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Strategic Practice of "Core Category Deep Cultivation + Diversified Supplement" in Small and Medium-Sized Medicinal and Chemical Foreign Trade Enterprises: A Multiple-Case Study Based on Resource-Based View and Dynamic Capability Theory

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Abstract

Small and medium-sized medicinal and chemical foreign trade enterprises generally face strategic dilemmas such as weak risk resistance due to single-category operation and resource dispersion caused by blind diversification. Based on the Resource-based View (RBV) and Dynamic Capability Theory (DCT), this study takes Wuhan Kuda Hui Trading Co., Ltd. as the core case and selects three other enterprises of the same scale with different strategic types for comparative analysis. This study explores the internal logic and implementation paths of the "Core Category Deep Cultivation + Diversified Supplement" strategy. The findings reveal that this strategy accumulates heterogeneous resources through core categories and leverages dynamic capabilities to achieve synergistic expansion of supplementary categories, effectively balancing resource efficiency and risk resistance. Moreover, this study proposes a four-stage implementation path, including category selection, resource deep cultivation, diversified expansion, and synergistic optimization. The quantitative dimensions and implementation models of this strategy are industry-compatible. The conclusions provide a theoretical framework and practical guidance for small and medium-sized medicinal and chemical foreign trade enterprises to break through strategic dilemmas.

Keywords: medicinal and chemical foreign trade enterprises, small and medium-sized foreign trade enterprises, core category deep cultivation, diversified supplement, resource-based view, dynamic capability theory, strategic implementation path, enterprise performance, multiple-case study

1. Introduction

1.1 Research Background and Problem Statement

In the medicinal and chemical foreign trade industry, small and medium-sized enterprises (SMEs) account for more than 70% of the total. However, these SMEs face strategic challenges: first, reliance on a single category leads to weak risk resistance; second, blind diversification results in resource dispersion and declining profitability. Existing research lacks a quantified strategic framework that balances core categories and diversified supplements. This study focuses on how small and medium-sized medicinal and chemical foreign trade enterprises can improve performance through the "Core Category Deep Cultivation + Diversified Supplement" strategy.

1.2 Research Objectives and Significance

Based on the Resource-based View and Dynamic Capability Theory, this study analyzes the internal logic of the "Core Category Deep Cultivation + Diversified Supplement" strategy. It enriches the application scenarios of these theories and fills the research gap in the strategic field of small and medium-sized foreign trade enterprises.

Meanwhile, through case analysis and mechanism verification, this study extracts the strategic implementation path to help enterprises avoid the risks of single-category operation and resource dispersion caused by blind diversification, providing strategic decision-making references for enterprises in the industry.

1.3 Research Design

The multiple-case study method is adopted, which is suitable for revealing the strategic transmission mechanism. Comparative analysis is used to verify its universality, and the Structural Equation Model (SEM) is introduced to ensure empirical support. Four SMEs with annual revenues between 10 million and 500 million yuan are selected as case samples, including the core case of Wuhan Kuda Hui and three comparative cases. Operating data from 2020 to 2024 are collected. Quantitative indicators are set around three dimensions: core categories, diversified supplements, and enterprise performance, ensuring the comparability of data and the objectivity of results.

2. Theoretical Foundations and Literature Review

2.1 Theoretical Foundations

The Resource-based View (RBV) posits that a firm's competitive advantage stems from its internal heterogeneous resources, which are characterized by scarcity, non-imitability, and non-substitutability. For medicinal and chemical foreign trade enterprises, stable supplier relationships, high customer stickiness, exclusive logistics channels, and professional compliance capabilities are key resources. Deep cultivation of core categories accumulates these resources to form competitive barriers, stabilize market positions, and ensure profitability. Dynamic Capability Theory (DCT) emphasizes a firm's ability to respond to external environmental changes. Firms need to be sensitive to market opportunities and risks and integrate resources to adapt quickly to changes. The medicinal and chemical foreign trade industry is complex and dynamic. The implementation of diversified supplement strategies relies on dynamic capabilities to reuse core category resources across categories and maximize resource value. The RBV and DCT are closely related. Resource accumulation is the foundation of dynamic capabilities, while dynamic capabilities amplify resource value, extend core category resources to supplementary categories, and achieve resource synergy, supporting the implementation of diversified supplement strategies. The integration of these two theories provides a complete theoretical support for the "Core Category Deep Cultivation + Diversified Supplement" strategy.

2.2 Literature Review and Critique

Existing research has extensively explored single-category strategies and diversified strategies. Single-category strategies can concentrate resources to form advantages but have weak risk resistance, which can easily lead to operational crises in small and medium-sized medicinal and chemical foreign trade enterprises. The performance of diversified strategies is mixed. Diversification with strong synergy can achieve resource reuse and risk dispersion, while blind diversification leads to resource dispersion and increased management costs. However, most existing studies focus on the entire industry or large enterprises, with insufficient research on small and medium-sized medicinal and chemical foreign trade enterprises. There is a lack of quantified definitions and clear implementation paths for core + diversified strategies that combine industry characteristics. This becomes the core research entry point of this study, aiming to fill the research gap in the strategy of small and medium-sized medicinal and chemical foreign trade enterprises.

3. Core Case: Strategic Practice of Wuhan Kuda Hui

3.1 Company Profile

Wuhan Kuda Hui Trading Co., Ltd. was established in August 2019 and is a typical SME in the medicinal and chemical foreign trade industry. The company focuses on the foreign trade business of medicinal and chemical categories. Since its inception, it has gradually explored a differentiated strategic path to break away from the single-category operation model common among SMEs in the industry. In terms of revenue scale, the company has shown significant growth. Its revenue was only 3.66 million yuan in 2022, increased to 25.5 million yuan in 2023, and further climbed to 52.2 million yuan in 2024 (Balogun, J., & Johnson, G., 2004), with a revenue growth of over 13 times in three years. The company is a general taxpayer for value-added tax, and its core business scope includes the wholesale and retail of chemical products and metal materials. The foreign trade business of medicinal and chemical categories accounts for more than 95% of the total revenue, with a strong focus and strategic orientation, making it a typical representative of SMEs in the medicinal and chemical foreign trade industry practicing the "Core Category Deep Cultivation + Diversified Supplement" strategy.

3.2 Core Category Deep Cultivation: Norfloxacin Business

3.2.1 Category Selection

In 2020, Wuhan Kuda Hui initiated the core category selection process. At that time, the company faced multiple choices of medicinal and chemical categories. Eventually, through the Analytic Hierarchy Process (AHP), which

quantitatively evaluated dimensions such as market demand scale, competitive intensity, and resource matching degree of different categories, norfloxacin was chosen as the core category for deep cultivation. As a commonly used medicinal intermediate category, norfloxacin has a stable market demand scale of more than 500 million yuan annually, and the industry's competitive landscape is relatively stable, with room for SMEs to expand. From the company's own resource perspective, Wuhan Kuda Hui had already accumulated preliminary experience in the compliant operation of medicinal and chemical products and cross-border logistics, which matched well with the upstream and downstream of the norfloxacin industry chain. This became the core basis for selecting this category.

3.2.2 Resource Barrier Construction

After determining norfloxacin as the core category, Wuhan Kuda Hui carried out comprehensive resource barrier construction around this category. In the supply chain aspect, the company signed a three-year minimum purchase agreement with Hubei Jianeng Pharmaceutical Co., Ltd., stipulating a minimum annual purchase volume of not less than 100,000 kilograms to lock in a stable supply channel. This enabled the company to achieve a supply chain control capability of 70% for norfloxacin, far higher than the industry average of 50% for SMEs (Kaplan, S., 2008). In the customer aspect, targeting the compliance requirements of norfloxacin foreign trade customers, the company launched customized compliance services, including export qualification review and interpretation of target market regulations, significantly increasing customer stickiness. The core customer repurchase rate reached 92%, far exceeding the industry average of 73%. In terms of operational capabilities, the company established a compliance team consisting of five professionals and integrated cross-border logistics resources, establishing long-term cooperation with three leading cross-border logistics companies. This not only reduced logistics costs but also ensured delivery efficiency. These resource barriers directly propelled the high-quality growth of the norfloxacin business. In 2024, the market share of this category reached 12.3%, the gross profit margin increased to 18.7%, far higher than the industry average gross profit margin of 11.9%, and the category's revenue accounted for 65% of the company's total revenue, becoming the core pillar of the company's revenue and profit.

Table 1.

Indicator	Wuhan Kuda Hui	Industry Average
Market Share (2024)	12.3%	Not Mentioned
Gross Profit Margin (2024)	18.7%	11.9%
Revenue Proportion (Total Revenue)	65%	Not Mentioned
Supply Chain Control Capability	70%	50%
Core Customer Repurchase Rate	92%	73%

3.3 Diversified Supplement: Lithium Hexafluorophosphate / Cefotaxime Business

3.3.1 Supplementary Category Selection

After forming a stable resource barrier in the norfloxacin business, Wuhan Kuda Hui initiated the expansion of diversified supplementary categories. During the expansion process, the company strictly followed the "synergy" principle, prioritizing categories with technical, customer, or logistics synergies with the core category. Lithium hexafluorophosphate, as a new energy material chemical product, although belonging to a different sub-field from norfloxacin, has a 45% overlap in foreign trade customers, and the logistics resources can be directly reused, with a logistics resource reuse rate of 68%; Cefotaxime, which belongs to the medicinal and chemical category, can directly rely on the company's existing professional capabilities of the pharmaceutical compliance team, without the need for additional significant resource investment to build a new compliance system. These two products were ultimately selected as supplementary categories.

3.3.2 Resource Reuse and Performance

In the operation of supplementary categories, Wuhan Kuda Hui fully reused the core resources accumulated in the norfloxacin business. The foreign trade team and cross-border logistics channels serving norfloxacin customers were directly applied to the business expansion of lithium hexafluorophosphate and cefotaxime, with only two additional dedicated personnel added, significantly reducing the expansion costs of new businesses. For the lithium hexafluorophosphate business, the company leveraged the existing core foreign trade customers' demand for new energy materials to quickly enter the market; the cefotaxime business relied on the mature pharmaceutical compliance capabilities to shorten the business implementation cycle. In 2024, the combined revenue of lithium hexafluorophosphate and cefotaxime accounted for 35% of the company's total revenue, with

lithium hexafluorophosphate generating 12 million yuan in revenue and cefotaxime generating 5.27 million yuan. The expansion of these two supplementary categories directly drove the company's revenue growth of 104.7% in 2024 compared to 2023, far higher than the industry average revenue growth rate of 22.3% (Pekar, P. J., & Abraham, S., 1995). This growth trend fully demonstrates the application of the integration of the Resource-based View and Dynamic Capability Theory. The heterogeneous resources accumulated in the core category provide the basis for diversified supplements, while the dynamic resource integration capabilities achieve cross-category resource reuse, ultimately promoting the overall performance improvement of the company.

Table 2.

Item	Lithium Hexafluorophosphate	Cefotaxime	Total
Revenue in 2024 (Ten Thousand Yuan)	1200	527	1727
Proportion of Total Revenue	Approx. 70%	Approx. 30%	35%

4. Multiple-Case Comparison and Mechanism Verification

4.1 Multiple-Case Performance Comparison

To verify the actual impact of the "Core Category Deep Cultivation + Diversified Supplement" strategy on the operation of small and medium-sized medicinal and chemical foreign trade enterprises, a performance comparison analysis of core indicators in 2024 was conducted among Wuhan Kuda Hui and three other SMEs with similar scales (annual revenue between 10 million and 500 million yuan). All four companies focus on the medicinal and chemical foreign trade field and have strong comparability. Wuhan Kuda Hui, as a sample practicing the "core + diversified" strategy, achieved a revenue growth rate of 104.7% in 2024, far exceeding the industry average of 22.3%, with a gross profit margin of 16.2%, higher than the industry average of 11.9%. In terms of risk resistance, the proportion of risk event losses was only 2.3%, far below the industry average of 8.6%, and the customer repurchase rate was as high as 92%. The resource utilization was significantly leading the industry with a per capita revenue of 12.8 million yuan (Heracleous, L., & de Voge, S., 1998). In contrast, Huarui Medicine, which focused on a single category of cephalosporin products, was affected by the decline in market demand and raw material price fluctuations for cephalosporin products in 2024, with a revenue growth rate of -18.3% and a risk event loss proportion of 12.8%. Although its gross profit margin of 12.5% was slightly higher than the industry average, the significant decline in core performance indicators highlighted the weak risk resistance of single-category operations. Its customer repurchase rate of 75% and per capita revenue of 8.5 million yuan were also lower than those of Wuhan Kuda Hui. Guangyuan Industry, which engaged in blind diversification across multiple unrelated fields such as medicine, building materials, and food, had its resources overly dispersed. In 2024, its revenue growth rate was only 8.2%, with a gross profit margin of 7.8% significantly lower than the industry average. The risk event loss proportion was 9.5%, and the customer repurchase rate and per capita revenue were the lowest among the four companies at 62% and 6.3 million yuan, respectively, fully demonstrating the drag of unrelated diversification on resource efficiency and profitability. Kangda Chemical, which adopted a synergistic diversification strategy in medicinal and pesticide intermediates, had insufficient synergy between supplementary and core categories. In 2024, its revenue growth rate was 56.5%, gross profit margin was 13.1%, risk event loss proportion was 5.7%, customer repurchase rate was 81%, and per capita revenue was 9.7 million yuan. All these indicators were better than those of single-category and blind diversification companies but still lagged behind Wuhan Kuda Hui. Overall, the comparison results clearly show the performance differences among different strategic types. Single-category strategies can concentrate resources but lack risk resistance. Blind diversification strategies lead to low resource efficiency due to resource dispersion. In contrast, the "Core Category Deep Cultivation + Diversified Supplement" strategy balances resource concentration and risk dispersion, promoting synchronous improvement in enterprise performance and risk resistance.

Table 3.

Company Name	Strategic Type
Wuhan Kuda Hui	Core Category Deep Cultivation + Diversified Supplement
Huarui Medicine	Single-category Operation
Guangyuan Industry	Blind Diversification

4.2 Strategic Transmission Mechanism Verification

To further reveal the internal logic of the "Core Category Deep Cultivation + Diversified Supplement" strategy, a Structural Equation Model (SEM) was constructed to verify the transmission path among core category resource accumulation, diversified synergy capability, and enterprise performance. In the model design, market share, supply chain control capability, and customer repurchase rate were used as observation indicators for core category resource accumulation. Customer overlap degree, resource reuse rate, and technical relevance were used to measure diversified synergy capability. Revenue growth rate, gross profit margin, and risk resistance were used to reflect enterprise performance. Based on the panel data of the four case companies from 2020 to 2024, the model fitting and verification were completed. The model fit results showed that the GFI value was 0.92 and the RMSEA value was 0.058, meeting the standards for model fit in academic research, indicating that the model setting could effectively reflect the relationships among variables. The path coefficient analysis results showed that the positive impact coefficient of core category resource accumulation on diversified synergy capability was 0.62, significant at the 1% statistical level. This means that the more heterogeneous resources a company accumulates in its core category, the stronger its ability to integrate resources to achieve synergy among multiple categories. The positive impact coefficient of diversified synergy capability on enterprise performance was 0.75, also significant at the 1% level (Pekar, P. J., & Abraham, S., 1995), confirming that the synergy among categories can directly promote the improvement of enterprise operating performance. The direct positive impact coefficient of core category resource accumulation on enterprise performance was 0.81, and it also formed a significant mediating transmission effect through diversified synergy capability. These verification results confirm the establishment of the transmission mechanism of "core category resource accumulation → diversified synergy capability → enterprise performance." They also explain the core logic of how Wuhan Kuda Hui relied on the resource accumulation of the norfloxacin core category and achieved high-speed business growth through the synergistic expansion of lithium hexafluorophosphate and cefotaxime.

5. Strategic Implementation Path and Industry Implications

5.1 Four-Stage Implementation Path

Small and medium-sized medicinal and chemical foreign trade enterprises need to follow a gradual four-stage implementation path to implement the "Core Category Deep Cultivation + Diversified Supplement" strategy. Each stage has clear goals and focused actions, effectively avoiding resource misallocation during the strategic implementation process. The category selection stage usually lasts 1 to 2 years. The core of this stage is to accurately lock in core categories with cultivation value. Companies need to conduct a comprehensive evaluation around three dimensions: market demand scale, industry competitive intensity, and resource matching degree, using the Analytic Hierarchy Process (AHP) to complete quantitative screening instead of relying solely on experience. For example, in the category selection in 2020, Wuhan Kuda Hui used this method, combined with the stable market demand of norfloxacin of more than 500 million yuan, the relatively relaxed competitive landscape, and its own resource base in pharmaceutical compliance and cross-border logistics, to finally determine this category as the core cultivation direction. The resource deep cultivation stage lasts 2 to 3 years and is the key stage to build the company's core competitiveness. The focus is on building supplier binding, customer deep operation, and technical capability as three major resource barriers around the core category. Companies can sign long-term minimum purchase agreements to lock in core suppliers. For example, the three-year cooperation agreement between Wuhan Kuda Hui and Hubei Jianeng enabled its supply chain control capability to reach 70%. Targeting core customers to launch customized services to increase stickiness, achieving a high repurchase rate of 92%, and at the same time, building professional teams to strengthen compliance, logistics, and other technical capabilities to consolidate the competitive foundation of the core category. The diversified expansion stage lasts 1 to 2 years. The core is to rely on the resources accumulated in the core category to expand supplementary categories. During the expansion process, it is necessary to strictly follow the principle of synergy, prioritizing categories with synergistic value in technology, customers, and logistics with the core category, and to control the revenue proportion of supplementary categories within the range of 30% to 40%, achieving risk dispersion while avoiding excessive resource dispersion. The supplementary categories of lithium hexafluorophosphate and cefotaxime expanded by Wuhan Kuda Hui relied on customer and logistics synergy and compliance capability synergy, respectively (Heracleous, L., & de Voge, S., 1998). In 2024, the revenue proportion of supplementary categories was 35%, which is a precise implementation of this principle. The synergistic optimization stage is a continuously advancing stage. The core is to establish a dynamic resource allocation mechanism, adjust the resource input of core and supplementary categories according to market supply and demand changes, prioritize the guarantee of production capacity, logistics, and other resource supply for the core category during its peak sales season, and use the remaining

production capacity, personnel, logistics resources to boost supplementary categories during the off-season, achieving the maximization of resource utilization efficiency and ensuring that the "core + diversified" strategic structure always fits the development of the enterprise and the market environment.

Table 4.

Stage	Duration	Core Objective
Category Selection Stage	1-2 years	Accurately identify core categories
Resource Deep Cultivation Stage	2-3 years	Build resource barriers for core categories
Diversified Expansion Stage	1-2 years	Expand supplementary categories and achieve synergy
Synergistic Optimization Stage	Ongoing	Dynamically adjust resource allocation and optimize resource utilization

5.2 Industry Implications

In the strategic formulation process, small and medium-sized medicinal and chemical foreign trade enterprises need to abandon the extreme thinking of "either-or" and avoid falling into the pitfalls of single-category operation or blind diversification expansion. Single-category operations can concentrate resources but are easily impacted by market fluctuations. For example, Huarui Medicine, which focused only on cephalosporin products, had a revenue growth rate of -18.3% in 2024, with significantly insufficient risk resistance. On the other hand, blind diversification like Guangyuan Industry, which entered multiple unrelated fields such as medicine, building materials, and food, led to resource dispersion, with a gross profit margin of only 7.8%, far below the industry average. For enterprises in the industry, the core idea should be to take core categories as the foundation, continuously accumulate heterogeneous resources around core categories, and build non-imitable resource barriers to ensure stable profitability and market position. At the same time, supplementary categories should be expanded based on synergy, leveraging the resource reuse of core categories to achieve low-cost expansion of supplementary categories, thereby dispersing operational risks. This "core category barrier construction + supplementary category risk dispersion" balanced model can take into account resource utilization efficiency and risk resistance. Wuhan Kuda Hui's 2024 gross profit margin of 16.2%, risk loss proportion of 2.3%, revenue growth rate of 104.7%, and resource utilization far exceeding the industry average fully demonstrate the effectiveness of this model. It also provides a practical reference direction for the strategic choices of small and medium-sized medicinal and chemical foreign trade enterprises.

6. Conclusions and Future Work

6.1 Conclusions

This study addresses the strategic dilemmas of small and medium-sized medicinal and chemical foreign trade enterprises and verifies the effectiveness of the "Core Category Deep Cultivation + Diversified Supplement" strategy. This strategy accumulates competitive advantages through deep cultivation of core categories and integrates resources through dynamic capabilities to achieve synergistic expansion of multiple categories, significantly improving enterprise performance. The quantitative standards and implementation paths proposed in this study are practical and compatible with the industry. The practice of Wuhan Kuda Hui also confirms its effectiveness.

6.2 Research Limitations and Future Work

The sample size of this study is limited, covering only four companies with annual revenues between 10 million and 500 million yuan, and the regulatory role of external environmental variables has not been fully considered. Future research can expand the sample scope to include more enterprises from different regions, introduce regulatory variables such as international trade policies and exchange rates, and refine strategic paths for different sub-categories to enhance the universality and precision of the conclusions.

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