

Policy Volatility as A Barrier to Industrial Renewal: Regulatory Instability and Its Impact on Long-Term Investment in Zimbabwe's Manufacturing Sector

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Abstract

Regulatory and policy instability has emerged as a critical systemic barrier to manufacturing sector revitalization in Zimbabwe, creating an environment where long-term strategic planning and capital investment become difficult for industrial firms. This article examines how frequent and unpredictable changes in economic policies, currency regimes, tax laws and regulatory frameworks fundamentally undermine industrial innovation and growth. Grounded in a mixed-methods doctoral study that surveyed 175 respondents and conducted in-depth interviews with 30 participants across Zimbabwe's mining and chemical manufacturing sub-sectors in Harare, Mutare, Bulawayo, and Hwange, the research reveals that regulatory instability operates as a profound disincentive to the multi-year investment commitments that innovation demands. The research establishes that regulatory uncertainty creates a stagnation mentality, with firms perpetually postponing innovation investments in hopes of future policy stability, effectively trapping the sector in a state of strategic paralysis. This article demonstrates that while individual firms can develop strategies to navigate policy volatility through diversified operations, strong government relations or business models resilient to regulatory change, such adaptations cannot substitute for the fundamental requirement of a stable, predictable, and transparent policy framework. The study concludes that without deliberate policy coherence, consistency, and predictability, including stable currency regimes, transparent tax policies and reliable regulatory enforcement, Zimbabwe's manufacturing sector cannot attract the long-term capital investment essential for technological upgrading, product diversification and global competitiveness. The findings carry urgent implications for policymakers, underscoring that industrial policy stability is not merely an enabling condition but an absolute prerequisite for industrial innovation and growth.

Keywords: policy instability, regulatory uncertainty, Zimbabwe industrial policy

Introduction

The manufacturing sector is universally acknowledged as the principal engine for sustained economic resilience, structural transformation, and the sustainable creation of national wealth (International Monetary Fund, 2025). In Zimbabwe, however, the manufacturing sector presents a critical case of strategic dissonance between national ambition and industrial reality. While the government has codified ambitious industrialization goals in the Zimbabwe Industrial Development Policy (2021–2025), National Development Strategy 1 (NDS1) and NDS2 (Government of Zimbabwe, 2021, 2023, 2025), the manufacturing sector is still experiencing regression (Crowe, 2025). The scale of this decline is stark: the sector's contribution to Gross Domestic Product (GDP) has plummeted from a historical peak of 23% to below 10% (Crowe, 2025), while capacity utilization has declined for three consecutive years, dropping to 52.3% in 2024 (CZI, 2024).

Re-tooling the country's manufacturing sector is critical (Nyathi & Nkala, 2025), but it may not be the ultimate panacea, in the absence of a supportive policy, infrastructure or knowledge environment. Instead it creates a disturbing paradox where significant funding in physical assets fails to translate into increased production or operational productivity (Nguyen & Be, 2025). In Zimbabwe, this divergence stems from a critical deficit in the enabling environment for industrial investment, with regulatory and policy instability emerging as a primary constraint. Furthermore, existing leadership paradigms within the Zimbabwean manufacturing industries are largely imported from stable economic environments and have proven ineffective in navigating the volatile and institutionally fragile local context (García-Valenzuela et al., 2023; Mwinga & Mwenje, 2022). Current approaches fail to account for essential mediating factors such as organizational resilience and the institutional stability required to operationalize innovation in developing economies (Olaleye et al., 2024).

Statement of the Problem

Zimbabwe's manufacturing sector has persistently failed to attract and sustain long-term capital investment due to chronic regulatory and policy instability. Ideally, guided by frameworks such as the Zimbabwe Industrial Development Policy (2021–2025), National Development Strategy 1 and 2 (NDS1 and NDS2), and Vision 2030 (Government of Zimbabwe, 2018, 2021, 2023, 2025), the manufacturing sector should serve as the engine for sustainable economic growth,

characterized by high productivity, value addition and technological beneficiation. However, the reality on the ground contradicts these expectations. The sector is currently trapped in a state of prolonged stagnation and structural decline, with firms unable to commit to the multi-year investment horizons that innovation requires.

The literature on industrial development consistently emphasizes that a predictable and stable business environment is a foundational requirement for any firm to engage in long-term strategic planning (Mbabu & Abong'o, 2025; Mpembele, 2026; Mufudza et al., 2013). Its absence creates a climate of uncertainty where leaders must make decisions without knowing how the regulatory landscape may shift. Frequent and unpredictable changes in economic policies, currency regimes, and regulatory frameworks discourage the long-term capital investment that is essential for industrial innovation and growth (Mufudza et al., 2013; Nyakuwanika, 2026). This instability creates a significant barrier that forces firms into a short-term, reactive mode of operation, focused on survival rather than growth (Mbabu & Abong'o, 2025; Mufudza et al., 2013).

If this gap between the need for policy stability and the reality of regulatory unpredictability is not addressed, the consequences for Zimbabwe's manufacturing sector will be severe. The sector faces a continued vicious cycle of high production costs, technological obsolescence, and inability to compete with cheaper imports. This trajectory points toward further deindustrialization, evidenced by abandoned factories, the offshoring of production, massive job losses, and a deepening unfavorable balance of payments (World Bank Group, 2025). Consequently, there is an urgent need for empirical investigation into how regulatory instability manifests as a barrier to manufacturing investment and what policy interventions are required to create the stable, predictable environment essential for industrial innovation and growth.

Research Objective

The objective of this paper was to determine the influence of policy volatility on Zimbabwean industrial innovation and growth.

Research Question

To what extent does policy volatility influence Zimbabwe's industrial innovation and growth?

Literature Review

Theoretical Framework: Institutional Theory and Regulatory stability

This article is grounded in Institutional Theory, which provides a robust framework for understanding how the regulatory environment shapes organizational behaviour and investment decisions. Institutional Theory posits that organizations operate within a broader social, political, and economic framework of formal and informal rules, norms, and constraints that define acceptable behaviour and shape strategic choices (DiMaggio & Powell, 1983; Scott, 2014). In the context of industrial development, the regulatory environment constitutes a primary institutional pillar that either enables or constrains firm-level investment, innovation, and growth.

North (1990) conceptualized institutions as "the rules of the game" that structure political, economic, and social interactions. When these rules are stable, predictable, and transparent, they reduce uncertainty, lower transaction costs, and enable long-term contracting and investment. Conversely, when institutions are unstable, unpredictable, and opaque, they create uncertainty that discourages economic activity and undermines development (North, 1990). This theoretical lens is particularly relevant to understanding Zimbabwe's manufacturing sector challenges, where frequent policy reversals, currency regime changes, and regulatory unpredictability create an institutional environment characterized by what scholars term "institutional voids" or "institutional fragility" (Khanna & Palepu, 2010; Mair & Marti, 2009). Institutional voids refer to situations where institutional arrangements that support market activity are absent, weak, or fail to fulfil their expected roles (Khanna & Palepu, 2010). In the Zimbabwean context, these voids manifest in unreliable legal systems, opaque regulatory bodies, inconsistent policy enforcement, and unpredictable currency regimes. Firms operating in such environments face significantly higher uncertainty and transaction costs, which fundamentally alter investment calculus and strategic planning horizons.

Regulatory and Policy Instability as a Barrier to Industrial Investment

The literature on industrial development consistently emphasizes that regulatory and policy instability constitutes a major external constraint on innovation and strategic growth. A predictable and stable business environment is a foundational requirement for any firm to engage in long-term strategic planning, and its absence creates a climate of deep-seated uncertainty (Mbabu & Abong'o, 2025; Mpembele, 2026; Mthimkhulu et al., 2025; Mufudza et al., 2013). Frequent and unpredictable changes in economic policies, currency regimes, and

regulatory frameworks were generally observed to discourage the long-term capital investment that is essential for industrial innovation and growth (Mbabu & Abong'o, 2025; Mufudza et al., 2013; Nyakuwanika, 2026).

The problem of regulatory and policy instability is characterized by a lack of government consistency and frequent, often unannounced, changes in the rules of the game. This often manifests in the form of sudden shifts in tax laws, import duties, export incentives, and most critically, currency regimes (Mpembele, 2026; Mthimkhulu et al., 2025). This unpredictability introduces a high degree of non-market risk, making it impossible for firms to operate, plan, and invest with any degree of confidence (Mufudza et al., 2013; Nyakuwanika, 2026). This is not a minor inconvenience but a systemic issue that fundamentally undermines the principles of a functioning market economy (Mbabu & Abong'o, 2025; Mufudza et al., 2013).

A direct consequence of this instability is the discouragement of long-term strategic planning. Innovation is, by its nature, a long-term endeavour that requires a sustained commitment of resources over several years. Leaders cannot make rational decisions about a five-year research and development program or a major capital investment if the economic and political rules could change overnight (Mbabu & Abong'o, 2025; Mpembele, 2026; Mthimkhulu et al., 2025; Mufudza et al., 2013). This uncertainty forces firms to adopt a short-term planning horizon, where all efforts are directed toward managing the current crisis and securing immediate profits, leaving no room for strategic foresight or ambitious, long-term projects (Mbabu & Abong'o, 2025; Mufudza et al., 2013). This is a critical barrier to all forms of innovation, as it prevents firms from thinking beyond their next operational challenge.

The Zimbabwean Context: A History of Policy Instability

Zimbabwe's post-independence economic history is characterized by significant policy volatility that has profoundly shaped the manufacturing sector's trajectory. From the Economic Structural Adjustment Program (ESAP) in the 1990s, to the fast-track land reform program in the 2000s, and through multiple currency regime changes in the 2010s and 2020s, manufacturing firms have operated in an environment of persistent policy uncertainty (Mlambo, 2017; Mufudza et al., 2013).

The currency regime instability has been particularly damaging. Zimbabwe has experienced multiple currency changes since 2000, including the abandonment of the Zimbabwe dollar in 2009, the adoption of a multi-currency system, the reintroduction of bond notes, the re-introduction of the Zimbabwe dollar in 2019, and the subsequent return to a multi-currency

system with the introduction of gold coins and digital currencies (RBZ, 2023). Each change has required firms to adjust pricing, costing, contracting, and financial management systems, creating significant operational disruption and uncertainty.

Policy inconsistency in trade and investment regulations has further compounded these challenges. Frequent changes in import duties, export incentives, and local content requirements have made it difficult for manufacturers to plan production, source inputs, or develop export markets (CZI, 2024). The lack of policy coherence across government ministries and agencies has created additional uncertainty, with firms often receiving contradictory signals from different parts of government (ZNCC, 2023).

The Link Between Regulatory Instability and Lack of Innovation

The link between regulatory instability and industrial innovation is inverse and profound. Innovation requires a stable foundation of certainty to flourish. Without a predictable policy framework, a firm cannot confidently invest in new technologies, as the value of that investment could be wiped out by a sudden change in import duties, tax laws, or the currency regime (Mbabu & Abong'o, 2025; Mufudza et al., 2013; Nyakuwanika, 2026). Regulatory instability creates a "wait-and-see" mentality, where firms are hesitant to take the risks necessary for innovation, as the rules of the game could change overnight, making the investment worthless (Mbabu & Abong'o, 2025; Mufudza et al., 2013; Nyakuwanika, 2026). This uncertainty particularly affects investments with long payback periods, such as new production technologies, research and development facilities, and workforce training programs. When firms cannot predict the future value of their investments, they rationally choose investments with shorter payback periods and lower risk profiles, even when longer-term investments might offer higher returns. This dynamic systematically biases investment away from innovation and towards operational maintenance, perpetuating technological stagnation and declining competitiveness.

Research Gap

While the literature has established that regulatory instability discourages investment, there is limited empirical research examining the specific mechanisms through which policy volatility translates into firm-level investment paralysis in the Zimbabwean manufacturing context. Existing studies tend to treat macroeconomic volatility as a background condition rather than a central variable requiring theoretical and empirical investigation. This article addresses this

gap by providing empirical evidence from manufacturing firms on how regulatory instability shapes strategic planning, investment decisions, and innovation capacity.

Conceptual Framework

Figure 1 presents the conceptual framework guiding this study, illustrating the relationship between regulatory and policy stability and industrial innovation and growth.

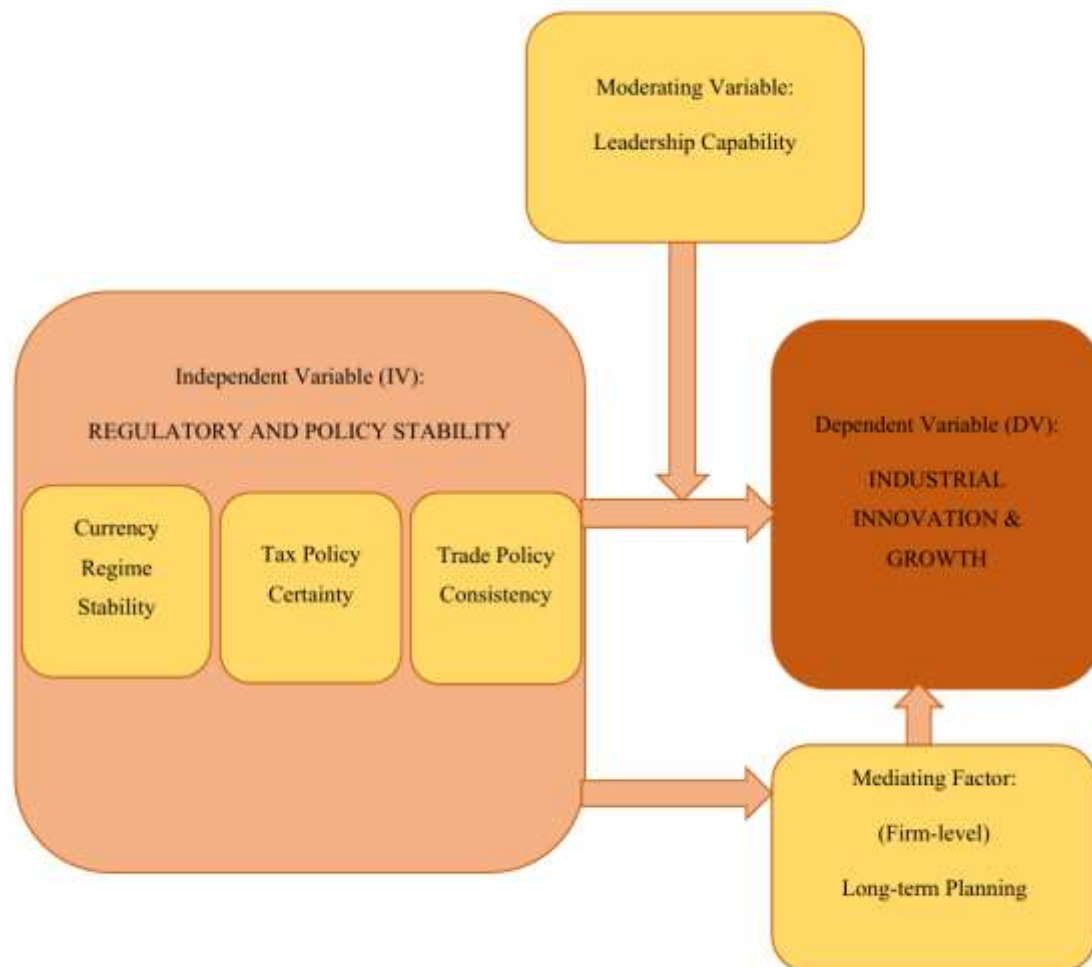


Figure 1: Conceptual Framework Linking Policy Stability to Industrial Innovation and Growth

Source: Author compilation

The conceptual framework above illustrates the pathways through which regulatory and policy stability spurs industrial innovation and growth. The framework posits that regulatory and policy stability (the independent variable) operates through long-term planning as the primary mediating mechanism. A long-term focus entails that firms adopt planning horizons that are compatible with long-term investment. This overcomes stagnation and encourages firms to

make long-term investment decisions. Because of policy and regulatory predictability, firms have more confidence in the security of their investments and the predictability of the returns on those investments. A long-term planning horizon mitigates the current resource diversion where firms redirect resources from productive investment to compensatory mechanisms required to navigate institutional voids. It encourages resource allocation towards the pursuit of both exploitation and exploration activities in relevant measure. This mediating factor explains how the dependent variable—industrial innovation and growth, operationalized through increased productivity, long-term investment and technology adoption can be achieved through policy and regulatory stability.

The framework further acknowledges that the relationship between policy and regulatory stability and industrial innovation and growth is influenced by leadership capability, recognizing that firm leadership possesses different capacities to navigate regulatory and policy uncertainty. Firms whose leaders can leverage networks and collaborations for example, can thrive despite policy and regulatory instability, while others may not. While it is not the only moderating factor, leadership capability does exert a substantial influence on industrial innovation and growth, as it relates to the regulatory and policy environment. Other moderating factors include firm size and industry type, but leadership competency is the overriding variable.

Research Methodology

This article was grounded in pragmatism, a philosophical stance that provides a robust and flexible foundation for addressing the complex, real-world problem of regulatory instability and its impact on industrial innovation and growth. Pragmatism prioritizes finding effective solutions over adhering to a single, rigid view of reality (Morgan, 2007). The research approach for this study was a comprehensive mixed-methods approach, grounded in the recognition that a single-method research design, whether purely quantitative or purely qualitative, is insufficient to fully capture the complexity of regulatory instability and its impact on industrial innovation and growth (Creswell, 2021; Teddlie & Tashakkori, 2023).

The research design for this study was a sequential explanatory design, involving a two-phase process where quantitative data were collected and analyzed first, followed by a qualitative phase where the findings from the first phase were explored in greater depth (Creswell, 2021; Teddlie & Tashakkori, 2023). The primary purpose of this design was explanation: the qualitative data were collected specifically to help explain, interpret, and provide context for the quantitative results.

The study population comprised the manufacturing firm workforce within Zimbabwe's mining and chemical sub-sectors. Formal employment in the mining sector was estimated to reach approximately 57,000 workers in 2024 (Chamber of Mines Zimbabwe, 2024), although Zimstat (2024) estimated this at some 280000. The chemical and pharmaceutical workforce was estimated at approximately 30,000 to 45,000 employees, representing roughly 10% to 15% of the total manufacturing labour force.

For the quantitative phase, the study employed stratified sampling procedure (Creswell, & Creswell, 2018; Moyo, 2023). The sample size was determined using Cochran's formula for sample size determination for proportions (Cochran, 1977), yielding a calculated sample of 236 respondents. Responses were received from 175 participants. For the qualitative phase, the study employed purposive sampling (Tajik et al., 2024), with 30 participants drawn from chemical and mining companies across Harare, Mutare, Bulawayo, and Hwange.

Quantitative data were collected using a structured questionnaire employing a 5-point Likert scale, designed based on an extensive literature review to ensure content validity. The questionnaire was distributed to 175 respondents across the selected manufacturing firms. Quantitative data were analyzed using a custom Python-based statistical application, employing descriptive statistics and confidence interval estimation. Qualitative data were collected through in-depth, semi-structured interviews with 30 key informants. All interviews were audio-recorded with participants' consent and transcribed verbatim to ensure accuracy. Qualitative data analysis was conducted using thematic analysis, following the six-phase framework proposed by Braun and Clarke: familiarization with data, generation of initial codes, searching for themes, reviewing themes, defining themes, and writing the analytical report (Braun & Clarke, 2006).

Findings

Demographic Profile of Respondents

The quantitative survey administered to the target population of mining and chemical manufacturing sub-sector personnel, yielded 175 valid responses (78.3% male, 21.7% female). While this figure fell short of the a priori calculated sample of 236, representing a realization rate of 74.2%, the achieved sample remains statistically robust and exceeds minimum thresholds for regression analysis (Hair et al., 2010). The gender distribution showed a predominance of male participants (78.3%), with female respondents accounting for 21.7%. This distribution highlights a significant gender imbalance within the sample, with male

respondents substantially outnumbering the females, reflecting broader demographic trends within the industry under study, where men occupy most roles or are more actively engaged in the activities surveyed. The underrepresentation of female respondents suggests that perspectives from women may be less pronounced in the data, which could influence findings on issues that are affected by gender, such as attitudes toward innovation, leadership styles and decision-making processes. The age distribution revealed a professionally mature sample dominated by the 31-40 years cohort (40.0%) and the 41-50 years group (33.1%), collectively accounting for 73.1%, providing for a comprehensive generational coverage while maintaining focus on professionally active individuals whose daily experiences directly inform their assessments of leadership deficits, innovation challenges, and strategic adaptability. The educational profile showed that 68.6% of participants held higher education degrees, with 48% possessing undergraduate degrees and 20.6% holding postgraduate qualifications, suggesting that the sector is not suffering from a knowledge deficit, but rather possesses a workforce that combines modern technological literacy with the deep institutional experience necessary to drive industrial innovation and growth. The qualitative sample comprised 30 participants, with 18 from the mining sector and 12 from the chemical sector. Gender distribution was 21 male and 9 female participants. Experience ranged from 2 to 26 years, ensuring representation across career stages and levels of institutional memory.

Perceived Impact of Regulatory and Policy Instability

ITEM CODE	ITEM DESCRIPTION	RESPONSE	MEAN	STD. DEVIATION
R11	Policy changes are frequent and unpredictable	Agree	3.12	1.124
R12	Currency regime instability affects investment planning	Strongly Agree	4.28	0.892
R13	Tax policy uncertainty discourages long-term investment	Agree	3.45	1.056
R14	Regulatory enforcement is inconsistent	Agree	3.38	1.102
R15	Import duty fluctuations create planning difficulties	Agree	3.52	0.978
R16	Export incentive changes undermine market development	Agree	3.41	1.034
R17	Lack of policy coherence across government ministries	Agree	3.29	1.087
R18	Short notice of policy changes disrupts operations	Agree	3.58	0.945
R19	Consultation with industry before policy changes is inadequate	Agree	3.62	0.967
R110	Overall policy environment discourages innovation investment	Agree	3.47	1.013
Overall		Agree	3.51	1.021

Table 1: Descriptive Statistics for Regulatory-Related Innovation Challenges

Source: *Research Data (2025)*

The statistical analysis of regulatory-related innovation challenges, derived from a sample of 175 respondents, yielded an overall mean of 3.51 with a standard deviation of 1.021, indicating that respondents generally agreed that regulatory and policy instability constitutes a significant barrier to manufacturing investment. The highest mean score was recorded for currency regime instability (mean = 4.28, SD = 0.892), indicating that respondents strongly agreed that currency volatility is particularly damaging to investment planning. This was followed by inadequate consultation with industry before policy changes (mean = 3.62, SD = 0.967) and short notice of policy changes (mean = 3.58, SD = 0.945). The mean innovation challenges score for the aggregate regulatory-related constraints was positioned slightly above the theoretical midpoint, indicating that respondents perceive a marginal surplus of regulatory instability, with policy unpredictability acting as a moderate constraint on innovation capacity. The confidence interval for this estimate contained the theoretical midpoint, indicating that we cannot conclude with conventional confidence that the population mean differs from the balance point between stable and unstable policy environments. The standard error indicated reasonable precision in our estimate of regulatory-related innovation challenges.

Variation in Experience of Regulatory Instability

Table 2 below shows the confidence intervals for regulatory-related innovation challenges. The confidence intervals' inclusion of values both below and above 3.0 statistically reflects the variation in how regulatory instability affects Zimbabwean manufacturing firms. The lower bound of the 95% confidence interval falling below the midpoint suggests that a significant portion of the population may perceive severe regulatory challenges, with firms unable to plan for the long term due to constant policy shifts. The upper bound reaching above the midpoint allows for the possibility that some firms have developed strategies to navigate policy uncertainty, perhaps through diversified operations, strong government relations, or business models resilient to regulatory change. This statistical finding provides empirical grounding for understanding how regulatory instability undermines strategic planning. This substantiates Mpmbele's (2026) and Mthimkhulu's (2025) claims emphasizing that innovation is, by its nature, a long-term endeavour that requires a sustained commitment of resources over several years. Leaders cannot make rational decisions about five-year research and development

programs or major capital investments if the economic and political rules could change overnight.

The confidence interval's lower bound suggests that some firms experience the severe planning constraints that Mufudza et al (2013) as well as Mbabu and Abongó (2025) describe as an inability to look beyond the immediate crisis, with all efforts directed toward managing current uncertainty rather than building future capabilities. These firms likely operate with planning horizons measured in weeks or months; a timeframe fundamentally incompatible with the multi-year investments that innovation requires.

CONFIDENCE LEVEL	LOWER BOUND	UPPER BOUND	MARGIN OF ERROR
90%	2.7640	3.1674	±0.2017
95%	2.7249	3.2065	±0.2470
99%	2.6480	3.2834	±0.3177

Table 2: Confidence Intervals for Regulatory-Related Innovation Challenges

Source: Research Data (2025)

The width of the 99% confidence interval demonstrates the uncertainty range within which the true population parameter for regulatory-related innovation challenges plausibly resides. This statistical uncertainty mirrors the organizational reality that both local and foreign investors are inherently risk-averse, and regulatory instability introduces a level of political and economic risk that makes it impossible to accurately forecast returns on investment. The upper bound of the 99% confidence interval allows for the possibility that a subset of Zimbabwean manufacturing firms have secured the long-term capital needed for innovation despite the challenging policy environment, perhaps through patient investors, retained earnings from diversified operations, or access to development finance that is less sensitive to short-term policy shifts. Firms at the lower end of the confidence interval likely experience the investment starvation that Nyakuwanika (2026) and Mufudza et al., (2013) describe, where the perceived risk of policy reversal makes it impossible to attract the capital needed for new machinery, research and development, and other high-cost, long-term innovation projects.

The Stagnation Mentality

The statistical evidence regarding the range of the true population parameter for regulatory-related innovation challenges has important implications for understanding the behavioral responses to policy uncertainty. As Mufudza et al., (2013) and Nyakuwanikwa (2026) observe, regulatory instability creates a "wait-and-see" mentality where firms are hesitant to take the necessary risks for innovation, as the rules of the game could change overnight, making investments worthless.

Firms at the upper end of the confidence interval may have overcome this paralysis through business models that are adaptable to regulatory change, sufficient scale to absorb policy shocks, or strategic positioning that provides some insulation from the most volatile policy areas. Firms at the lower end of the confidence interval likely remain trapped in the wait-and-see mode, continually postponing innovation investments in hopes of future policy stability that never materializes. This substantiates the claims by Mufudza et al., (2013) and Mbabu and Abongó (2026) that this hesitation becomes a self-fulfilling prophecy: by not investing, firms fail to build the capabilities that might make them more resilient to policy shocks, increasing their vulnerability to future changes and reinforcing the cycle of caution.

Qualitative Findings: The Lived Experience of Policy Instability

The qualitative findings provide rich, contextual depth that illuminates the statistical patterns. Table 3 below presents the frequency analysis of themes emerging from interviews with thirty participants.

EMERGING THEME	NUMBER OF INTERVIEWEES WHO MENTIONED THEME (N=30)	NUMBER OF TIMES THEME WAS MENTIONED
Short-termism in planning	24	28
Currency instability as primary barrier	22	31
Hesitation to commit to long-term investment	21	25
Stagnation mentality	20	23
Inadequate consultation before policy changes	19	22
Self-reinforcing cycle of under-investment	18	20
Institutional voids requiring compensatory investment	17	19
Leadership as shock absorbers	16	18

Table 3: Frequency Analysis of Emerging Themes from Qualitative Data

Source: Research Data (2025)

Table 3 above indicates that all 30 interviewees responded to questions on regulatory instability, and the top themes which emerged from the interviewees' verbatim responses were short-termism in planning (top theme mentioned by 24 interviewees for 28 times), currency instability as primary barrier (second top theme mentioned by 22 interviewees for 31 times), hesitation to commit to long-term investment (third top theme mentioned by 21 interviewees for 25 times), and wait-and-see mentality (fourth top theme mentioned by 20 interviewees for 23 times). This implies that although there are multiple dimensions to regulatory instability, these four themes represent the primary mechanisms through which policy volatility undermines manufacturing investment.

Participant 17 captured the essence of the investment paralysis created by policy uncertainty:

"Leadership is hesitant to commit to 10-year innovation roadmaps when they don't know what the regulatory landscape will look like in six months. This uncertainty breeds a culture of 'short-termism' where firms only invest in what will bring an immediate, safe return. Until there is a stable, innovation-friendly policy framework, our leaders will continue to shy away from the bold changes we need." (P17)

This testimony directly substantiates the statistical finding that regulatory instability discourages long-term strategic planning. The reference to "10-year innovation roadmaps" versus "six-month" planning horizons empirically grounds the literature's assertion that leaders cannot make rational decisions about long-term investments when the rules could change overnight. The concept of "short-termism" captures the behavioural adaptation to uncertainty, where firms systematically bias investment toward immediate returns at the expense of long-term capability building.

Another participant highlighted how currency regime instability specifically undermines innovation investment:

"We have brilliant chemical engineers who have developed new formulas for low-cost detergents, but we cannot test them at scale without specialized equipment that must be paid for in USD. Leadership is forced to spend all

available currency on raw materials just to keep current production going, leaving zero budget for any innovative growth. It feels like we are running on a treadmill where we exert maximum effort just to stay in the same place technologically. This financial asymmetry is a barrier that no amount of individual creativity can overcome without a systemic policy change." (P22)

This testimony illuminates the mechanism through which currency instability translates into innovation paralysis. The firm possesses innovative capacity (the engineers have developed new formulas) but cannot realize this innovation because the unpredictable policy environment forces leadership to prioritize operational survival over strategic investment. The metaphor of "running on a treadmill" powerfully captures the experience of expending maximum effort without making progress, a phenomenon that characterizes firms trapped in environments of persistent uncertainty.

Participant 14 emphasized the psychological toll of constant policy shifts:

"Leaders in Zimbabwe must be like shock absorbers. When the currency policy changed overnight or when the grid went down for three days, our leadership did not just panic. They immediately restructured our credit terms and moved our production schedule to a night shift to catch the power. If a leader is too rigid, the whole company cracks. You have to stay calm and re-strategize while the ground is literally moving beneath your feet." (P14)

While this testimony highlights adaptive capacity, it also reveals the extraordinary cognitive and emotional demands that policy instability places on leaders. The requirement to function as "shock absorbers" and to "re-strategize while the ground is literally moving" represents a diversion of leadership attention from value-creating activities to uncertainty management—an opportunity cost that further undermines innovation capacity.

Discussion of Findings

The findings from this study reveal that regulatory and policy instability operate as a profound barrier to industrial innovation and growth through multiple interconnected mechanisms.

Uncertainty about future policies discourages long-term strategic planning

This uncertainty forces firms into a short-term operational mode, which is incompatible with the multi-year investment horizons that innovation requires. The finding that the confidence interval contains the theoretical midpoint indicates that while the average firm experiences

moderate regulatory constraints, there is significant variation in how firms experience and respond to policy uncertainty. This finding aligns with Mpembele's (2026) and Mthimkhuluj's (2025), who found that policy uncertainty fundamentally alters firms' strategic planning horizons.

Currency regime instability creates particular challenges

Currency regime instability challenges are particularly acute for firms requiring imported inputs and equipment, thus undermining investment calculus and diverting scarce foreign currency from innovation to survival. The high mean score for currency instability and its frequent mention in qualitative data confirm that this is the most damaging dimension of policy volatility. This finding supports Mufudza et al., (2012) and Nyakuwanikwa (2026), who identified currency volatility as a primary deterrent to manufacturing investment in Zimbabwe.

Regulatory unpredictability breeds a "wait-and-see" mentality

In an unpredictable regulatory environment, firms perpetually postpone innovation investments in the hope of future stability. This finding empirically validates Mufudza's (2013) assertion that policy uncertainty creates a self-fulfilling prophecy of under-investment. The qualitative theme of "short-termism" and "wait-and-see mentality" provides rich evidence of how this dynamic operates at the firm level.

Institutional voids require firms to invest in private infrastructure and compensatory mechanisms

Investments in private infrastructure and compensatory mechanisms result in firms diverting resources from productive investment to basic operational maintenance. This finding extends the work of Khanna and Palepu (2010) on institutional voids by demonstrating how, in the Zimbabwean context, firms must function as "shock absorbers" and "re-strategize while the ground is literally moving beneath your feet," activities that represent a privatization of public goods and a diversion of resources from innovation.

The polarization of experience

The results reveal a deeply polarized sector where some firms have developed strategies to navigate regulatory uncertainty while others remain severely constrained. This heterogeneity identifies both successful adaptation strategies that can serve as models for other firms and severely constrained firms requiring targeted policy interventions.

Conclusions

Based on the findings of this study, the following conclusions are drawn:

Regulatory instability fundamentally undermines long-term investment

The evidence confirms that policy unpredictability acts as a moderate but significant constraint on manufacturing investment. Leaders cannot commit to multi-year innovation roadmaps when the regulatory landscape could shift within months. The confidence interval's span across the midpoint reflects significant variation in experience, but the lower bound's persistent position below the theoretical midpoint indicates systematic tendencies toward deficit perceptions.

Currency regime instability is particularly damaging

The evidence confirms that currency volatility creates specific challenges for innovation investment, particularly for firms requiring imported inputs and equipment. The diversion of scarce foreign currency from innovation to operational survival represents a significant opportunity cost that the qualitative data characterizes as "running on a treadmill where we exert maximum effort just to stay in the same place technologically."

Policy volatility creates systematic bias against innovation

The "short-termism" culture identified in qualitative findings represents a rational adaptation to uncertainty that systematically biases investment away from innovation. When firms cannot predict future returns, they rationally choose investments with shorter payback periods, even when longer-term investments might offer higher potential returns. This finding empirically validates the behavioral economics literature on uncertainty and investment under risk.

The "wait-and-see" mentality becomes self-fulfilling

Firms that postpone innovation investments in hopes of future policy stability fail to build the capabilities that might make them more resilient to policy shocks. This hesitation increases their vulnerability to future changes, reinforcing the cycle of caution and perpetuating under-investment. The qualitative theme of "self-reinforcing cycle of under-investment" provides rich evidence of how this dynamic operates.

Institutional voids require compensatory investment

The necessity for firms to function as "shock absorbers" and invest in private infrastructure and compensatory mechanisms diverts resources from productive investment to basic operational maintenance, further constraining innovation capacity. The qualitative evidence of leadership

having to "re-strategize while the ground is literally moving beneath your feet" captures the extraordinary demands that policy instability places on firms.

The sector is polarized in its capacity to navigate uncertainty

The confidence intervals reveal that while some firms have developed effective strategies for navigating policy volatility, others remain severely constrained. The upper bound at higher confidence levels indicates that a subset of firms have overcome policy paralysis through adaptable business models or strategic positioning, providing existence proof that navigation is possible and offering models for emulation.

Policy stability is a prerequisite for revitalization

The findings collectively demonstrate that without deliberate policy coherence, consistency, and predictability, Zimbabwe's manufacturing sector cannot attract the long-term capital investment essential for technological upgrading, product diversification, and global competitiveness. Industrial policy stability is not merely an enabling condition but an absolute prerequisite for industrial innovation and growth. The qualitative finding that "until there is a stable, innovation-friendly policy framework, our leaders will continue to shy away from the bold changes we need" captures this prerequisite with precision.

Recommendations

Based on these conclusions, the following recommendations are made to various stakeholders:

The Ministry of Industry and Commerce should develop and implement a Policy Coherence Framework that ensures alignment across government ministries and agencies on industrial policy objectives. This framework should establish mechanisms for inter-ministerial coordination and consultation before policy changes are announced. A Regulatory Impact Assessment mechanism should be established to evaluate the potential impact of proposed policy changes on manufacturing investment and innovation, ensuring that policy decisions are informed by evidence about their likely effects on the industrial sector.

The Ministry of Finance and Reserve Bank of Zimbabwe should establish a stable and predictable currency regime as a matter of national priority. Frequent currency changes create insurmountable uncertainty for manufacturing firms and must be avoided. A Manufacturing Foreign Currency Window should be created to guarantee access to foreign currency for approved innovation-related imports, including research and development equipment, prototype materials, and technology licenses. This window should operate with transparent

criteria and efficient processing to ensure that firms can access foreign currency when needed for innovation activities.

The Parliament of Zimbabwe should enact a Manufacturing Innovation and Policy Stability Act to provide the legal framework for policy coherence, regulatory impact assessment, and stakeholder consultation. This Act should establish statutory requirements for policy stability and create mechanisms for parliamentary oversight of policy implementation. A Parliamentary Portfolio Committee on Manufacturing and Industrial Policy should be established to provide ongoing oversight and ensure that the executive branch's policy decisions align with the legislative framework established for industrial development.

Confederation of Zimbabwe Industries (CZI) should develop an Industry Policy Monitoring Unit to track policy developments, assess their impact on members, and provide early warning of potential policy changes. This unit should maintain regular dialogue with government on policy matters and develop evidence-based policy proposals that reflect industry consensus. A Policy Stability Index should be developed to track perceptions of policy stability among manufacturing firms, providing an evidence base for advocacy and enabling early identification of emerging policy concerns.

Manufacturing firms should develop strategic flexibility by building business models that can adapt to policy changes, diversifying markets and supply chains, and maintaining financial reserves that provide buffer against policy shocks. Firms should invest in policy monitoring and analysis capabilities to anticipate potential policy changes and prepare adaptive responses. The experience of firms at the upper end of the confidence interval (those who have successfully navigated policy volatility) should be documented and shared as models for peer learning.

Future research should conduct longitudinal studies tracking the relationship between policy changes and manufacturing investment over time, providing evidence on the lagged effects of policy instability and the time required for policy stability to restore investment confidence. Comparative studies examining policy stability and manufacturing performance across Southern African countries would identify best practices and lessons for Zimbabwe. Research examining the specific mechanisms through which firms at the upper end of the confidence interval have successfully navigated policy volatility would provide practical guidance for other firms seeking to develop similar adaptive capacities.

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