

# **Enhancing Performance of Zimbabwean Service-based Firms through Digital Transformation and Sustainable Competitive Advantage: A Structural Equation Analysis**

Leo T. Mataruka, Christopher Zishiri, Joe Muzurura, Walter P. Mkumbuzi and Cletos Garatsa

## **Abstract**

This research has examined the impact of digital transformation (DT) on the sustainable competitive advantage and performance of service-based firms in Harare, Zimbabwe's central commercial hub. Grounded in the resource-based view (RBV) and dynamic capabilities (DCT) theoretical bases, the study used structural equation modeling (SEM-AMOS) and a cross-sectional design to assess the relationship between information and communication technologies (ICT) digital resources and capabilities and sustainable competitive advantage in the established service sector. Survey instruments were distributed to 800 service-based managers, with 782 responses received. The findings underscore the critical role of financial, operational, and digital resources in supporting core business capabilities and driving company success. The research demonstrates how digital transformation support for vital organizational competencies can enhance value creation and firm performance. An essential contribution is that sustainable competitive advantage agility mediates the link between digital transformation and firm performance. This highlights the pivotal influence of 'dynamic managerial capabilities', a term we define as the ability of managers to adapt and innovate in response to changing market conditions and technological advancements, as managers must strategically implement digital initiatives to gain a long-term competitive edge. Overall, the study provides valuable practical insights into the significance of digital transformation for achieving sustainable competitive advantage in service-based firms. The results emphasize the need for managers to thoughtfully adopt intelligent digital tools and make decisions that leverage the firm's digital resources and capabilities. This research significantly advances academic understanding of the digital transformation-competitive advantage-performance relationship in the context of Zimbabwe, with important implications for theory and practice.

**Keywords:** Digital transformation, information communication technology, service-based firms, competitive advantage, resource-based view (RBV), dynamic capabilities theory (DCT)