response strategies. Individual decision makers are at the core of dynamic capability creation (Mansour et al., 2019). In response to a crisis, engaged employees help assess risks and crafted strategic responses to protect a firm's assets, actions that could be viewed as a key aspect of the firm's crisis management capabilities. As much as the individual can be a trigger for capability development, they can also be detrimental to it because behavioral and cognitive biases of company directors can hamper capability advancement, especially in a crisis environment (Merendino & Sarens, 2020).

Another key source for the creation of dynamic capabilities identified in the literature concerns a firm's own internal processes. There is a view that capabilities are born through a firm's continuous internal practices (Anning-Dorson et al., 2025). A firm's capacity development process is also largely shaped by its contextual environment. The availability of talent or regulatory complexity are examples of forces that can influence the capability creation processes of firms, suggesting that capability development can be context driven. As such, competitive advantage can arise from a process-oriented response to environmental contexts. However, there is a lack of understanding of how organisations develop alternative learning approaches when traditional knowledge acquisition methods are limited (Anning-Dorson et al., 2025). The need for alternative learning approaches can be necessitated by an external shock such as an economic crisis. This opportunity for further analysis is an aspect that this paper looks to provide insight on.

If firms can't develop such capabilities internally, they have the option of acquiring them. Mergers and acquisitions (M&A) is a context rife with research gaps in relation to the development of dynamic capabilities. However, the few studies that explore this angle emphasize the judgement needed to distinguish between ordinary and dynamic capabilities during acquisition (Irwin et al., 2022). Some studies apply the dynamic capabilities lens to understand M&A decisions (Degbey et al, 2021).

2.2.3 Context Specificity vs Universality Of Dynamic Capabilities

Despite the comprehensive literature on dynamic capabilities, there remains a lack of specificity on said capabilities at a granular, more practical, level. What specific skills & routines facilitate sensing, seizing and reconfiguration within firms? Is there a universal set of dynamic capabilities that may offer a one-size-fits-all solution for businesses? How accessible are such capabilities (particularly to firms in small developing countries). Leeman & Kanbach (2022) undertook a systematic literature review of articles published between 2007 and 2020 to develop a taxonomy of dynamic capabilities, resulting in 19 sub-capabilities. This brought a clearer picture of what dynamic capabilities are, although more iterations and empirical research need to be undertaken to account for different contexts and nuances. An ongoing debate on dynamic capabilities research is whether specific dynamic capabilities are idiosyncratic (unique) to businesses or common across firms. This requires further empirical (as opposed to conceptual) research to resolve. This research seeks to address this in the study design, which will employ interviews to garner insights from management teams, hopefully shedding light on the commonality of dynamic capabilities.

Some empirical research that applies the dynamic capabilities lens to a specific industry or geography unveiled context specific capabilities (Mansour et al., 2019). In fact, other research has looked at the importance and impact of specific capabilities on firm outcomes during times of turbulence. For example, the ability to leverage government support is pivotal in determining the survivability of firms (Gupta et al., 2023). Additionally, some capabilities have been found to neither improve a firm's chances of survival, nor adversely affect them. This calls into question whether the existence of a capability implies its inherent usefulness, or whether its utility and presence are mutually exclusive. Getting a firm grasp on this can help shed light on the context specificity versus universality of dynamic capabilities.

Finally, geographical bias can limit the universal application of frameworks. The Botswana context, which is the setting of the research, provides an opportunity to contribute to addressing this gap.

2.3 External Crises

External or exogenous crises are typically classified according to their origin – economic (Knudsen, 2019), political (Osiyevskyy, et al., 2020) or technological and represent low-probability, high impact events (Osiyevskyy, et al., 2020). They cause sudden and abrupt disturbances to a firm's external and internal environments, often disrupting the macroeconomic stability of countries, market conditions and challenging the strategic and operational continuity and adaptability of firms (Koporcic et al., 2025). Crises compel firms to scrutinize their business models, diversify risk exposure and strengthen adaptive capacities (Merendino & Sarens, 2020). The management literature has increasingly acknowledged that crises not only threaten firm survival but also reveal the resilience or vulnerability of strategic orientations, resource configurations and leadership capabilities (Bouncken et al., 2022). Despite their recurrence and broad-based implications, systematic research on how external crises shape firm behavior and strategic outcomes remains limited, emphasizing the need for continued scholarly attention (Chakma et al., 2021; Barney et al., 2021). A specific form of economic crisis, and contextual focus of this research, is a recession (Chou et al., 2024). Recessions are non-random shocks that affect firms in different ways depending on their characteristics leading into the crisis (Knudsen, 2019).

2.3.1 Exploitation and exploration as crises responses

In environments characterized by uncertainty and performance volatility, responsive adaptation strategies determine performance. Firms may respond through exploration or exploration (Chou et al., 2024). Exploitation activities include the effective utilization of existing resources, pursuit of efficiencies, maintenance of existing competitive position and incremental improvement initiatives (Stelzl et al., 2020). Such actions are associated with refinement, efficiency and implementation as the day-to-day routines that sustain short term performance and predictability. Conversely, exploration activities include the pursuit of riskier, innovative and creative endeavors, creation of new knowledge from internal and external sources, new product and market strategies and radical change initiatives (Farzaneh et al., 2022). Whilst exploration increases performance variability and risk, the latter initiatives promote stability at the cost of financial returns (Osiyevskyy, 2020). Long term business survival and success requires an optimal balance between stability and adaptability particularly during turbulent times (Stelzl et al., 2020). Contemporary management literature increasingly converges on the notion that firms must maintain an optimal balance between exploitation and exploration activities to remain competitive and resilient (Jain & Dhir, 2022; Stelzl et al., 2020). This balance, referred to as organisational ambidexterity underpins a firm's capacity to simultaneously achieve operational efficiency and strategic renewal – objectives that are often seen as contradictory but are essential for navigating turbulence and uncertainty.

In this sense, external crises test a firm's ambidexterity, forcing them to recalibrate the balance between short-term survival and long-term renewal. The effective management of these dual demands enables firms to sustain performance during times of turbulence (Stelzl et al., 2020). To undertake these exploitative and exploration activities in an efficient manner requires a high degree of responsiveness to external developments (Farzaneh et al., 2022). The ability of a firm to transition fluidly between these activities enhances adaptability and agility, allowing firms to maintain alignment with shifting market realities (O'Reilly & Tushman, 2008). This paper seeks to understand exploitation and exploration in the context of an external crisis and how firms practically operationalize these strategies. This is important because whilst the academic literature is aligned on the benefits of exploration and exploitation, their substitutability or complementarity is the subject of ongoing debate (Osiyevskyy et al., 2020).

The pursuit of ambidextrous strategies ensures short-term performance and coordination, whilst adapting to the longer-term opportunities and threats presented by the external uncertainties (Jain & Dhir, 2022). Ambidextrous response strategies can be accomplished simultaneously or sequentially in three forms:

- The separation of exploration and exploitation practices are separated across different units within the organisation (structural ambidexterity)
- The pursuit of both practices in a carefully aligned, integrated and flexible manner (contextual ambidexterity)
- The sequential shift in focus between exploration and exploitation over time (temporal ambidexterity) (Chakma et al., 2024).

The antecedents of ambidexterity vary across literature, from intellectual capital (Farzaneh et al., 2022) to strategic orientation, organisational structure, culture, policies, leadership commitment and informal routines (Jain & Dhir, 2022).

Much of the literature reviewed supports a growing consensus on the performance improving nature of ambidextrous firms (Chakma et al., 2021) although there are a few contentions. Whilst some authors make empirical and theoretical connections between organisational ambidexterity and business performance outcomes such as competitive advantage (Stelzl et al., 2020), long term survival (Jain & Dhir, 2022), and innovative capacity (Farzaneh et al., 2022), others such as Stelzl et al. (2020) refer to research that argue differently. Concerns raised include the impact of behavioral biases that promote managerial short-termism or myopia, general management's increased sensitivity to threats versus opportunities (Yung et al., 2023), the resource intensiveness of pursuing contrasting agendas, as well as other resultant tensions that may arise from pursuing contradictory strategies (Ugur et al., 2024). On the extreme end, some research has shown that the pursuit of ambidexterity has harmed business performance, as observed by Kafetzopoulos (2021). These divergent findings suggest that the effectiveness of ambidexterity during times of heightened turbulence is likely context dependent, influenced by factors such as crisis severity, leadership cognition, and organisational structure.

2.3.1.1 Retrenchment, perseverance, innovation and exit

Retrenchment, perseverance, innovation and exit are four broad strategic response archetypes (Wenzel et al., 2020). Retrenchment and perseverance exemplify exploitative strategies, where firms focus on cost control, operational continuity and efficient use of existing resources for survival. Innovation and exit, on the other hand, embody explorative strategies involving risk taking and reconfiguration of business models. In crises, the optimal balance between exploitation and exploration is dynamic (Chakma et al., 2021). During mild and short-term shocks, exploitation can stabilize operations (Wenzel et al., 2020). Under severe and prolonged crises, firms must pivot towards exploration to identify new opportunities and construct adaptive pathways (Chakma et al., 2024). Therefore, depending on the severity of the crisis, efficiency and control may be rewarded. However severe system-wide shocks require agility and openness to experimentation and knowledge accumulation (Clauss et al., 2022). Exploration, however, needs to be managed well, as there can be diminishing returns to a continued focus on exploration in an uncertain environment (Sarfo et al, 2024). This is especially true for SMEs whose information and knowledge gathering can be impacted by the information asymmetry arising from a discontinuous environment (Bouncken et al., 2022). The ability to manage this transition often determines whether a firm experiences mere survival or long-term renewal. What is clear from the above is that there is academic clarity of the ex-post drivers or influences of firm survival. What remains unclear from academic literature is how survival is sought *in the midst* of a crisis. This research therefore seeks to gain a real-time understanding of how a crisis is actively managed once detected.

2.3.1.2 Business model innovation

Another notable response to a discontinuous environment that firms can have is a business model innovation, which represents a manifestation of exploration during crisis (Galkina et al., 2023). Two adaptive modes are evident - reactive adaptation, characterized by defensive cost optimization and incremental change, behaviors aligned with exploitation (Clauss et al., 2022). Proactive transformation, which involves fundamental redefinition of value propositions and partnerships, reflecting an explorative orientation (Bouncken et al., 2022). Firms following the proactive path engage in continuous experimentation such as testing new configurations, value creation, delivery and learning from failure. This iterative process is a mechanism for exploration. Yet most resilient firms do not abandon exploitation entirely, instead, an incremental approach to operational efficiency is synchronized with strategic experimentation (Bouncken et al., 2022). Therefore, business model adaptation under adversity exemplifies ambidexterity (Clauss et al., 2022).

2.3.2 Crisis response as a multiphase process

Synthesizing insights from academic literature, crisis response can be viewed as a multi-phase process characterized by evolving balances between exploration and exploitation (Wenzel et al., 2020; Chou et al., 2024). Three overlapping phases emerge;

1. Stabilization, adaptation and transformation. The stabilization phase is the immediate onset of the crisis. This phase prioritizes liquidity preservation, operational efficiency and risk management (Bouncken et al., 2022). Retrenchment and perseverance also dominate this exploitative phase.
2. The adaptation phase is when uncertainty persists and firms begin sensing and seizing new opportunities while continuing to streamline operations (Chakma et

al., 2021). Ambidextrous balance becomes important, balancing ongoing efficiency with experimentation.

3. The transformation phase occurs when the firm starts to recover and rethinks its business model, innovates and institutionalizes lessons learnt (Clauss et al., 2022). This explorative orientation prevails as firms seek new trajectories of growth and competitiveness.

2.4 The intersection of dynamic capabilities and crisis response

While exogenous by nature, the consequences of crises are deeply endogenous, shaping organisational behavior, decision making and long-term strategic orientation. Over the past few years, scholars have examined how crises act as catalysts for change, highlighting that firms differ not only in the severity of crisis impact but in how they respond. Central to these responses are dynamic capabilities, which enable firms to balance exploration and exploitation under conditions of uncertainty (O'Reilly & Tushman, 2008).

Firms possessing strong sensing, seizing and reconfiguring capabilities adapt more effectively to disruption and can maintain superior performance in a crisis (Dejardin et al., 2023). A crisis can reveal that dynamic capabilities are not abstract constructs but concrete mechanisms for resilience under extreme uncertainty. Crises therefore expose the asymmetry of impact – they do not strike firms uniformly but instead filter through the structural and strategic features that differentiate them (Knudsen, 2019). Studies reveal that crises accelerate organisational learning and adaptation, forcing management teams to reassess strategic priorities and test the robustness of existing resource configurations (Kottika et al., 2020).

2.4.1 Stakeholders during crisis

Stakeholder collaboration and relationship management are central to organisational resilience during crises (Zafari et al., 2020; Gupta et al., 2024; Wenzel et al., 2021). Mindful relationship management rooted in trust, open, continuous communication and collaboration improve firms' abilities to anticipate risks and prevent conflicts before they intensify (Zafari et al., 2020). Relationships can reduce uncertainty and support effective coordination. Firms that effectively leverage stakeholder partnerships with suppliers, customers and government institutions are better able to adapt, reduce risks and sustain performance (Gupta et al., 2024). Competitors, employees and communities are equally important stakeholders and often overlooked (Wenzel et al., 2021). In a crisis context, collaboration can be seen as both a strategic resource and a relational capability.

2.4.2 Role of leadership and managerial cognition in crisis response

External crises magnify the human and cognitive dimensions of strategic management, thereby reinforcing the argument that crisis survival depends on both resources and adaptable leadership mindsets. Traits such as optimism, risk tolerance and hard work foster proactive and innovative behaviors during crises (Gupta et al., 2024). Resilience is therefore not solely shaped by market conditions but by psychological and strategic dispositions of leaders (Kottika et al., 2020).

Among critical determinants of crisis response are the leadership attributes and cognitive orientations of decision makers (Weaven et al., 2021). Leadership traits such as negotiation skills, achievement orientation and calculated risk taking significantly influence firm-level resilience (Kattika et al., 2020). This aligns with the micro foundations perspective of the resource-based view, which describes dynamic capabilities as actions, cognitions and interactions of managers (Teece et al., 1997). Crises also test the cognitive capacity of leadership to navigate uncertainty. Managerial cognition determines how effectively firms can shift between exploration and exploitation (Duran & Aguado, 2022). Crises trigger anxiety and cognitive overload, leading to overconfidence or strategic rigidity which are behaviors aligned with exploitation (Merendino & Sarens, 2020). Leaders who interpret crises narrowly as temporary disruptions often overemphasize efficiency, underinvesting in exploration. Conversely, cognitively open leaders frame crises as opportunities for reinvention and stimulate organisational learning, experimentation and innovation (Bouncken et al., 2022). These leaders promote cross-functional collaboration to screen the environment, propose solutions and adapt collectively. Resilience is therefore not the product of resource abundance but dynamic actions by management (Weaven et al., 2021).

2.5 Conceptual Model

As outlined earlier, the proposed research seeks to explore the connections between external crises, dynamic capabilities and response strategies. A conceptual model tying these connections together, based on the literature above and underpinning the proposed research is shown below.

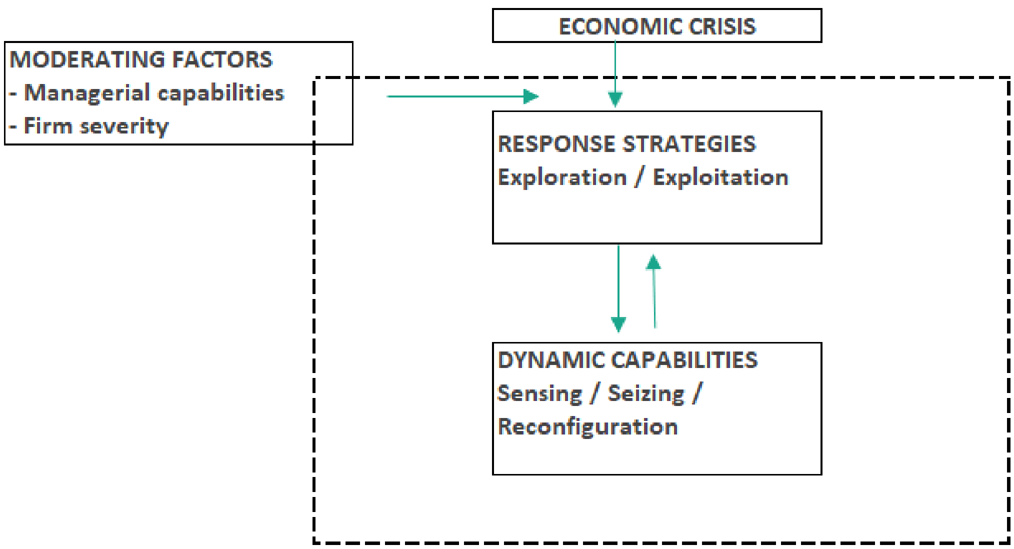

Figure 1: Conceptual framework. Source: Author's own

3 Conclusion

External crises are no longer abnormal deviations from stability but enduring features of the global business landscape. Inquiry into how exogenous shocks shape management is therefore essential, not only for advancing theory but to equip firms to navigate an era where external turbulence is the new normal. Given this, the strategic management field faces a compelling imperative to better understand how firms anticipate, absorb and adapt to external crises. Existing research remains fragmented and often retrospective and there is a need for frameworks that link macro-level disruptions to micro-level managerial actions.

CHAPTER 3: RESEARCH QUESTIONS

This study integrates the concepts of firm response to crises and dynamic capabilities to provide an in-depth understanding of how corporate decision makers respond strategically in an economic crisis. It seeks to uncover the decision rules underlying the strategic choices and trade-offs firms make as well as the processes, routines and resources leveraged during such periods. The overarching research questions proposed for the research are based on the literature review undertaken in the preceding chapter.

RESEARCH QUESTION 1: How do top management teams perceive and understand the current economic environment in the context of their firms?

The first research question is grounded in the recognition that managerial cognition plays an important role in how firms interpret external turbulence. During times of heightened uncertainty and flux, the perception and interpretation of environmental signals shape firm behavior. Understanding the framing of executives is important because their interpretations directly influence strategic choices, resource allocation and crises responses. Firms faced with identical external conditions respond differently, reflecting varying perceptions of risks, opportunities and time horizons. Exploring these perceptions provides insights into the factors that shape objective strategic action and these insights may reveal how firms assess vulnerability and resilience.

RESEARCH QUESTION 2: What do the priorities of management teams reveal about preferred response strategies during such periods?

The second research question seeks to uncover the link between how executives interpret and respond to crises. Periods of crises force leaders to make difficult tradeoffs between short-term survival and long-term renewal. The priorities that management teams set serve as tangible indicators of their strategic orientation and risk appetite under uncertainty. Examining these priorities may provide insights into the logic that guides firm behavior during crises. The question helps determine how local management teams assess strategic necessities, allocate scarce resources and develop responses. These priorities will also reveal the preferred pathways for organisational response in economic crises by illuminating whether firms lean toward exploitative strategies (such as efficiency drives) or explorative strategies (such as innovation) and how they balance the two during these times.

RESEARCH QUESTION 3: What scanning, seizing and reconfiguration tactics, strategies and approaches do firms leverage to execute on their strategic priorities during an economic crisis?

The final research question is designed to examine how firms operationalize dynamic capabilities in response to environmental uncertainty. Drawing on dynamic capability theory, this question focuses on the micro-level actions and processes firms adopt to sense opportunities and threats, mobilize and commit resources as well as transform structures and routines to navigate economic turbulence. By investigating these capabilities in practice, the study will demonstrate how strategy is enacted in real firm contexts and provide insights into the specific adaptive mechanisms that enable firms to pursue resilience in a crises.

CHAPTER 4: RESEARCH METHODOLOGY

4.1 Introduction

This chapter discusses the research methodology adopted for the study. The researcher recognizes that a clear and complete description of the methods and processes followed to collect data is pivotal in lending credibility to the research arguments and conclusions (Zhang & Shaw, 2012). As discussed in Chapter 2 and Chapter 3, the research sought to gather in-depth insights on how dynamic capabilities and adaptive strategies are operationalized by firms amid an economic crisis. The in-depth nature of the study prompted the adoption of a qualitative and exploratory approach to research design, sampling, data gathering and analysis.

The research was conducted using an interpretivist and inductive approach. This approach seemed more appropriate to explain the complexities that play out when firms are faced with heightened macro-economic uncertainties that disrupt their operating environments and upend strategic plans. Given this context, an argument can be made for the adoption of a methodology that allows for the interrogation of social realities, phenomena and individual perspectives. Semi-structured interviews followed by a thematic analysis were the primary instrument and mode of analysis that was adopted to draw new insights as well as corroborate and critique the literature.

The study sought to capture and communicate the routines, processes and mindsets *during* an economic crisis, hence the adoption of a cross-sectional approach to data collection. This was also convenient for the researcher given the time bound nature of the research project (Saunders & Lewis, 2018).

4.2 Population

When looking to produce relevant and impactful management research, direct engagements with elite informants such as chief executive officers (CEOs) is recommended by Solarino & Aguinis (2021). As a result, the research targeted decision makers in executive positions in the private sector. The population therefore included individuals such as CEOs, chief finance officers (CFOs), and executive managers in Botswana. The research adopted a sector agnostic stance, allowing for engagements with willing decision makers across various economic sectors. This sector-agnostic approach further helps contribute to the ongoing academic debate highlighted by Leemann & Kanbach (2022) on the specificity or universality of dynamic capabilities as discussed in Chapter 6.

4.3 Unit Of Analysis

The opinions of actively employed corporate decision makers were the unit of analysis. This cohort was best suited for the study as the researcher viewed them as the most appropriate to provide detailed insights into internal and external operating dynamics as well as strategic and tactical firm responses to the current economic crisis. Decision makers were best placed to shed light on strategic decision-making processes, practices and choices because they possess the power and authority to influence firm outcomes (Solarino & Aguinis, 2021).

4.4 Sampling Method & Size

A non-probability, purposive sampling approach was used in this qualitative study. A non-probability sampling technique was considered appropriate because the researcher did not have access to a complete list of the target population to sample from (Saunders & Lewis, 2018).

The non-probability, purposive and convenience sampling was carried out in two phases. Firstly, the researcher reached out to six professional acquaintances that are also executives in the Banking, Insurance, Real Estate, Hospitality, Consumer Lending and Consulting sectors to solicit their voluntarily participation in the study. Secondly, the researcher used their extended social and professional network to find potential participants from other key economic sectors that weren't represented by the initial list of six. The key unrepresented economic sectors by contribution to national gross domestic product (GDP) at this stage were Mining, Tourism, Construction, Manufacturing, Education and Healthcare. Through referrals, contact was made with decision makers representing firms in the Mining sub-contracting, Construction, Non-governmental, Specialist finance, Wealth Management and Healthcare sectors that were willing to participate in the study.

Data saturation is the point at which any additional data collected adds limited value to the research (Guest et al., 2005). When sampling for qualitative research, Guest et al. (2005) observed that data saturation typically occurs between six to 12 interviews. This is also consistent with Morgan et al. (2002) (as cited in Guest et al., 2017) who concluded that during individual interviews on environmental risks, most of the new data came from the first five to six interviews, with limited new data uncovered towards the twentieth interview. In total, the researcher interviewed 12 business executives.

The weaknesses of the sampling methodology and sample size with respect to the generalizability of results is noted. The limitation is that the themes that emerge from the research may not be generalizable beyond the specific context under which the study was undertaken and may only be applicable in the context of the sample demographic as explained by Saunders & Lewis (2018).

4.5 Measurement Instrument

As advanced by Saunders & Lewis (2018), the researcher used semi-structured interviews to explore the phenomena under research to gain new insights, better understand what is happening, make connections and identify patterns.

A semi-structured interview guide (Appendix 2 and Appendix 4) was the measurement tool used. The interview questions were derived from extant literature relating to the overarching research questions. The interview questions were mapped to the research questions presented in Chapter 3 to ensure full alignment between literature, research questions and interview questions. Due to the exploratory nature of the research, the interview guide sought to provide broad parameters for conducting the discussions with participants and to ensure consistency of the line of questioning without being too prescriptive or restrictive. Open-ended questions were posed to encourage expansive and thoughtful responses (Saunders & Lewis, 2018) and to allow the researcher to probe and draw insights.

4.6 Trial Interview Process

In preparation for the interviews, the researcher conducted a trial interview with an acquaintance as recommended by Saunders & Lewis (2018). The trial interview helped the researcher to refine the interview protocol and prompted them to reflect on the following questions:

1. Was there merit in sharing the interview guide with participants ahead of the interviews? How would advance sharing affect the expansiveness of responses?
2. Were the proposed interview questions clear and simple enough to understand
3. Was the researcher's interviewing skill and style appropriate

Following the trial interview, the researcher made a few key improvements to the research protocol in response to the questions above. A shorter, 4-question abridged interview guide (Appendix 3) with broad themes for discussion and based on the detailed 14-question interview was shared with participants ahead of the meeting. A copy of the abridged guide is found in Appendix 3. The abridged guide was intended to provide context on the proposed line of questioning without subjecting participants to a long list of questions that may either frustrate participants or give rise to carefully 'researched and rehearsed responses'. Some of the original questions in the extended interview guide were removed, re-phrased or consolidated upon careful consideration of the feedback and observations made during the trial interview. Finally on interviewing skills and style, the researcher observed the need to polish up on their Socratic interviewing skills and do more actively listening than speaking.

The researcher did not use the trial interview data for the data analysis.

4.7 Ethical clearance

Ethical clearance was granted after the researcher submitted their ethics application to the Gordon Institute of Business Science Ethics committee in June 2025. The approval email is provided in Appendix 1 with the researcher's name redacted.

4.8 Data Collection

Respondents were invited to take part in the study through an introductory phone call. Once participatory interest had been established, the researcher followed up with a formal email detailing the purpose of the research and attaching the informed consent form (Appendix 5) and abridged interview guide. Scheduling was agreed either through phone call or email. Whilst face-to-face interviews were preferred, the researcher was open to virtual meetings for convenience. Regarding confidentiality and anonymity, the research participants were referred to the informed consent letter, which explained that feedback from participants would be kept confidential, and their anonymity preserved. In compliance with this, participants' identities have been withheld, with neither their names nor the names of the organisations they represent appearing in this research report.

In total, 12 interviews were conducted with key decision makers from various sectors as described in section 4.4. A total of 11 interviews were conducted virtually, and one interview was conducted physically due to technical challenges that prevented the interview from proceeding virtually as originally planned. Each interview lasted between 45 and 120 minutes and consisted of four key parts. Each interview was started off with the researcher thanking the participant for their participation, before going on to recap the purpose of the research and provide a description of what the researcher hopes to learn from the interview. Time was also spent on introductions, pleasantries and biographical data. In part one, decision makers were asked to describe the economic and operational environment they are operating in, their views on what has influenced the external landscape, as well as how their industries and firms have been impacted. The second part was an in-depth discussion of the strategic priorities of management teams in the context of their external environments and the impact on their firms. This section sought to obtain an in-depth understanding of the adaptation strategies being pursued by management teams in response to external developments. The third part of the interviews focused on the sensing, seizing and reconfiguration tactics and approaches that supported strategic priorities. The final part of the interviews focused on management lessons learned during this period.

With each participant's permission, interviews were recorded and transcribed automatically using Microsoft Teams. The researcher reviewed the transcripts against the recordings in detail for accuracy, completeness and to ensure that information is ''true to its original nature'' (Braun & Clarke, 2006 pg. 88).

The recordings and transcripts of the interviews have been stored electronically to reduce the risk of loss and password protected for confidentiality. As required, the research data will be stored in an accessible format, without identifiers, for a minimum period of 10 years.

4.9 Data Analysis Approach

The researcher adopted a thematic approach to data identification, analysis and interpretation. This mainly involved a combination of top-down and bottom-up manual analysis of the interview data, in line with the research and interview questions. The researcher opted against the use of analysis software tool Atlas TI due to a lack of indepth knowledge of and familiarity with the tool. As a result, a do-it-yourself approach to thematic data analysis was undertaken with the guidance of the research supervisor. The first four interviews were used to identify emerging themes and allowed for the interview guide to be enhanced and augmented as appropriate to improve the quality of progressive interviews. The second iteration of the interview guide after the first four interviews is provided in Appendix 2.

The bottom-up analysis of the data involved first seeing what data has been gathered from the initial set of interviews and building on those over successive interviews to arrive at a framework or model in the end. A step-by-step description of the approach adopted by the researcher is described below:

1. The researcher familiarized themselves with the data (recordings and transcripts)
2. All data relating to the research and interview question topics was identified. This data related to firms' perception of the economic environment, firm priorities and capabilities leveraged. Additional codes were assigned to any additional data that presented new and interesting themes or findings worth interrogating in subsequent interviews. Some of the new themes that emerged related to sector and firm severity distinctions as well as the characteristics of firms perceived to be least affected by the crisis
3. Where practical, a cross-interview analysis was undertaken to outline the differences or similarities between the interview data gathered and this forms part of the discussion of findings in Chapter 6.

Whilst thematic analysis has been described as a relatively quick and easy method to learn and one that is easily accessible to inexperienced researchers, Braun & Clarke (2006) outlined that the main disadvantages of this approach stem mainly from poor execution of the analysis itself or the use of unsuitable research questions.

4.10 Quality Control

Without strong quality controls, qualitative research outcomes may be fraught with researcher and response biases (Saunders & Lewis, 2018). To ensure a high standard of quality, the researcher made use of various instruments of reliability and validity such as carrying out a trial interview before data collection commenced, the use of a standard semi-structured interview guide, recording and transcribing interviews verbatim, manually checking transcripts for accuracy and conducting the up to 12 interviews to ensure that data saturation is reached.

4.11 Limitations

The qualitative research strategy adopted has limitations, the first of which is the reliance on subjective feedback from participants with different viewpoints (Myers, 2020). Furthermore, the researcher had limited experience with interviews for academic research purposes, and this may have resulted in weak interpretations or poor elicitation particularly given the use of open-ended questions in semi-structured interviews. Another limitation is that the themes and findings that emerge from the research may not be generalizable beyond the Botswana-specific context under which the study was undertaken and may only be applicable in the context of the sample demographic as explained by Saunders & Lewis (2018).

4.12 Conclusion

Despite its acknowledged limitations, the methodology used above was assessed to be the most appropriate to explore how decision makers practically seek to operationalize dynamic capabilities and response strategies to navigate their firms through economic crises.

CHAPTER 5: RESULTS

5.1 Introduction

This chapter presents the findings and results of the research in line with the Research Questions that are listed in Chapter 3. The chapter provides an analysis of the data collected through in-depth interviews with 12 private sector executives across various sectors of the Botswana economy. The detailed interview questions posed to participants are shown in Appendices 2 and Appendix 4. The detailed interview questions represent a distilled and simplified approach to answering the overarching Research Questions in Chapter 3.

5.2 Description Of The Sample

Table 1 below shows a list of the participants by official job title, the sectors in which their firms operate, the duration of each interview and the format of the interview (virtual or physical). Non-probability, purposive and convenience sampling techniques were used to arrive at the 12 individuals interviewed. As described in Chapter 4, consideration was given to the seniority of the participant based on their current position and the sector in which they operate to ensure breadth of sector perspectives. The sample consisted of one female and eleven male executives. The executives represented firms ranging in size and employing between 30 to 600 employees and generating up to P1.6billion in annual revenue. The participants had been in their current roles for at least 18 months at the time of the interviews.

Table 1: Information and details of participants from the sample

	Title/Position	Sector	Duration	Format
P1	Chief Financial Officer	Consumer Lending	40min	Virtual
P2	Chief Executive Officer – Botswana	Real Estate (Investing)	1hr 45min	Virtual
P3	Chief Financial Officer	Commercial Banking	58min	Virtual

P4	Group Head of Finance	Life Insurance	51min	Virtual
P5	Co-Founder & Head of Projects	Property Development	1hr 5min	Virtual
P6	Managing Director	Wealth & Advisory	58 min	Virtual
P7	CFO	Non-government Medical Aid Society	1hr 15min	Virtual
P8	Executive Director	Healthcare	40 min	Virtual
P9	Founder and executive director	Mining sub-contracting	1hr 30min	Physical
P10	Managing Director	Payments & Remittances	55min	Virtual
P11	Director – Advisory Services	Business Consulting	1hr 2min	Virtual
P12	Finance Director	Hospitality	1hr 5min	Virtual

5.3 Analysis Of Data And Presentation Of Results

The results are presented in line with the Research Questions as laid out in Chapter 3. A combination of deductive and inductive analysis was adopted in analysing the research data and the researcher manually analysed the interview data in a systematic manner. Based on the research questions (and therefore the theory), the researcher deductively identified initial key categories of analysis to arrive at three broad areas of interrogation and understanding: perception of economic environment; strategic priorities (and corresponding response strategy themes), and dynamic capabilities leveraged. After the first four interviews, the researcher went through each interview recording and transcript carefully, tracking and identifying the key messages, and themes that emerged from the interview responses to each broad area of interrogation. During this process, three additional areas worthy of analysis were deductively uncovered and subsequently included to enhance the research findings - sector and firm-specific severity of the economic headwinds, organisational areas impacted by the economic environment and beneficial characteristics of moderate-to-low impacted firms. With an establish analysis framework, the subsequent interviews were analysed in the same manner.

When presenting the results of the analysis throughout the remainder of this chapter, themes have been presented by frequency where appropriate. Frequencies are quoted to indicate how often respondents brought up related insights during the interviews, with the results rank ordered from the most frequently referred to the least frequently referred. The total frequencies may exceed the number of interviews undertaken as participants may have brought up multiple insights covering more than one theme. Quotes from participants are also provided as evidence to support the analysis.

5.4 Results For Research Question 1

RESEARCH QUESTION 1: How do top management teams perceive and understand the current economic environment in the context of their firms?

To address the first research question, three interview questions were posed to participants relating to their perceptions of the state of the Botswana economy and its impact on their businesses. The first interview question sought to understand the state of the current economic landscape by allowing participants to describe the environment in their own words. Secondly, participants were probed on how the economic developments have affected their operating environments in recent months to get a sense of the level of severity at a sector level. The final interview question took the conversation further to understand the perceived firm-specific severity of the economic challenges.

Perception of economic environment

An analysis of how the economic landscape was described by participants is shown in Table 2 below.

Table 2: Descriptions of the current economic landscape

Rank	Description	Frequency
1	Fundamental economic disruption caused by natural diamond sector headwinds. Low demand for natural diamonds and rising competition from synthetic diamonds	12
2	Undiversified economy reliant on diamonds and the government	12
3	Market liquidity constraints due to significant government funding requirements following lower fiscal revenues from diamond sales	9
4	Depleted national savings buffers relative to history	7
5	Adverse policy decisions made by government in response to economic challenges	6
6	Weak household and business purchasing power and confidence	6

There was broad alignment amongst participants that the economic landscape had weakened fundamentally in recent months due to the underperformance of the diamond sector. This sector was identified as the single largest source of government revenues and foreign currency. Although participants acknowledged that the diamond sector had experienced periods of cyclical weakness historically, the key difference was that the current weakness was taking place at a time when the country lacked sufficient fiscal buffers and savings to cushion the overall economic impact. Consequently, the key economic impact of the diamond sector on the back of diminished buffers was a significant rise in government funding requirements that placed significant pressure on liquidity levels within the economy, essentially reducing capital supply available to households and firms. This dynamic painted a picture of a government-led and undiversified economy. Participant 11 described the factors leading up to the economic weakness in these words: "*I would say 2 fundamental things. The first aspect is our over-dependence on a single commodity. I'm not even talking about a sector, just one commodity being diamonds. And the 2nd fundamental aspect is the government trying to control the economy. To me, unless these two changes happen and within the shortest span of time, we are only going to suffer in the future.*"

The lower diamond revenues created a funding gap for the local government that in-turn had to raise significant amounts of funding in the local market to fund government expenditure. The outsized funding requirements, which would, in prior times of diamond weakness be funded from fiscal savings, had the additional impact of crowding out firms looking for funding in this environment. Consequently, the economic weakness was described as having dampened demand and supply, constrained market liquidity, exerted upward pressure on funding costs, prompted a currency devaluation, and eroded consumer and household confidence. A participant summarized the drivers and likely impacts on firms in the property development sector by saying: "*That leads on to my third point - the diamond sales*. *Government has got no money, they're not paying contractors. So I think there's going to be a lot of blood in the water when it comes to the contracting industry, they're going to be a lot of these companies that are going to go under.*"

There was a strong sense that the current economic landscape was unprecedented when compare to other diamond-driven slumps in the past, with one participant stating: *''We have seen slumps in the diamond market several times before, but never to this extent, and as a result, we've seen the government struggle to raise its own funding because of the revenue challenges on its side*.'' Participant 10 was also circumspect, stating: "*When I look at where the economy is, I don't think our economy will see a sharp recovery like it happened previously with other diamond industry downturns. To me, I mean whether it's our assessment, whether it is what the IMF and others are telling us, it will be like an L-shaped recovery, not at the pace of recovery we've seen in the past."*

Sector and firm-specific severity

Whilst the participants painted a dire picture of the economic landscape and its impact of their respective operating environments, firm-specific severity varied due to company idiosyncrasies such as geographical diversification and balance sheet structure.

A summary of sector and firm-specific severity assessments by participants is shown below in Tables 3 and 4:

Table 3: Sector severity assessments by participants

Sector Severity	Frequency
High	10
Medium	2
Low	0

Table 4: Firm severity assessments by participants

Firm Severity	Frequency
High	6
Medium	3
Low	3

The financial performance of the respective firms was the key measure of firm-specific severity that participants commonly referred to although the researcher notes that this may be due to an outsized sample of finance professionals interviewed in the study. Participant 5 reflected on the severity of the economic weakness for the firm by giving an example: "*I mean we've got a prime example of a shopping centre that we have some debt funding on... at about 8.5%. We needed to roll over this debt and the bank came to us and they wanted 16%. Now on P115million… it pushed up our repayments in a year by just over a P1m a month. And when you are getting P1.5million monthly rental it becomes really problematic. So, this has been a massive impact on us*."

Medium to high firm-specific severity

In shedding light on the severity of the economic environment, management teams that had experienced medium-to-high impacts described the various aspects of their businesses that were fundamentally affected. Most of these affected areas were directly for indirectly linked to financial performance as shown in Table 5 below.

Table 5: Organisational areas impacted by the economic environment

Areas impacted	Frequency
Working capital – delayed receivables and/or payables	10
Supply of inputs (including capital) and/or demand for firm products and services	10
Profitability metrics such as margins, yields and funding costs	9
Capital and liquidity buffers	8
Supply-side inflation	5

One participant explained the organisational areas affected by the economic challenges: *"You know cash buffers try to create a bit of runway but we are now going 60, maybe 90 days with our payables. This is because we are also going for 60/90 days with the receivables. So we're now calling clients, hey, when are you going to make a payment? And in that time what are you using to pay commission? You can invoice and recognize the revenue, but it's not there in your bank account, you know and so you need to dip into your cash buffer to just be able to survive the crunch."*

Participant 1 noted the following regarding profit margins: "*So what we're finding now is that there's very limited available money to get in the market and the little that you are getting in the market, it's actually at a very high price. If you compare to maybe a year ago, we are paying double what we used to pay. A year ago I was paying about 9% for one year funding now I pay 18% and that's where we are. So you can imagine the kind of margin erosion that happens in such a such an environment*."

Low to medium firm-specific severity

Participants that described their firms as having low to medium firm-specific severity associated this with several idiosyncratic factors. Geographic and product diversification, low balance sheet leverage and certain managerial capabilities were common themes that emerged.

On diversification, most participants identified diversification as a key characteristic that may have mitigated the severity of the impact for their firms. This reflection in hindsight was articulated well by participant 1 "*I think one thing we've learned is that we need to have diversified consumer lending. We're already talking about what we're going to be selling next. Because this has taught us that you need to be as diversified as possible. You need to hedge your risk against different products."*

Some of the participants acknowledged the commercial benefits of having counter-cyclical product lines that drove additional cash inflows, higher yields and new business acquisitions during a period of economic weakness. This is captured by a Participant 4 in the life insurance sector: **"***I wouldn't say it's been severe because here and there we picked up opportunities even though there were these challenges. So, for instance, the government has been raising funding… at good yields. We played a lot in that space using the money that we received through annuities and premiums. And with the higher retrenchments, we picked up a lot of annuity business there. That has benefited us. So, it has been a bit of a mixed bag to be honest."*

Participant 11 described how the economic environment had actually been a boon for their consulting business: "*So the timing I think has been quite nice. So that's what I would say that you know the nature of work that we've been doing in transaction advisory has changed this year. Especially in the last 12 to 15 months or so, we still do due diligences for the likes of your development financial institutions that I don't think will change because DFI is, as you know, by their very nature, irrespective of the economic scenario they will keep on looking at funding opportunities… the equity listing aspect has been quite pleasant in terms of both grooming these businesses to this level and the market being open. If I go to business risk services, that has improved a lot and I'm not saying in terms of the fee appetite, but what I'm experiencing is, and I think it is again driven by the current economic scenario - I think the senior management of many organisations, especially public interest entities, are realizing the importance of strengthening the processes and controls so that they protect value. So at this point of time, the number of clients that I have in internal audit is by far the largest number of clients that we've ever dealt with."*

On managerial capabilities, participants emphasized capabilities such as internal and external communication, negotiation, hard work, an entrepreneurial orientation, and prior experience successfully navigating complex environments. Participant 12 described leadership tactics they employ to solicit buy in for the fundamental changes implemented across their firm: *"The key is to explain to people the end game. Explain the objective to people. You know why you want things to be done the way you believe they should be done. And then show people that if we don't do that, what does it mean…. Once you've painted that picture and it's clear for everyone to see, then it becomes even easier for people to bring forth ideas for change because they can see and understand why things have to change… Show them, paint the picture of how bad things can be from where they are. Then ask them to bring ideas for change. The second thing is to then involve people and make them be part of the change, not just as change takers, but as changemakers themselves. They are the ones who must bring ideas to the table."*

Table 6 below summarizes the characteristics of less severely impacted firms that were beneficial in mitigating the severity of the economic headwinds.

Table 6: Beneficial features of moderate-to-low impacted firms

Participant	Firm Impact	Firm characteristics	Key points
P2	Low	• Geographic diversification of revenue generating assets • Geographically diverse debt funding base • Managerial capabilities	• Southern Africa and Europe assets and funding sources • Owner-managed with entrepreneurial orientation with over 30 years in the business
P4	Moderate	• Countercyclical products • Low leverage	• Diverse product portfolio, some products performing well in the weak environment
P6	Moderate	• Countercyclical products	• Diverse product portfolio, some products performing well in the weak environment
P8	Moderate	• Geographically diverse customer base • Diverse revenue drivers • Managerial capabilities • Low leverage	• Strategically located to target customers from Zimbabwe and Zambia in addition to Botswana • Diverse portfolio, comprising of defensive services • Owner-managed with entrepreneurial orientation

			• Constructive view of economic challenges as source of opportunity
P9	Low	• Diverse revenue drivers • Essential (defensive) services • Managerial capabilities	• Owner-managed with entrepreneurial orientation • Diverse portfolio, comprising of defensive services
P11	Low	• Countercyclical services • Low leverage	• Diverse portfolio, comprising of defensive services

Synthesizing executive perceptions of the economic environment

The challenging economic environment was seen as a crucible, exposing financial, operational and governance weaknesses and testing the fundamentals and resilience of business models and growth ambitions. On business strategy and model, a participant reflected on this, stating that: "*Suddenly the game has changed. It's been an investment strategy for a lot of developers and property funds to gear up the business and to get growth through taking gearing. With the interest rates going up and the rentals coming down, that strategy doesn't work anymore… we can't do a development like we did a couple of years ago or even a year ago, we are having to look at totally different way of doing these developments, because we need to still do them.*" Regarding financial performance and growth ambitions, a banking executive noted: "*last year we were looking for loans and advances growth in excess of 15% per annum. We have cut that down by 50%, so we are not looking at growth of more than 7% between now and 30 June 2026*"

Leaders described a sense of loss of predictability and control. This is reflected by participants describing the increased frequency of modelling, scenario planning and management meetings. Participant 1 described the situation: "*I am always on high alert regarding maturities. Nowadays I have to negotiate maturities three months in advance and I know anything can happen in this very volatile market that we're in right now. So, it really puts a strain on the business that we're doing. We're not able to fully plan comfortably, we must now carry a bit of buffer funds just to allow for any unexpected redemptions or any unforeseen drawdowns"*

Some participants were more constructive in their dispositions and viewed the headwinds as an opportunity for their firms and the country. Participant 8 reflected: "*So this crisis will wake everyone up and will eventually be good for the economy. And sometimes, in management terms, maybe you can call this the prompt that they needed in terms of Fogg's principle… This will possibly change our mindsets because I think most Batswana understand now that things can't be the way they used to be. They're willing to up their game."*

In summarizing participant perceptions of the economic landscape, the researcher made five key observations. Table 7 below describes these key observations based on respondent views of the economic landscape.

Table 7: Synthesis of executive perceptions of the economic environment

Dominant perception of economic environment	Sentiment	Implications	Frequency
Severe impact on most industries. Headwinds considered structural and likely long term. Impacts mainly affecting liquidity, not solvency. High contagion risks	Alarm and concern	Rethink business models and strategies. Rethink concentration risks	12
Economy heavily reliant on government and diamonds	Concern	Government diversification policies and priorities have	10

		become increasingly important	
Economic environment has revealed underlying weaknesses and fragility across firms, questioning business resilience	Realism	Need to shore up resilience by rethinking business models and strategies, concentration risks	8
There has been a loss of control and predictability	Heightened uncertainty	Management information systems are critical – frequent and accurate	8
There is opportunity amidst the weakness	Optimism	Explore the environment for opportunities. Facilitate mindset change	5

In conclusion, the results for research question 1 demonstrate that the country had suffered an unexpected and significant external shock to the diamond sector that triggered a generalized slowdown in economic activity. The slowdown in economic activity affected all sectors represented in the research mainly due to what participants described as a small and undiversified economy. The organisational manifestations of the external shock as described and experienced by participants - broad based demand disruption, stifled growth prospects, tightened financial conditions and weaker financial performance are tell-tale signs of a recession. This notwithstanding, the research results also revealed that firm-specific idiosyncrasies may cushion a firm against the adverse impacts of such an economic crisis.

5.5 Results For Research Question 2

RESEARCH QUESTION 2: What do the priorities of management teams reveal about preferred adaptation strategies during such periods?

The second research question had several interview questions that sought to understand the priorities of decision makers when their firms are operating in an environment characterized by economic weakness. The researcher critically assessed participant responses to get a clear picture of the defensiveness or offensiveness signaled by firm priorities as well as the outcomes that executives were hoping for in the end.

Table 8 below shows the thematic grouping of prevailing firm priorities as articulated by participants.

Table 8: Priorities of participants' firms

Theme	Description of priorities	Frequency
Downsizing	• Cost containment and operational efficiency • Tight expense management, reprioritized spending, efficiency efforts, reducing non-core spending	10
Financial management	• Liquidity preservation and financial resilience • Maintaining liquidity buffers, avoiding defaults, improved cashflow visibility • Debt reduction and restructuring • Supply chain optimization	10
Diversification	• Seeking new funding sources, product lines, business lines, customers and geographies • Business model innovation	10

Stakeholder management	• Stakeholder engagement for long-term trust, accountability and planning • Strategic alliances • Frequent, informal engagements	10
Management information systems	• Frequent modeling, planning and forecasting • Dynamic pricing	10
Risk management	• Risk-based customer management through tighter credit terms, repricing risk, customer segmentation by risk levels • Closely monitoring high-impact, high-likelihood risks on risk register	8
Capital & org structure optimization	• Reorganizing efficiency, reducing debt reliance, seeking long term equity partners (pension funds, JVs, foreign investors)	7
Selective growth and market focus	• Moderate growth ambitions, reduced exposure to high-risk sectors and seeking stable markets and segments	6
Customer retention and enhanced value proposition	• Strengthened customer value proposition to stem customer churn	4

Priorities were commonly focused on short-term business stabilization. Firms responded to the economic environment by prioritizing liquidity preservation, controlling expenditure, managing stakeholders, enhancing risk monitoring and management and increased selectiveness on growth, new business and customer retention. A micro-lending executive articulated their immediate priorities with clarity: "*So, the priority number one right now, as a business, as agreed between both our shareholders and us as management, is that we don't want to default on our debt, that's number one, we can't default, we need to make sure that the guys who have supported this business with funding can still trust our handshake and know that we are able to repay whenever funds are coming due.*" On selective growth, the CFO of a bank explained: *"we are very clear that we will not do growth in diamond mining in any form, whether you are looking at an* *actual diamond mine or whether you are looking at an entity providing service to a diamond mine or whether you are looking at employees or people employed in the diamond sector, that's not something we will touch in the next 12 months"*

Participant 12 described how the hospitality firm is responding to the weak economy: *"The thing we are doing obviously is from a cost optimization perspective because the top line has significantly shrunk. You would have seen our results in terms of our half year results, not very good results. Top line has shrunk due to what I've already painted in the main. So we are now doing cost optimization to try and match our cost structure to the newly constrained top line levels so that at least you will limit the hemorrhage of the business. In terms of our staff gearing levels, previously we used to be a 65% occupancy hotel group, but because of the economy, the occupancies have gone down significantly to somewhere around 45-50% which is a significant reduction. Therefore, we must optimize our cost structures or our operating models to the new reality of the top line. So, it's really looking in terms of our contracts optimization. Do we really need these contracts? Do we keep the same headcount, or do we have to shrink it?"*

Defensive tactics were aimed at conserving scarce organisational resources, safeguarding integrity and preventing failure as articulated by one participant: "*It's difficult to have too many positive things to say about anything and I have to say that I am really a positive person. I'm positive. I see the bright side to most situations, but I'm finding it very hard to see how we get out of this… but we can't close our business because the interest rates are high."*

Some executives, particularly those representing firms that have been moderately (low-to-medium) affected by the external weakness, described paced exploration of new opportunities, with firms taking small and focused moves without overextending limited resources. Opportunities mainly centered on modest pivots into new lower risk, lower cost product lines, with one participant stating that: *"it is clear to us that funding Pula is too expensive but funding the Rand is cheap. We've changed the tact to say we will now do Rand loans, and we will target clients that get their supplies out of South Africa."* A mining contractor discussed how they think about opportunities in their space: *"We have lost maybe 20- 30% of the business right now because of the scaling down of Debswana. But we still have a bit of business. But we are now saying, how do you close the gaps* *of the business that you are currently losing? You start thinking outside, you look somewhere else to diversify into other sectors, like copper. Because copper is the next big thing now. And when you look at the mining sector across the spectrum, country wide, they are all switching from open pit to underground mining. They all need ventilation, because that is the lifeline of it. There's no way you would go under when it's not cooled. When you go to Khoemacau, it's underground, when you go to BCL, it's underground. So we are trying to strategically place ourselves there now as a company. It's all research, you know things are changing. So you ask, what else is there? How is the mining going to change in the country? Then we started to say, look, there's ventilation, there's a couple of other things that we can look at. Then you say, which one would be better in terms of in revenue and in terms of continuity. I said ventilation is probably the best one."*

Only a handful of participants remained undeterred in their strategies, largely because the firm-specific severity of the weak economy was assessed to be low. The CEO of a property firm had this to say: "*My priority is one, the growth strategy. We can grow by rights issue, right? We can grow by leverage. We can grow by reducing distribution slightly. We can grow by recycling our properties, right old property for a new property, maybe an immediate hit on the yield side but has long legs. So, this is the growth we want to do. And so, to me, the strategy of how we get there and how we measure our progress is fundamental. I think that we will not depart a lot from the drive of growing by more than inflation."*

Some of these firms sought ambitious growth amid the weakness: *"Even if I talk about advisory service itself, I am convinced we have got a lot more opportunities. Right. To possibly double our billing base in the next four years or so. I've already done between 2021 and 2025 and I remain convinced even with the current scenario that even my advisory services billing can be doubled in the next four* years*. So I'm telling opportunities are there in Botswana. We just need to be very intentional about capturing it and change our mindset and learn to take more risks."*

Strengthened customer value propositions were priorities for some participants looking to maximize client retention and protect revenues during this time. Initiatives to shore up brand perceptions and invest in higher quality products and services were actively underway as a defense mechanism against high customer turnover. One participant explained this: "*At the heart of it we are still a medical aid, and we need to have a good value proposition for our members. We have been trending on social media because people are not happy with the scheme and its offerings. So, for me one of the most important things is to fix that. We want to go back to a time when our members were happy, because if they're happy, then it'll be easy for them to defend us.*"

Exploration and exploitation as strategic responses

Strategic priorities in response to the economic landscape can be broadly categorized as explorative or exploitative, depending on their underlying objectives and time orientation. Table 9 below shows the researcher's categorization of the broad strategic priorities of participants between exploration and exploitation. For this purpose, exploitative strategies were those where executives signaled a focus on efficiency, control and optimization of existing resources and capabilities. In contrast, explorative strategies focused on innovation, experimentation and renewal.

Table 9: Strategic priorities categorized by exploration and exploitation

Strategic priority theme	Exploitation	Exploration
Downsizing	✓	
Financial management	✓	
Diversification		✓
Stakeholder management	✓	✓
Management information systems	✓	✓
Risk management	✓	✓
Capital & org structure optimization	✓	
Selective growth and market focus		✓
Customer retention and enhanced value proposition	✓	✓

Based on the above analysis, firm responses to crises were mainly ambidextrous, with firms balancing both exploitative and explorative approaches to navigate the economic landscape. Ambidexterity enables organisations to pursue short-term efficiencies while also investing in long-term renewal. Short-term exploitation for survival was top of mind for most executives, although there was evidence of selective exploration efforts particularly for those management teams that were minimally impacted by the economic landscape as these firms have the capacity and ability to look through the immediate downturn. Exploration was also pursued by executives that assessed their firm impacts to be severe and existential. Executives displayed a pragmatic and realist perception of the economic and operating landscapes and recognized, in most cases, the need for defensive management strategies such as liquidity preservation, cost control and downsizing. When short term exploitation was a key priority, firms recognized the importance of longer-term innovation however resource constraints sometime necessitated that spending towards such initiatives be reduced as described by one participant: *"AI is becoming a big factor in that conversation. Just the use of technology is a big factor in that conversation. We were already working on a program that eliminates direct sales agents, which is our biggest cost. Unfortunately, because of this crisis, we had to refocus our energies towards being protective of the business. But if things were still normal, we were really looking to move the business away from agents and becoming a little bit more digital with the issuance of digital loans."*

In conclusion, the results for research question 2 reveal that when firms are faced with significant macroeconomic headwinds, executives start by assessing their resources to reduce waste and conserve scarce resources, consider adapting business models and strengthening collaboration with stakeholders. Firm priorities and short-term desired outcomes during this time may vary depending on how highly impacted a firm is.

5.6 Results For Research Question 3

RESEARCH QUESTION 3: What scanning, seizing and reconfiguration tactics, strategies and approaches do firms leverage to execute on their strategic priorities during an economic crisis?

Given the strategic priorities and implied adaptation strategies adopted by firm management, the third research question sought to understand the practical routines, processes and mindsets that management teams adopted to identify and seize opportunities (or mitigate risks) as well as to rethink internal resources and structures. Executives spoke about the actions, processes and structures that their firms proactively adopted in order to meet the set priorities. Attaining set priorities would, in turn, aid firm adaptation to the external economic weakness. For example, if a firm is pursuing the explorative adaptation strategy of diversification, how do decision makers facilitate the identification and seizure of diversification opportunities and what resources and structures are reconfigured and/or integrated to enable and support this?

Table 10 shows a snapshot of the capabilities identified by participants as important for the attainment of their strategic priorities:

Table 10: Capabilities executives identified against each strategic priority

Priority	Capabilities
Downsizing	- Risk management - Capital allocation - Cost control and efficiency - Digital innovation - Resource optimization - Communication - Change management
Capital & org structure optimization	- Change management - Debt restructuring and capital raising / corporate finance

Scenario planning, forecasting, dynamic pricing	- Data analytics and insights - Agility, flexibility and adaptability - Talent acquisition and retention - Performance management
Risk management	- Risk assessment and mitigation - Dynamic pricing - Data analytics, predictive analytics
Customer retention	- Customer relationship management - Market intelligence systems - Needs assessment
Selective growth and market focus	- Innovation culture - Market sensing, analysis and research - Cross functional collaboration - Resource allocation flexibility
Diversification	- Agile organisational structure - New business development
Governance, transparency and stakeholder engagement	- Strategic alliances and partnerships - Stakeholder management and communication

Table 11 below shows the results of discussions with participants aimed at identifying the dynamic capabilities leveraged by firms looking to meet their priorities and adapt to a weak and uncertain external environment.

Table 11: Dynamic capabilities leveraged to help firms meet their priorities

Dynamic Capabilities		Illustration	Frequency
Scanning	Stakeholder engagement & management	Frequent meetings with funders, shareholders, customers	12

	• Continuous scanning for risks and opportunities • New idea generation platforms	Tracking macro indicators, market intelligence, innovation initiative	8
	Data driven insights, scenario forecasting and predictive analytics	Models for forecasting, testing strategic options	9
Seizing	Strategic resource allocation	Redirecting, optimizing, controlling resource flow, recycling of assets and strategic exits	12
	Adapting business model	New ways of doing business, Org structure, split responsibilities	8
	Agility, faster decision making	More frequent meetings, focused sessions, adapting management info systems Adaptive leadership style	8
	Strategic partnerships for the offensive	Building alliances for funding and risk management	3
Reconfiguring	Cultural / mindset change	Internal stakeholder management, change management	8
	Foreign / different sources of capital	New shareholder / funding groups with different horizons and risk appetites	5

	Questioning relevance of strategy, capabilities and expertise	Using reflection, retreats, market intelligence and feedback loops to rethink strategy	6
	Restructuring the organisation	Introducing business development as a function. Rethinking value propositions, market segmentals and revenue generation avenues	5

Scanning capabilities

Scanning capabilities are the routines, processes and structures that firms put in place to identify, understand and assess risks and opportunities that may impact the adaptation strategies necessitated by the economic landscape. Management teams emphasized stakeholder engagements, idea generation forums and regular assessment of external data as common scanning routines and practices during a time of heightened uncertainty and economic weakness. These actions and practices were meant to provide regular feedback to internal decision makers on key external developments that may pose threats or present opportunities for their firms.

Decision makers actively and regularly scoured the external environment for signs of improved or deteriorating economic fundamentals and to screen the external landscape for risks and opportunities across their various industries. Data points came from experts such as economists, government statistical publications, sector reports, networking and the pursuit of general market intelligence. One executive remarked: "*In early 2024, we had an economist that came to talk to our board and he was already calling it - the country is headed for difficult times. At the time, the board decided we will continue to grow, but keeping a very close eye on the economy.*" In some cases, cross-functional task forums were established or adapted to take on the role of new business ideas generation for executive management consideration: *"We've evolved our asset and liabilities meetings to brainstorming and thinking sessions where we say - this is the problem. How do we address it? We are meeting more frequently now to also look at creativity and innovation and trying to do things on the fly, to move quicker because things are changing quite fast and we need to respond quicker."*

In addition to this, participants noted the increased frequency of reporting as decision makers sought additional and timely information for quicker and informed decision making. This was articulated well by another participant: "*This is now really reshaping how we are thinking about business going forward and trying to obviously manoeuvre this environment. So we're basically running models almost daily to see where we'll land as a result of this."* Finally, networking and exchanging with stakeholders was set out as an important aspect of scanning for both opportunities and risks. Engagements with funders, regulators and shareholders were highlighted as increasingly important and frequent as explained by one participant: *"These days you need to be talking to your stakeholders daily. I think there's not a week that goes by where I don't talk to a funder. We even talk to the regulator now on a weekly basis because I think it's key that the regulator is aware of what is happening in the market and where we are. When it comes to the shareholder, they are there in our face almost on a weekly basis these days. I think this week alone I had calls with my group counterparts almost every day."*

Participant 12 emphasized the same points: "*We have really tried to heighten stakeholder engagements by meeting with the government decision makers, meeting with the stakeholders from a market perspective…We have more engagements with captains of industries out there trying to put the brand in the face of every decision maker in corporate. We've gained stakeholders from a funding perspective, because our journey is going to require capital and we've been talking more with our funders at the right level. That's how we've managed to do some of our debt restructurings."*

Seizing capabilities

Seizing capabilities dealt with how firms sought to deploy resources to support the strategic priorities identified by participants. The capabilities that executives described centered on improved resource allocation, business model adaptation, introduction of new business lines and products as well as strategic partnerships. Executives were proactively conserving and optimizing limited resources whilst also expressing, to a lesser extent, a willingness to capture opportunities. Regarding opportunities, there was preference for exploring market penetration and product penetration strategies, with only a few exploring higher risk market development and diversification strategies.

Participant 11 described their product penetration strategy as follows: *"I've decided to focus on about 50 clients. Existing clients to the best extent possible because in our industry we always believe that for getting new business from a new client, it takes about 6 times the more effort compared to getting new business from an existing client. With an existing client, you will already know some of what they're doing, what they want to achieve, what have you observed and how to build it from there. So I've been very intentional in terms of focusing on these 50 odd clients."*

Given the liquidity shortages that were identified as one of the key characteristics of the current economic landscape, strategic resource allocation and optimization was a prevailing theme across most interviews. Participants emphasized cost control, cashflow management and expressed increasing openness to alternative and non-traditional sources of valuable resources. Cost control efforts included the deferral of non-core and non-urgent expenditure as well as business case analysis for all large ticket expenditure as explained by a banking executive: "*As a rule, when somebody wants to spend money, we just need to understand how is this making the bank more profitable? If it is not making us more profitable, if it is not helping us, we are not even looking at it. I mean, sometimes I say to my colleagues, sorry, but I will not get out of bed for this. It's not worth looking at if it's not going to enhance our profitability. So even in how we recruit employees, is it a critical position? If it is critical, yes, we can fill the position, if it is not, sorry, we will have to defer that until a future date."*

On liquidity management, firms were similarly exploring deferral of large ticket spending as well as the disposal of non-core assets as articulated by Participant 5: "*We are* *seriously thinking about selling that asset… If they buy it at say an 8% return, we can release some cash and use that to reduce bank debt."* Participant 12 described their process: "*Another pillar has to do with our cash flow optimization because cash becomes the key when you're going through constrained market conditions. We've been trying to really manage our cash flow very closely and deploying the capital that we have as efficiently as possible from a refurbishment perspective. Continue with the refurbishments but do it to the extent that the market can pay for. Don't refurbish a hotel to a standard of a P2,000 rate if the market can only pay P800. So don't refurbish for what you want to see or what is nice to see, refurbish for what market can pay for."*

When faced with significant potentially existential headwinds, management teams remained actively on the lookout for opportunities to adapt their business models and strategies to the changing times by collaborating with different stakeholders such as government, in an effort to unlock new opportunities: "*We can't close down our business because interest rates are high. We just need to try and find another strategy and find a way of making these developments work. We are seriously thinking about selling assets. There may also be an opportunity for new products such as to get the capital owners to fund a mortgage bond market and this is something I'm looking into."* With this said, there was a common view that the firms needed to be more agile in decision making. Agility and faster decision making allows firms to be responsive to threats and opportunities in a fast-changing environment. Participant 1 described it well: "*In terms of lessons, we need to make quicker decisions and without full information sometimes. You need to be quick and I guess it dovetails into quicker decisions, some level of agility and you know just go and execute on stuff as opposed to waiting longer."*

Finally, the research also revealed that the leadership team have a role to play in being adaptive and supportive of the strategic changes required to align their businesses with the changing landscape. A participant shed insights into how the executive and board are working together in the current environment "*You want to be the executive team that provides leadership to its teams because without that then there's no way a business under a constrained environment will make it if your leadership skills as the top team not sharpened. I think leadership as a skill becomes even more paramount… this is not the* *first time I'm having to deal with a tough situation. I've been in Zimbabwe. I worked there at a strategic level during the turbulence there. The turbulence you're going through here, compared to what Zim has been through this is kindergarten…You don't have time to process things overnight. You must think on your feet and understand your business. I think those are the keys. Understanding the business becomes very critical. Then you become very confident in your decisions. Will you make all the right decisions all the time? Maybe not… happening is the teams, the exco teams, because those are the ones that really were driving the business as you like. You know, I've seen them exerting more hours, more taxing. So there's been much more exertion, obviously with the risk of burnout at some point in time, you know, because you still want to run the business that we have, but at the same time, you know, if I continue running the business that I have without wearing the strategic pivots or the strategic thinking perspective then won't be in the game for long enough. Then also from a board focus perspective we've seen a shift in the board focus from an oversight perspective … We've seen a lot more allocation of time and resources towards the more outward looking aspects of the business from a broad focus perspective which then really helps."*

Reconfiguring capabilities

Reconfiguring capabilities are those required to change, integrate or renew existing resources and structures to reposition a firm for better adaptation to its environment. Some respondents highlighted how the economic landscape had exposed strategic weaknesses that drove management teams to re-think prevailing business strategies and corporate culture. Some firms, particularly those severely impacted by the economic weakness, were actively pursuing transformation in various ways. Some participants described the active boardroom discussions taking place in their businesses where the relevance and appropriateness of existing corporate strategies, historic sources of competitive advantage and capabilities were being questioned considering the changing external landscape.

The CFO of a medical aid society stated: *"As a scheme we're trying to diversify. We're trying to expand our property book. We have bought land, we've bought a second hospital building. We're trying to see what else we can go into. We've looked in other* *countries, into hospitals in Mozambique and Zimbabwe. What we understand most obviously will be in the healthcare space. But we don't want to restrict ourselves to just hospitals, we're open to shopping centers, retail space, microlending, offshore investments. When people knock on our door to say that there's an investment opportunity, we listen a bit more than before."*

This demonstrates a pragmatic approach to sustainability in the face of existential headwinds, with evidence of strong commitments to transformation as she further described: "*So there's a big budget line dedicated to all things business development, feasibility studies, engagement of consultants and all the exploration of business opportunities."*

A further example of the reflections taking place are summed up well by a participant in property development stating: "*What I think is most important is that the company becomes agile and as far as new technology is concerned. And we must learn to be honest with ourselves. Were we good in doing developments up to 10 years ago? Yes, we were. We were really good. We knew everything in and out. Is this still the way in which we need to continue growing the company? I'm not quite sure."*

Corporate culture adaptation was also a theme that emerged during some of the interviews. To embed the requisite operational and strategic changes, some firms went as far as requisitioning specialist resources such as change agents or leadership experts to support these efforts, as demonstrated by another participant: *"We've on boarded a change management specialist to try and embed all these changes that we do in the business, otherwise people would just go back to business as usual. So this person is really just responsible for that. He's very active in just bringing focus on these (priority) areas to ensure that the change management happens."*

Some firms were also in the process of restructuring their capital structures in response to the current environment where finance costs had escalated due to liquidity constraints. Firms were exploring foreign sources of capital and increasingly open to new strategic investors with long-term horizons as well as the willingness and ability to withstand the short term turbulence: "*What differentiates one company to the other is not the ideas – they are mostly the same – but the support and sufficient time for* *implementing the strategy because it takes time to switch from a growth to value strategy."*

In conclusion, the results for research question 3 reveal that firms leverage broadly the same capabilities during times of elevated external uncertainty. Dynamic capabilities leveraged depend on the extent of the firm-specific impacts, with highly impacted firms actively prioritizing seizing and reconfiguration capabilities, while less impacted firms mainly leverage scanning and seizing capabilities. The study revealed an increased willingness by firms to adapt to new situations by shifting resources and capabilities to obtain a strategic fit and the importance of managerial capabilities in providing strategic clarity and direction during times of uncertainty and upheaval.

Table 12 is a cross-case analysis of the broad combination of dynamic capabilities that firms represented in the study leveraged to support their key priorities and response strategies.

Table 12: Cross case comparison of priorities, response strategies and dynamic capabilities

Participant	Top Priorities (up to 3)	Response Strategy	Dynamic capabilities emphasized
P1	• Downsizing • Financial management • Stakeholder management	Retrench & Control	Scanning + Seizing
P2	• Selective growth and market focus • Management information systems • Stakeholder management	Persevere	Seizing
P3	• Downsizing • Financial management • Risk management	Retrench & Control	Scanning + Siezing
P4	• Selective growth and market focus • Customer retention and enhanced value proposition	Persevere	Seizing
P5	• Downsizing • Financial management • Capital and organisation restructure	Retrench & Renew	Seizing + Reconfiguration
P6	• Downsizing • Financial management	Retrench & control	Scanning + Seizing

P7	• Downsizing • Financial management • Diversification	Retrench & Renew	Scanning + Seizing + Reconfiguration
P8	• Downsizing • Financial management	Retrench & Renew	Seizing + Reconfiguration
P9	• Downsizing • Diversification • Selective growth and market focus	Retrench & Renew	Seizing + Reconfiguration
P10	• Downsizing • Management information systems • Selective growth and market focus	Retrench & Renew	Seizing + reconfiguration
P11	• Stakeholder management • Selective growth and market focus	Persevere	Seizing
P12	• Downsizing • Financial management • Diversification	Retrench & Renew	Scanning + Seizing + Reconfiguration

CHAPTER 6: DISCUSSION OF RESULTS

6.1 Introduction

This study utilized a qualitative approach to examine firms' adaptation strategies and dynamic capabilities during an economic crisis. In this chapter the researcher synthesizes the results of the research using established literature. The aim of this chapter is to compare the research findings against established theory with a view to add to existing knowledge.

6.2 Discussion of results for Research Question 1

How do top management teams perceive and understand the current economic environment in the context of their firms?

In describing their external environments, executive participants went to great lengths to describe a landscape where the economy had shifted from one that was relatively stable and predictable to one that was turbulent and uncertain. The findings in Table 2 highlighted two key developments - a significant slowdown in the main driver of economic activity, the diamond sector, at a time when the country had insufficient fiscal buffers and savings to cushion the impact. We also learned about the outsized contribution of diamonds to government revenues, and a similarly outsized role of the government in the small, undiversified economy. The financial impacts of weaker government revenues evidently spilled over into other economic sectors, including those not directly linked to diamonds, as were most of the sectors sampled in the study. The sector-agnostic stance adopted for this research provides a broad-based view on how these different sectors and firms are responding to these economic developments.

From the results of the research, the economic environment was characterized by a severe and sudden demand shock to the diamond sector that is considered the lifeline of the domestic economy. The impact of this shock has had a rippling effect into many sectors of the economy due to the outsized role played by the diamond-dependent government in the economy. This shock, the subsequent ripple effects and the vulnerable state of the economy since the Covid pandemic led to tightening market liquidity conditions, curtailed access to capital, weaker financial performance and demand disruptions, as summarized in Table 4, all of which are tell-tale signs of a recession (Osiyevskyya et al., 2020; Weaven et al., 2021). These developments affected firms directly and almost immediately, with second order effects increasingly being felt by households in the form of reduced disposable incomes and purchasing power. Resultantly, what started off as a demand shock to a single sector increasingly spread into other sectors, adversely affecting both supply and demand fundamentals. According to Knudsen (2019), the demand side impact of external shocks to firms often leads to below-trend income levels which is consistent with a recessionary environment.

The sudden changes in operating landscape and heightened uncertainty regarding the extent and likely length of the economic weakness upends business strategies (Weaven et al., 2021). The cross-case synthesis of participant responses in Table 5 shows a number of themes. Firstly, the economic crisis compelled executives to reflect on the resilience or lack thereof of their respective business models given the changing operating context. Secondly, there was a lack of visibility on where the economy was heading, with some executives more optimistic than most. Views diverged on whether the changes manifesting were structural (permanent) or whether the local economy could reasonably be expected to revert to pre-weakness norms, although the former view was the most common. Non-traditional and diverse sources of data and information were actively sought for economic and market insights. Expert consultants were engaged and government policy dialogues and rhetoric closely tracked and monitored.

The uncertainty was further exacerbated by unexpected and significant economic policy changes implemented by the government in response to the economic weakness, such as the exchange rate policy changes that resulted in the sudden depreciation of the local currency. This policy change, which was aimed at conserving foreign currency reserves backing the value of the local currency, had the knock-on and unintended effect of increasing input costs for importing firms, and paradoxically, reducing the local currency value of export revenues earned by export-oriented firms. Such policy impacts and other market developments adversely affected the operating landscape for firms and caused significant internal disruptions, re-emphasizing the endogenous consequences of externa crises. In some cases the impact on internal firm functions threatened firm survival prospects, as observed by Koporcic et al. (2025). In this regard, six of the twelve participants from the study assessed the impact of the economic crisis on their firms to be severe and potentially existential as represented in Table 3. These macro developments are consistent with the tell-tale signs of an (economic) crisis, which Zafari et al. (2020) defined as an unforeseen and external threat to the survival of an organisation that lacks the time and/or resources to respond appropriately.

The broadbased impacts of the economic challenges, as indicated by the moderate-to-high sector severity results from the research (Table 3), mostly manifested in the financial performance of affected firms. The adverse financial impacts affected income statements by way of revenue declines and/or higher expenses. Balance sheets were not spared, with executives describing working capital constraints, weaker cash buffers and restricted access to capital as shown in Table 5. A reduction in a firm's ability to access capital is a key effect of an economic crisis (Miklian & Hoelscher, 2022). The results of this study reveal that access to capital was constrained by two key factors - a drastic decline in overall market liquidity levels and a general risk aversion across credit providers. Credit providers were concerned about the weak economic backdrop that often adversely affects debt servicing capacity. Constrained finance conditions adversely affect short-term working capital requirements as well as longer-term capital investments plans which may exacerbate and lengthen the economic weakness already being experienced. During these times, management teams become increasingly open to finding alternative and non-traditional providers of capital such as Development Finance Institutions and pension funds, most of which have longer term investment horizons and access to lower cost funding.

Demand disruptions were directly driven by the curtailed access to capital across businesses (for respondents in the business-to-business space) and households.

Resultantly, higher financing costs may prompt management teams to reprioritize spending and postpone large scale projects (Osiyevskyya et al., 2020). The indirect driver of demand disruption may be financial and psychological, with overall uncertainty amongst businesses and households reducing overall consumer confidence levels therefore driving down their willingness to spend and the financial dynamics such as weakened purchasing power and high funding costs adversely affecting customers' ability to spend.

An economic crisis may give rise to an organisational crisis and Knudsen (2019) found that the severity of a crisis for any given firm depends on pre-recession characteristics such as quality orientation, sector and firm growth, cost leadership as well as pricing strategy versus competitors. Whilst the research results pointed to moderate-to-high sector impacts, underscoring the pervasiveness of the economic weakness, firm-specific impacts were more varied as shown in Tables 3 and 4. This distinction between sector severity and firm severity is important and helps us understand why some firms may fare better than their peers operating in the same environment (Gupta et al., 2024).

The research revealed that firms that were least impacted by the economic crisis were those with diversified revenue (and funding) streams, as well as countercyclical product offerings as shown in Table 6. Geographic diversification of revenues and funding may be beneficial when an economic crisis is contained to a single country (Botswana). From the study, most management teams from firms that were severely impacted described intensifying executive efforts to pursue diversification in various forms. Furthermore, firms with access to diverse pools of capital outside Botswana were able to reduce the impact of high funding costs in Botswana by tapping into foreign lines of funding to meet their business needs. The type of products sold may also mitigate firm impacts in some cases. From the study, an insurance firm with countercyclical products such as retirement annuities saw these products lines do well due to rising retrenchment rates, whilst a mining sub-contractor specializing in equipment maintenance benefited from lower diamond production levels as mines used the time to actively maintain and service their equipment. Furthermore, an advisory firm that experienced a dip in demand for investment products also experienced a surge in demand for financial training and counselling during the same period, thereby helping to offset demand disruption in one side of the business. Lastly, there was evidence from the study that managerial capabilities such as negotiation, entrepreneurial orientation, open communication and calculated risk taking and openness to framing crises as opportunities for renewal and growth were seen as a boon for resilient firms (Bouncken et al., 2022; Kottika et al., 2022).

In summarizing the key findings of Research Question Figure 2 below illustrates how external shocks such as economic crisis affect firms. The research findings indicate that an economic crisis can precipitate turbulence within the operating environment of firms. This affirms Koporcic et al. (2024) who described crises as causative factors.

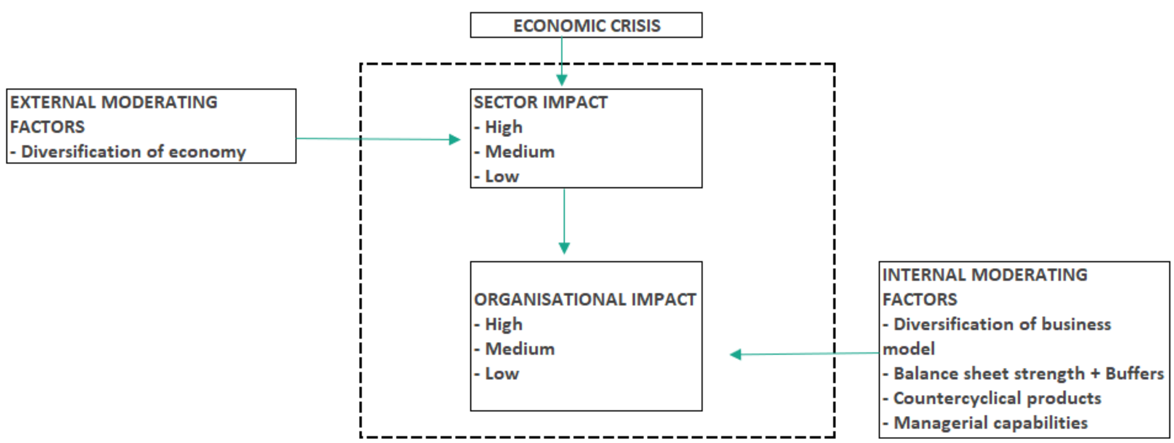

Figure 2: Firm impact of an external shock. Source: Author's own

6.3 Discussion of results for Research Question 2

What do the priorities of management teams reveal about preferred adaptation strategies during such periods?

The research results to research question 2 shed light on Miklian & Hoelscher's (2022) observation that not all external crises give rise to firm crises of equal magnitude. Firm characteristics affect how external shocks manifest and are experienced across individual firms (Knudsen, 2019). This notwithstanding, the research results indicate that firm priorities during a crisis skew heavily towards short-term retrenchment efforts as shown in Table 8. Retrenchment includes downsizing of firm operations, rigorous financial management (including capital and liquidity optimization) as well as enhanced risk management. This may be due to the short-term feedback firms get such as rising shareholder attention, weaker customer demand and profits which may drive a bias towards short term responses (O'Reilley & Tushman, 2008). According to the research findings, these defensive responses were aimed at curtailing the adverse impacts of the economic crisis on the financial performance of affected firms as observed by Wenzel et al. (2020).

Retrenchment efforts were either prioritized in isolation, or in conjunction with other longer-term strategies aimed at creating some value for the firm amid the crisis. For the most part, firms that were moderately affected by the crisis tended to be firmly rooted in 'retrench and control' mode whereas firms that were severely affected pursued a 'retrench and explore' approach to adaptation. Firms that were least affected by the external developments remained largely undeterred in their chosen strategies.

The firms that simultaneously pursued retrenchment and exploration were those severely impacted firms that faced existential risks due to management perceptions that business models had become unviable or unsustainable. Interestingly, even with existential threats, no respondent ever brought up an outright exit or closure of operations as an option.

Retrench and control

Retrenchment and control was a common theme that emerged as a strategic priority amongst most firms in the research. This approach mainly involved the implementation of cost-cutting measures such as downsizing operations, right sizing the firm, freezing non-essential expenditure, identifying cost saving opportunities, shoring up liquidity and managing emerging risks. Wenzel et al. (2020) identified retrenchment strategies as common, yet short-term and potentially destructive when retrenchment is taken too far. As discussed in section 5.5, the scope of business activities were reduced or curtailed in response to the weaker demand, higher funding costs and increased working capital pressures discussed earlier. This was a lever that was top of mind for executives as management teams have greater control over expenditure relative to demand and revenue generation. Therefore, cost control was easier and faster to implement in a rapidly evolving environment. There was greater attention paid to wasteful expenditure and a preference for assessing additional spending against additional firm benefits thereby prioritizing spending that was demonstrably expected to add value for the firm. Where assessments revealed opportunities to raise product prices in response to the rising costs, product pricing was a lever that was used to offset the higher cost bases. Risk management was also topical as a short-term priority, with firms tightening risk assessments and reporting processes relating to portfolios, capital and liquidity, given heightened risk of financial losses during this time.

Retrenchment efforts were put in as short-term stop gaps to stabilize financial performance whilst work was taking place to continuously assess the need for longer-term structural changes. For severely impacted firms, long-term projects were rapidly curtailed in scope or postponed. No large projects were terminated outright, perhaps due to their perceived strategic importance or an optimistic view of a return to the norm. This slightly contradicts what Galkina et al. (2023) noted in their research where projects were abandoned completely. It is reasonable, however, to expect that the propensity to abandon projects increases the longer the economic crisis continues.

Retrench and explore: Strategic renewal as an option

Strategic renewal emerged from the research as another priority for firms in challenging economic environments. In many cases, strategic renewal was undertaken simultaneously with retrenchment. For these firms, the economic constraints had revealed vulnerabilities in business models and business strategies that necessitated structural change. In Table 8, renewal strategies included diversification, selective growth and enhanced customer value propositions. Diversification was the main theme in these instances. Firms sought to diversify their products, customer bases, funding sources, and overall value propositions. In a few instances, executives spoke of active efforts to pivot their firms towards completely new and unrelated markets and products. This is aligned to academic research that finds that crisis events give rise to various forms of deep reflection on business fundamentals and prospects which may result in strategic pivots in business models (Galkina et al., 2023). Firms that were considering fundamental changes to their business models, a form of diversification, were those that had determined that the crisis had brought permanent changes to their business landscapes and that a return to the previous norm was unlikely.

In support of strategic renewal priorities, firms were actively allocating capital and resources to endeavors such as business development, change management, critical skills acquisition, strategic alliances, benchmarking and due diligences. Governance structures and processes were put in place to oversee new ventures while optimizing the legacy business. Strategic renewal initiatives are aligned with the view from Osiyevskyya et al. (2020) that challenging external environments require responses that improve the strategic fit of firms to their environments.

Exit is not an option

Even where firms were perceived to be severely impacted by the crisis, leaders never brought up outright exits as an option they were considering. An exit is defined by Wenzel et al. (2020) as the termination of a company's business operations because of a crisis. Although some executives were acutely aware of the severity of the operating environments to their businesses, there remained a common view that less fatalistic response strategies existed and needed to be explored. An argument may however be made that an exit strategy sits in the domain of firm owners and boards, not management. Afterall, the mandate of CEOs is to ensure both near-term profitability and long-term business success. From the research, none of the owner-managers of a severely impacted firms in the sample ever brought up termination of business activities as an option. Infact, they placed greater emphasis on both short-term retrenchment and strategic renewal as key priorities for the business. In some cases, executives running firms with diversified business lines expressed a willingness for fledgling or better off segments to provide financial and capacity support to underperforming segments which is aligned to Galkina et al. (2023) who found that the reallocation of resources between operations may take place during crisis times.

Exploration and exploitation as adaptation strategies

When reflecting on response strategies in the context of exploration and exploitation, the research revealed a strong preference for ambidextrous strategies across executives sampled as reflected in Table 9. This is somewhat surprising as most participants often led with the objectively exploitative priorities of downsizing and financial management as a top priority. This perspective confirms that there is a multi-level view of crises response in which firms may often prioritize exploitation first, followed by ambidextrous strategies as lower priorities. The immediate shock of a crisis may compel firms to concentrate on survival imperatives such as liquidity preservation, efficiency and risk management. Once basic stability is achieved, firms may then venture beyond the short-term preservation and defense to selective exploration such as diversification and enhanced value propositions while maintaining operational discipline.

This simultaneous pursuit of short-term and long-term goals empirically demonstrates the pursuit of ambidextrous strategies by some firms responding to an external crisis (Sarfo et al., 2024). Whether there are additional firm benefits in pursuing ambidextrous strategies remains undetermined due to the cross-sectional nature of this research although this is an important consideration given the ongoing debate regarding the additional benefits of ambidextrous strategies compared to focused strategies (Osiyevskyya et al., 2020).

Finally the results of the research were broadly consistent with Kottika et al. (2020) who identified cost reduction, firm/industry specific intensity, hard work, export orientation, price reductions and debt avoidance as the main reasons firms survived economic crises. They found that firms that adopted tactics to downsize, improve marketing efforts, adopt an extroverted orientation and financial prudence were more likely to successfully navigate a challenging economic landscape.

Figure 3 presents a view of how an external shock affected the firms covered in the research and the response strategies prioritized by executives during this time.

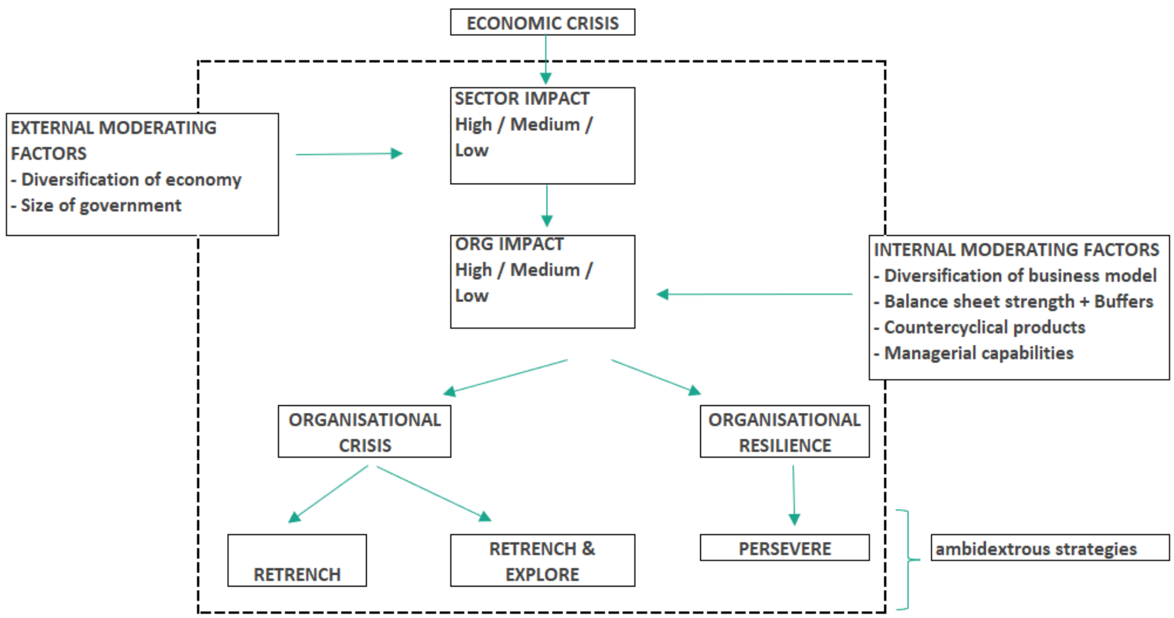

Figure 3: Firm responses to an external shock. Source: Author's own

6.4 Discussion of results for Research Question 3

What scanning, seizing and reconfiguration tactics, strategies and approaches do firms leverage to execute on their strategic priorities?

A summary of how executives combined dynamic capabilities in order to navigate their operating and internal landscapes is shown in Table 12. Below is a detailed discussion of how key capabilities were operationalised.

Scanning capabilities

The research established that executives found stakeholder engagement and collaboration capabilities to be vital during times of crisis. During a crisis, the importance of engaging internal and external stakeholders and managing these relationships cannot be underscored. Stakeholders may be potential sources of valuable insights on threats and/or opportunities and may potentially provide or prevent access to valuable resources (Leemann & Kanbach, 2022). Executives were more willing to establish relationships with people or firms that they had no previous relationship with and to explore strategic partnerships and alliances that they would routinely have turned down in the past. These findings are consistent with Zafari et al. (2020) who found that crisis forges relationships quickly. Executives spoke of more frequent in-person engagements with an increasing propensity to meet informally to build trust and rapport. Furthermore, emphasis was placed on open and effective communication to stimulate buy-in and support from stakeholders. Regarding internal stakeholder relations, Bouncken et al. (2022) noted that times of crisis and uncertainty may give rise to polarization and intolerance amongst individuals within an organisation, which may complicate efforts aimed at coping with and effectively responding to the crisis. This further emphasizes the need for thoughtful and mindful communication and relationship management.

Screening of opportunities and threats was another common scanning capability that emerged from the research. The relevant issues for analysis were the state of the economy, new business ideas and available technologies for adoption. An analysis of the economy involved concerted efforts to track the state of the economy on a more regular basis than before, searching for early signs of continued weakness or improvement. These insights and signals are relevant and important inputs into a firms’ management information systems, helping firms develop a systematic understanding of the economic landscape and position executive teams to make informed decisions. New business ideas were analysed through formal due diligence, market assessment and feasibility studies and the requisite analysis skills and tools were either contracted or insourced to better support these efforts (Weaven et al., 2021). Scanning technology, in one instance, involved leveraging strategic partnerships for emerging or established technologies that may help improve internal efficiencies or add to a firm's overall value proposition. Linked to screening the external environment for opportunities and threats, idea generation forums and structures were touted by executives as an example of developments made within firms to support the sensing and filtering of opportunities and threats. The formalisation of such structures, with support from the top brass underscored the strategic importance and dedication to institutionalised ideas generation. Forums were cross-functional and vertical, with explicit mandates to identify opportunities for the firm internally and externally. In most cases, resources and incentives were built into these structures to maximise effectiveness and improve the chances of successfully executing on mandates (Leemann & Kanbach, 2022). The cultivation of creativity through learning from internal and external sources as well as proactively tapping into internal knowledge bases across the firm is one way of equipping firms to better respond to dynamic environments (Dejardin et al., 2023).

Seizing capabilities

The research revealed that product portfolio and market decisions were crucial for executives looking to optimise and strategically allocate limited resources and shore up performance during a crisis. The focus of management teams during times of crisis was to optimise product portfolio performance by ensuring that only those products and customers that were assessed to be returns accretive were retained and/or courted. Return on investment was an increasingly important anchor for financial decision making, with management teams looking to spend on initiatives that would generate incremental returns for each unit of spend. Returns were not purely financial, with management teams taking non-financial factors, such as customer satisfaction in hospitality, into the financial decision-making process. Executives expressed a willingness to forego (or exit) business that was assessed to be unprofitable from the onset and to discontinue unprofitable products. In some cases, asset recycling was deemed necessary where the capital raised from underperforming assets could be redirected to those opportunities that were assessed to be better. In other cases, marketing and advertising resources and spend was proactively re-directed to more profitable businesses to maximise returns per unit of limited resource. This is consistent with the overarching desire to protect financial performance and resources during a time of crisis.

Agile and rapid decision making is another seizing capability that emerged from the research. Most executives described this capability as one that was lacking in their firms at the onset of the economic challenges, which curtailed the pace of firm responses. Rapid decision making in a fast-changing environment and with limited, asymmetric information can be challenging (Sarfo et al., 2024). The frequency of internal meetings, the change in meeting focus areas (for example from a sales focused executive committee meeting to one that is focused on risk management) and frequent stress testing, scenario modelling and forecasting exercises are examples brought up by participants as practices implemented to improve the frequency and quality of decisions made. All this enables management teams to identify and interpret fast changing signals, rethink strategic and operational priorities in a timely manner and adequately structure their businesses to maintain or improve their competitiveness (Kafetzopoulos, 2020). Furthermore, some executives emphasised the importance of crisis response experience within leadership teams, which builds intuition and adaptive decision-making confidence during uncertain times (Weaven et al., 2021). Gupta et al., (2024) describes such adaptive leadership capabilities as important for timely sensing and efficient orchestration of resources to make necessary strategic and tactical changes during a crisis.

Reconfiguring capabilities

The research found that diversification through business model innovation was a key theme amongst executive teams that were forced to fundamentally rethink their businesses during a crisis. For firms severely impacted by the economic crisis, and where survival was the overarching goal, executive teams were involved in the detailed work of reconsidering how their businesses create sustainable value into the future. This finding supports Clauss et al. (2022) who observed that external crises tend to give rise to (temporary) business model innovation for severely impacted firms and Kraus et al. (2020) who contend that crises act as incubators for business model experiments. Firms may pursue material pivots away from existing business models and strategies through innovative thinking, resources mobilisation and stakeholder support and commitment. Executives noted that innovative thinking was easier when firms had access to leaders that had successfully navigated crises in their careers. These individuals were identified as valuable firm resources because they could provide practical guidance during times of heightened uncertainty and change (Weaven et al., 2021). This feature is aligned to a call for broader cognitive diversity on boards in order to prevent the strategic rigidity that may cause maladaptive strategies (Merendino & Sarens, 2020). Executives and directors provided the human capital required to rethink the firms' value propositions. This was mostly due to financial constraints and as a result, firm leaders sacrificed work-life balance and worked longer hours to add the strategic bandwidth required to explore new configurations whilst optimising the existing business model (Weaven et al., 2021).

The research revealed that technology, human capital and change management expertise are some of the key resources that management teams drew upon when spearheading a change in the overall value creation logic of the firm. A hospitality firm adapting its business model from a business travel focus to an inbound tourism focus may reallocate its reservations resources towards technology platforms that promote online sales and advertising efforts and facilitates listings on aggregator sites such as Booking.com. A medical aid society looking to pivot away from healthcare solutions may create a business development office to proactively scan and bring new business leads, as well as facilitate the establishment of an investment committee that will assess and decide on which new business ideas to pursue. In such instances a firm may find itself structurally separated into the legacy business and a prospecting segment, which is consistent with the notion of structural ambidexterity (Leemann & Kanbach, 2022). At some point, the management of the change process becomes imperative. The research revealed that firms may engage an external change manager where financial resources permit, or appoint change agents and champions internally to drive the process and manage resistance, with the support and empowerment of the executive team. These internal reconfigurations that take place when adapting or changing business models are consistent with the findings of Leemann & Kanbach (2022) who highlighted the importance of changing internal systems, structures, processes and mindsets when the fundamentals of the firm change.

In conclusion, the findings to Research Question 3 support Lemmann & Kanbach (2022) who found that dynamic capabilities share common foundational characteristics although their specific manifestations are idiosyncratic and context specific. Figure 4 below summarises what the research revealed regarding how firms navigate and respond to an external shock to the economy.

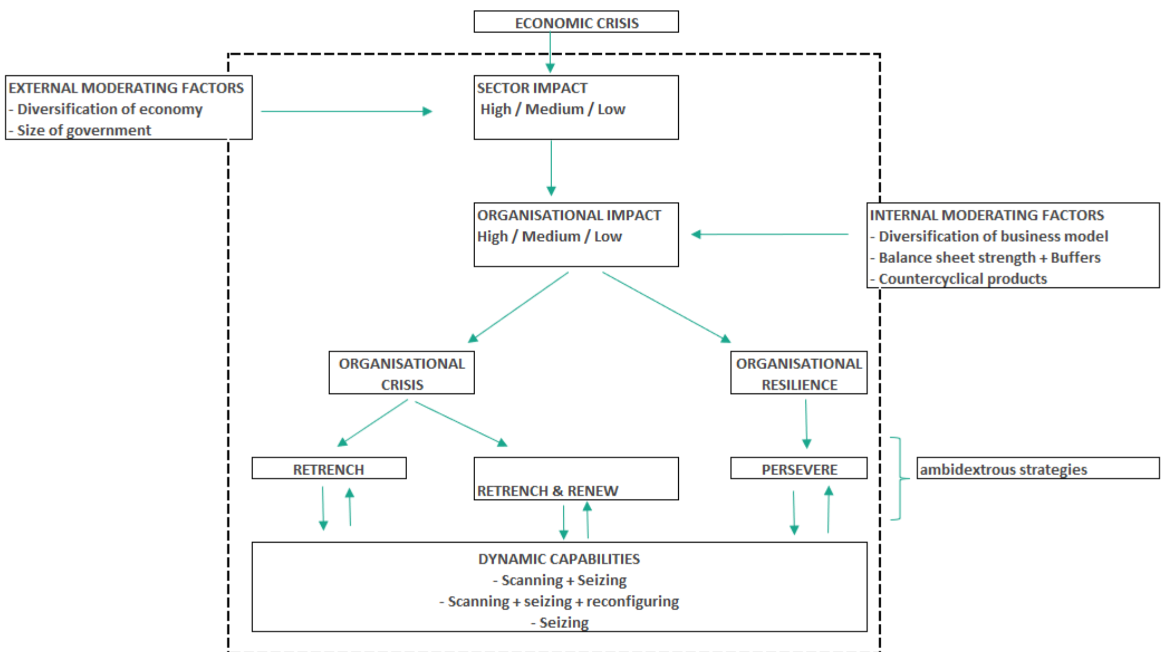

Figure 4: Firms navigating an external economic shock. Source: Author's own

CHAPTER 7: CONCLUSIONS AND RECOMMENDATIONS

7.1 Introduction

This chapter concludes the study with a review of the major findings, offering managerial recommendations from the research, and discussing limitations and directions for future research.

7.2 Major findings

This study had several major findings on the interplay between economic crises, firm crises responses and dynamic capabilities.

Firstly, the study revealed that not all external crises give rise to firm crises. An exogenous shock to the operating landscape of a firm may affect a firm and its sector in different ways. We learned that an exogenous shock in one sector can have widespread impacts on other sectors due to macroeconomic effects and linkages. All the sectors represented in our study were affected by the exogenous diamond demand shock, albeit to varying degrees. This notwithstanding, we note that our study did not cover all economic sectors and discuss this limitation in detail further below. Secondly, we found that the broad-based sector impacts of an exogenous crisis may be moderated by the characteristics of an economy. In the case of our study, factors such as the size, diversity and closedness/openness of a national economy emerged as potential moderators of the crisis impacts on individual sectors and, subsequently, underlying firms. These factors and characteristics require greater study in the broad field of business strategy. Furthermore, the sector specific nuances that may moderate the impact of an economic crisis on an individual sector require further exploration.

Firms represented in this study experienced the impact of the economic crisis differently and regardless of the broader sector impact. This further emphasizes that not all crises are equal for firms. Although the study did not set out to investigate this dynamic, the results from the research identified some firm characteristics that may potentially explain this phenomenon. These factors, such as resource slack, managerial capabilities and portfolio diversification require further in-depth research as we seek more academic insights into crisis impacts and responses.

The research confirmed some existing literature on crisis response strategies by revealing that firm responses to crises may be varied and contextual. The study revealed that crisis responses vary depending on the extent of the impact of the crisis on the firm, with relatively unaffected firms opting to persevere and severely affected firms adopting either a focused retrenchment strategy to stabilize the firm and shore up performance, or, where legacy business models are revealed to be unsustainable, adopting a blend of short term retrenchment and longer term innovation and exploration.

And finally, we found that firms scan, seize and reconfigure in different and blended ways. Firms that were unaffected by the crisis tended to focus on acquiring and/or leveraging specific scanning and seizing capabilities to support the implementation of existing business strategies. Firms severely affected by the crisis tended to either home in on scanning and seizing capabilities, with an additional and equally material focus on reconfiguring capabilities for those firms that sought to fundamentally alter their businesses.

Below, we make managerial recommendations based on these overarching research findings, followed up by the limitations of this research and ideas for future research.

7.3 Recommendations

The research sheds light on the importance of portfolio diversification, the likely dangers of excessive retrenchments and the role of managerial capabilities in crisis responses.

7.3.1 Diversified supply and demand

The research revealed that firms that had not been severely affected by the economic crisis had several common characteristics. Firms that fared better coming into the crisis had a diverse supplier and customer base and were not significantly reliant on a single economy.

7.3.1.1 Demand diversification

One of the better faring firms credited this to their geographically diversified portfolio in which they generated earnings from different countries. As a result, macroeconomic weaknesses in one economy was diluted by resilience in other economies and therefore allowed for management teams to persevere through the weakness. Strategic foresight and a proactive strategy to continuously assess and manage a firm's reliance on a single economy is recommended. Whilst this strategy may work well in the context of a country-specific crisis, a firm may not be as equally protected from a broad-based global financial crisis. The researcher also notes that an internationalization strategy may be relatively easier for larger firms with the resources to implement it, compared to smaller enterprises. This therefore calls for other innovative approaches aimed at shoring up a firm's position in the home country whilst cultivating the entrepreneurial orientation necessary to innovate through technology adoption, increasing extraversion to monitor and anticipate new opportunities (Kottika et al., 2020) and continuously investing in the quality of products and the image of the brand.

7.3.1.2 Diversified internal and external funding base

Diversification of funding sources and debt reduction is widely advocated for in academic literature as a vital way for improving firm resilience (Korporcic et al., 2025). Firms that rely predominantly on locally mobilized debt often face vulnerabilities during localized or national economic downturns that affect the supply of and access to capital. This is because constrained liquidity can tighten credit conditions and increase borrowing costs.

The value of access to diversified funding sources as well as moderate leverage were themes that emerged from the research. To mitigate such risks, creating and maintaining slack, which is readily available internal resources or untapped financing capacity, acts as a buffer during periods of economic difficulties. Financial slack allows firms to keep up with strategic initiatives, absorb shocks and seize opportunities when competitors are capital constrained. A balanced and sustainable capital structure which combines short-term, long-term and equity financing can help firms optimize their capital costs while insuring sufficient liquidity under turbulent market conditions. Korporcic et al. (2025) also recommended alternative sources of funding such as grants, crowdfunding and peer-to-peer platforms as options for smaller enterprises. From a dynamic capability viewpoint, the strategic management of resources, which includes anticipating shocks, mobilizing alternative funding and reallocating capital effectively is a critical capability that improves firm adaptability and survival.

7.3.2 Dangers of indiscriminate retrenchment

Cost control was the most referred to priority amongst executives responding to the impacts of the economic crisis on their firms. Only a handful of executives made a clear distinction between cost cutting and cost optimization as a response tactic during these times. Whilst cost cutting often refers to immediate, often reactive expenditure reductions aimed at conserving liquidity and shoring up profits, it sometimes involves broad based budget reductions, layoffs and deferred investments. Wenzel et al. (2020) cautions against the inadvertent erosion of longer-term firm competitiveness and employee morale of indiscriminate cost cutting. Cost optimization is recommended instead. In contrast to cost cutting, optimization is strategic and value oriented. Cost optimization seeks to realign spending with business priorities by assessing cost structures for efficiency improvements, waste reduction and better reprioritization. Process re-engineering, digital adoption, supply contract renegotiations and optimization of portfolios are examples of cost optimization initiatives that reconfigure resources and processes for improved efficiencies and better adaptation to a changing landscape. A blend of both practices is ideal as it allows for the short-term shoring up of liquidity to be followed by strategic initiatives that rebuild firm competitiveness longer-term.

Crisis conditions require leaders to balance efficiency and innovation simultaneously—a hallmark of ambidextrous leadership. Leaders can stabilize the organisation through operational discipline (exploitation) while also encouraging innovation and opportunity-seeking behaviors (exploration). This balance can be achieved through structural mechanisms—such as separating crisis response and innovation units—or contextual approaches, such as fostering a culture that rewards both prudence and experimentation. Effective leaders communicate a dual message: maintain short-term performance discipline while legitimizing calculated risk-taking

7.3.3 Managerial and leadership capabilities

Leaders must enhance their ability to interpret and frame crises accurately. This involves avoiding cognitive biases such as overconfidence, rigidity and excessive risk aversion that may surface under pressure (Bouncken et al., 2022). Cognitive ability enables leaders to distinguish between temporary disruptions and structural shifts, allowing for more appropriate and effective responses. Techniques such as scenario planning, red-team simulations and structured reflection sessions cultivate open-mindedness and leaders who encourage diverse perspectives across organisational levels improve decision quality and organisational learning.

Stakeholder management cannot be overemphasized during crises. Such situations test the strength of stakeholder relationships and organisational credibility. It remains important to renew and strengthen ties with internal and external stakeholders essential to the operational resilience of the firm. Regarding employee relationships, effective crisis management requires organisations to involve employees in collaborative endeavors to enable diverse perspectives and strategic options to emerge. Firms should adopt flexibility and motivating human resource strategies to encourage active participation. Leaders may mitigate employee dissatisfaction by exhibiting a reasonable balance of hope and optimism and maintaining open communication (Kozachenko et al., 2022). Gupta et al., (2024) reiterate this when they found that the most critical determinants of firm survival was collaborative capacity with key stakeholders, in addition to an adaptive leadership style. Collaboration is not automatic but requires internal capabilities, financial and managerial resources such as time, to nurture relationships.

7.4 Limitations

- The study had a non-homogeneous and eclectic sample of firms of varying sizes. Firm representation was broad, including listed and unlisted firms with employees ranging from 30 to 600 and annual revenues of up to P1.6billion. In the context of Botswana, the sample comprised of a mix of SMEs and large corporates. The lack of a tightly controlled sample that clearly defines and focuses on either SMEs or large corporates may have affected the generalizability of research findings due to the distinct differences between small and large firms that differentiates how they respond to crises (Miklian & Hoelscher, 2022).

- This cross-sectional study takes place during the time of a crisis. The research therefore does not provide insights into how the adaptation strategies, priorities and dynamic capabilities leveraged by firms during a crisis evolve over the duration of the crisis and ultimately affect firm outcomes such as survival. A longitudinal study may be more suitable for such insights.

- The study was undertaken in the context of a national economic crisis in Botswana. Whilst this study has shed light on certain nuances that may differentiate a national crisis from a regional or global economic– for example a small mono- economy, this feature may not necessarily apply in other (developing) countries and therefore the findings of this research may not provide generally applicable insights into how firms navigate external economic shocks.

- Additionally, the interviewer was not expertly trained to carry out interviews for academic purposes and this may have adversely affected their ability to understand and accurately interpret the results of the data collected.

- Finally, the study adopted a qualitative approach based on semi-structured interviews. The researcher notes that the convenience sampling approach where participants were sought within the researcher's professional and social circles may give rise to participants' desire to manage perceptions which may have influenced how they responded to interview questions. Furthermore, the non-random manner of the convenience sample may limit its representation of a larger population.

7.5 Future research ideas

The sector agnostic approach taken in this study revealed that a sector-focused study may be warranted. The researcher recommends detailed research into the factors that may moderate or mediate the impact of an exogenous economic shock on a single sector. This research gave some limited perspective on how an external economic shock may affect various sectors and there was some indication that high-level factors such as the size of an economy and the extent of it's diversification may moderate the impact of an external crisis on individual sectors. A focused and extensive study into this dynamic may be warranted and will contribute to our broader understanding of the impact of crises.

Similar to the above, the researcher recommends studies into the external and internal factors that may moderate or mediate the impact of an exogenous industry shock on firms operating within the specific industry. Miklian & Hoelscher (2022) identified that firm vulnerability or resilience to external shocks may depend on the nature of a business including its size, age, managerial capabilities and sector. In relation to the current research, the sample did not include the decision makers of firms operating primarily in the diamond sector. An in-depth study into these firms, which are at the epicenter of the crisis, on how they are experiencing and navigating the demand shock to their sector would contribute to the advancement and refinement of our knowledge of how firms navigate external crises.

Lastly, the researcher recommends longitudinal studies into developing market management responses throughout a crisis and how priorities, strategies and actions evolve over time and the ultimate impact on firm outcomes. This recommendation is consistent with Miklian & Hoelscher (2022) who noted that studying firms at the time of crisis is insufficient as firms advance preparation or better reaction during the course of the crisis matters most for ultimate firm outcomes.

7.6 Conclusion

In conclusion, this study adds value in several ways. This research contributes to our understanding of how firms in emerging economies translate abstract notions of dynamic capabilities into real, context-specific strategies during economic crises. Unlike most studies conducted in developed markets, this research captures the strategic reasoning of executive decision-makers operating in volatile and resource constrained fluidity. It reveals how leadership cognition, contextual pressures and response capabilities interact to shape both immediate crisis responses and long-term strategic thinking. By integrating theory and practice, the study enriches our academic understanding of strategy in crisis contexts.

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Appendix 1: Ethics approval

Gordon Institute of Business Science
University of Pretoria

Ethical Clearance Approved

Dear

Please be advised that your application for Ethical Clearance has been approved.
You are therefore allowed to continue collecting your data.
We wish you everything of the best for the rest of the project.

Ethical Clearance Form

Kind Regards

Appendix 2: Draft Interview Guide *(First iteration)*

Introduction

Thank you for making the time, I greatly appreciate it. This research is about how business leaders respond to economic crises. Specifically, how they perceive the current economic environment, assess its severity for their firm and the strategies and actions they rely on to adapt and survive.

1. Signed consent form
2. Demographic data
    a. Job title
    b. Tenure
    c. Industry

Research Question 1: How do corporate decision makers perceive and understand the current crisis

3. Please describe the current operating environment for your firm
4. How has this affected your business from an operational and strategic perspective?
5. What is the assessment of the severity for the firm and industry based on? Think of financial performance, operational performance, increasing stakeholder attention etc.

Research Question 2: What informs the adaptation strategies adopted during such periods?

6. What are the two or three key areas that are top of mind priorities for you during this time? How did you evaluate and prioritize them? Are they inward looking or outward looking? Internal resources required?
7. By getting this right, what do you hope to achieve - performance, competitive advantage, survival?
8. Given the current context, what's your view on the tradeoff between the need for near-term performance/efficiencies versus longer-term innovation/differentiation?

Research Question 3: What scanning, seizing and reconfiguration tactics, strategies and approaches are firms implementing to adapt to the crisis

1. Please discuss how you arrived at the above priorities (risks or opportunities)
2. What internal and external processes and practices do you practically undertake to seize identified opportunities and/or mitigate identified risks?
3. Please share a recent example where you had to make (or thought of making) significant changes to the way the business works due to the current environment.

General and reflective interview questions:

4. What skills or strengths do you think are most important for getting through this time? What makes you believe this?
5. What management lessons have you learnt with regard to the issues we have discussed?
6. Any advice for other management teams?

Thank you for your time.

Appendix 3: Abridged Interview Guide shared in advance with participants

1. Current macro environment and impact on your operating environment
2. Severity of the environment for your business. What informs this?
3. The top 2-3 strategic priorities currently. Why these?
    a. Internal mechanisms to support these priorities? Think resources, processes, management information systems, technologies
    b. Survival vs openness to transformation / radical change
4. Lessons learned & advice

Appendix 4: Interview Guide *(second iteration)*

Introduction

Thank you for making the time, I greatly appreciate it. This research is about how business leaders respond to economic crises. Specifically, how they perceive the current economic environment, assess its severity for their firm and the strategies and actions they rely on to adapt and survive.

1. Signed consent form
2. Demographic data
    a. Job title
    b. Tenure
    c. Industry

Research Question 1: How do corporate decision makers perceive and understand the current crisis

3. Please describe the current economic environment – what are the tell-tale signs of the economic crisis
4. Please describe the current operating environment for your firm - what has been the impact on your business
5. What is the assessment of the severity for the firm – High, low or medium
6. What informs this view? Think of financial performance, operational performance, increasing stakeholder attention etc.

Research Question 2: What adaptation strategies are being adopted during this period and to what end?

7. What are the two or three key areas that are top of mind priorities for you during this time?
8. Please discuss how you arrived at the above priorities (risks or opportunities)
9. What do you hope to accomplish if you're able to deliver on your priorities – performance, competitive advantage, survival?
10. How do you think about the short-term vs longer term corporate objectives – do your immediate priorities supersede longer term goals?

Research Question 3: What scanning, seizing and reconfiguration tactics, strategies and approaches are firms implementing to adapt to the crisis

11. How do you scan for risks or opportunities
12. How to seek to seize opportunities or mitigate risks
13. Reconfiguration?
14. What skills or capabilities do you think are most important for getting through this time? Do you possess these skills? How would you go about acquiring them?

General and reflective interview questions:

15. What management lessons have you learnt regarding the issues we have discussed?
16. Any advice for other management teams?

Thank you for your time.

Appendix 5: Consent Form

I am currently a student at the University of Pretoria's Gordon Institute of Business Science and completing my research in partial fulfilment of an MBA.

I am conducting research on how executives manage tensions between maintaining business stability and pursuing longer term growth and innovation during periods of heightened uncertainty. Our interview is expected to last about an hour and will help us understand the leadership practices, decisions and capabilities that enable organisations to adapt and thrive during challenging times. **Your participation is voluntary, and you can withdraw at any time without penalty**.

By signing this letter, you are indicating that you have given permission for:

- The interview to be recorded and transcribed by myself or through an online transcription service;
- The data to be used as part of a report that will be publicly available once the examination process has been completed;
- Verbatim quotations from the interview to be used in the report. Neither your name nor the name of your organisation will appear in the research report; and
- All data to be reported and stored without identifiers for confidentiality

If you have any concerns, please contact myself or my research supervisor. Our details are provided below.