Gordon Institute of Business Science
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Dynamic capabilities as antecedents of value creation through mergers and acquisitions

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A research project submitted to the Gordon Institute of Business Science, University of Pretoria, in partial fulfilment of the requirements for the degree of Master of Philosophy Corporate Strategy.

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ABSTRACT

With a growing interest in mergers and acquisitions to support corporate growth ambitions, researchers and business practitioners remain concerned as a high ratio of transactions lead to corporate value erosion. Priori literature has confirmed firm capabilities as antecedents to merger and acquisition transactions, a dyadic relationship between dynamic capabilities and these transactions, and that dynamic capabilities lead to competitive advantage and profit.

However, literature suggests that existing developed market frameworks and priori acquisition research do not apply to emerging market economies; thus, this research context was set within a South African firm. The research setting addressed further academic gaps on the limited practical application of dynamic capabilities research. This research explored how dynamic capabilities impact acquisition decision-making to create and capture value. It does so at the hand of a within-case and cross-case analysis of two qualitative case studies of previous acquisition transactions of a South African multination firm.

Research findings contribute to dynamic capabilities, by suggesting how acquisition experience develops dynamic capabilities, and how value is created within acquisitions, by utilising dynamic capabilities in decision-making. Furthermore, findings propose that value capture to shareholders improves when decisions are aligned to strategy, offering a business recommendation to improve chances of acquisition success.

Keywords

Dynamic capabilities, mergers and acquisitions, growth strategy, value creation, value capture

DECLARATION

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

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CHAPTER 1: PROBLEM STATEMENT

1.1 Background to the research problem

The greatest interest of strategic management academics and business professionals is understanding how to create value, which is intertwined with growth and sustainable competitive advantage (Ambrosini & Bowman, 2009; Barney 1991). The process of enabling competitiveness and subsequent superior firm performance within the dynamic nature of the business environment is achieved through deliberate strategic decisions associated with continuous scope review by corporations (Collis & Montgomery, 1999; Harding et al., 2022).

Globalisation and increased domestic and international competition encouraged the phenomenon of mergers and acquisitions as a growth strategy (Reynolds & Teerikangas, 2016). This corporate response has been further popularised with the more recent COVID-19 pandemic (Herbert Smith Freehills, 2022), with 2021 recording a global all-time high mergers and acquisitions value of $5.9 trillion, of which African deals made up an excess of $85 billion over 1000 deals (Harding et al., 2022; Herbert Smith Freehills, 2022). Yet, contradictory to the strategy of growth, research has found most merger and acquisition transactions to be value eroding, leading to the academic interest in understanding what factors influence a company’s decision to engage in these transactions (Tampakoudis et al., 2018).

It is becoming more prevalent for businesses to “expand or reinvent themselves unusually rapidly” (Bradley et al., 2013, p. 2) to deliver the superior performance needed to attain growth. Antelo and Peón (2019) propose that firms choose mergers and acquisitions based on resources and competencies. The only known perspective that creates sustainable competitive advantage by addressing how firms modify internal and external resources over time is dynamic capabilities (Ambrosini & Bowman, 2009).

1.2 Definition of the research problem and research purpose

The phenomenon of mergers and acquisitions is not new, and yet research has continued to grow over several decades, with an increased interest in using theories based on the resources-based view – namely resource, capabilities, and knowledge-based approaches – to address the specific questions around this phenomenon (Hossain, 2021). The thematic review by Gomes et al. (2020) found six research themes within management that scholars have focused on since the 1990s and are still being published about, which includes mergers and acquisitions motives and factors that influence the decision to engage in these transactions. The single largest subsegment of focus was on firm-specific factors (Gomes et al., 2020). This is supported by the literature review of Xie et al. (2017), who found that one of the topics that academics are most concerned about is understanding the antecedents of mergers and acquisitions, which is explored in this research through understanding the role of dynamic capabilities in decision-making.

Outside of academics, business managers have become increasingly aware of the risk of mergers and acquisitions leading to value erosion instead of firm growth and competitive advantage (PWC, 2022). Thus, they remain curious to find out what actions they could take to increase the probability of success through mergers and acquisition (Accenture, 2002). This research explored how the development and application of dynamic capabilities could be used to impact the decision-making process of mergers and acquisitions, to increase value creation for the firm.

Value creation is seen as the core business priority (Besanko et al., 2017) and, as such, it is of critical academic and business interest to better understand which business activities create value that can be captured by the firm (Bowman & Ambrosini, 2007). Teece (2014) posits that the transformative powers of dynamic capabilities lead to superior profits through competitive advantage, when utilised in combination with a coherent strategy. Through analysis of dynamic capabilities across two merger and acquisition transactions, this research furthermore led to findings related to the impact of strategic alignment on value created and value captured through the execution of these transactions.

1.3 Objectives of the research

Strategy is concerned with creating and maintaining a competitive advantage that is needed for continued value creation and growth of the firm (Besanko et al., 2017). This research sheds light on the fundamental concerns of strategy research by exploring what enables firms to enjoy sustainable performance advantages over their competitors (Feldman, 2020). It does so by exploring the dyadic relationship between dynamic capabilities and mergers and acquisitions that leads to firm value.

Given that there is limited foundational work done in the academic space of strategy for South African mergers and acquisitions (Amewu & Alagidede, 2018; Opoku-Mensah et al., 2019), it was crucial that this research focused on a deep understanding rather than a comparative cause and effect. The objective was to discover how dynamic capabilities in this target demographic influence their decisions about engaging in mergers and acquisitions. This research endeavoured to enhance South African corporate strategy, build on the emergent dynamic capabilities view, as well as expand the academic debate around the contextual translatability of previous findings regarding antecedents of the mergers and acquisitions outside developed markets (Huyghebaert & Luypaert, 2010; Zou et al., 2010).

This research was designed to study this dyadic relationship within the business context, in aid to better understand the merger and acquisition phenomenon. By selecting a South African firm as the focus of this research project, the researcher started to address the practical application gap of a previous study on dynamic capabilities (Garrido et al., 2020), and the literature gap on emerging market mergers and acquisitions (Singla, 2018). This work contributes to the current scholarly debate regarding the value-creating capabilities that lie within mergers and acquisitions and dynamic capabilities.

To this researcher's knowledge, this is the first work done that addresses the critical gap of understanding the antecedents of mergers and acquisitions through the theoretical lens of dynamic capabilities, as a source of value creation. It explores how the application of dynamic capabilities enabled firms to strategically navigate this decision. It is also the only known work done that researches the growth impact of merger and acquisition transactions on South African firms.

1.4 Research question

The main research question that this study explored was: 'How do South African firms use dynamic capabilities to create value through mergers and acquisitions?' This core question was approached by analysing previous merger and acquisition transactions, to answer the following sub-questions:

- Question 1: How does merger and acquisition activity develop a firm's dynamic capability?
- Question 2: How are dynamic capabilities used to make merger and acquisition decisions?
- Question 3: How is value measured, as created, and captured through the use of dynamic capabilities in mergers and acquisitions?

These questions were derived directly from findings of an analysis of literature related to merger and acquisition and dynamic capability. Direct correlations between these questions and gaps and invitations from recent publications can be found in Chapter 2: Literature review. Given Saldaña's belief that "theory states what and how and preferably why something happens" (2016, p. 278), these questions are closely associated, building on existing theoretical constructs and testing them in the context of an emerging market context.

1.5 Research setting

1.5.1 Emerging or dynamic market

Given that merger and acquisition research has been skewed towards developed market firms (Singla, 2018), academic journals implore the extension of research to test and refine existing developed economies frameworks against the unique emerging economies political, economic, and social systems (Lebedev et al., 2015; Peng et al., 2018). Lebedev et al. (2015) specifically request researchers to find new insights on acquisitions antecedents in and out of emerging economies. Reddy (2015) warns against the dangers of applying theories developed in other contexts, thus there is a growing concern among academics and practitioners that the vast majority of merger and acquisition frameworks built on developed economy firms will not be applicable in the emerging market firm contexts. Given the comparative complexity of emerging economies as well as firm characteristics, previous literature has identified the need for targeted research to test and extend existing theory to their unique dynamics (Hossain, 2021; Lebedev et al., 2015; Opoku-Mensah et al., 2019; Singla, 2019).

Unfortunately, the limited research found that specifically considers emerging market economy firms often comes from regional publications or poorly rated journals. Opoku-Mensah et al. (2019) have started this expansion by reviewing BRICS mergers and acquisitions literature and found South Africa to be the country with the least related publications. Regardless of the growing number of merger and acquisition activities, as well as high levels of economic growth experienced on the African continent, it has scarcely been included in academic research for this field (Amewua & Alagidedec, 2019).

It is assumed that the lack of African-specific research is due to the continent's relative size (Wilson & Bala, 2019). Yet Africa, as often represented by South Africa in global platforms such as BRICS, is believed to potentially offer "the greatest future economic opportunity in the world" (Makura, 2012, p. 12). Given that South Africa has invested more into Africa than any other emerging economies country (Sampong et al., 2018), this leaves a research gap to be filled in strategy research.

1.5.2 South African firms

Given the mass adoption of mergers and acquisitions within emerging economies, as seen in South Africa, the lack of high-quality emerging economies related research has become concerning (Lebedev et al., 2015; Peng et al., 2018). South African mergers and acquisitions literature is found to lacking and does not address the core academic concerns of what the determinants of mergers and acquisitions activities are for South African firms.

In the book, 'Going Global', it is identified that South African corporate firm characteristics are the main driver for South African firms being able to distinguish themselves within the global market, compared to other countries of similar-sized economies (Makura, 2012). South African firms have been able to differentiate themselves through growth, not only in the local market but as emerging multi-national enterprises, motivated by their attitude. This is expanded upon by Dr Lyal White, stating that South African companies

> *…tend to have a nuanced approach to doing business, strongly influenced by culture and an innate set of skills. This is what they take into new markets and draw on when they navigate their way through the unusual challenges they are confronted with. These skills and the alternative approach to doing business help South African companies not only overcome institutional voids and adversity in new market, but also forge new opportunities by virtue of those voids hampering conventional activities. They fill the voids, creating commercial opportunities for themselves and improving the overall environment in the markets in which they are active. They develop such capabilities from the particular platform created in their home markets… The leaders are able to identify opportunities in new markets, see the future and, most importantly, have the will and energy to pursue them. They are able to go the distance with continuity and persistence, conscious of strategic, financial and operational imperatives to the business.* (Makura, 2012, pp. 16-17)

Teece et al. (2020) propose that dynamic capabilities in firms can play a critical role in supporting South African economic growth by utilising strong firm and managerial capabilities to make "opportunistic adjustments" (p. 3). Academics have called for "targeted efforts to identify and develop dynamic capabilities" in South African firms

(Teece et al., 2020, p. 2). Given the observation made by Teece et al. (2020) that firms engaging in international trade are more competitive, it is important that this research focused on a South African based multinational that has grown through mergers and acquisitions.

Unfortunately, many major South African multinationals who have done this, like Anglo-American and SAB Miller, have migrated to developed countries either by moving their primary listing outside of South Africa, or by being acquired by a larger developed country multinational. Thus, access to data and resources associated with these firms' growth journeys are limited. To mitigate these problems in a firm setting, this research reviewed top South African JSE-listed companies, who are known to have participated in various merger and acquisition transactions. Selecting a JSE-listed company is further supported by findings that South African listed companies are notably competitive when compared to those in alternative dynamic markets (Makura, 2012). One such firm is of specific interest as the largest South African spirits and wines company, which is currently undergoing their final merger and acquisition with a large international corporate.

1.5.3 Selected South African multinational firm

Created as a merger just two decades ago, this South African spirits and wine firm is no stranger to merger and acquisition activity. In the years since its inception, they have acquired as well as sold European-based business and other brands, divested wineries, as well as expanded heavily into Africa. They are an excellent example of a South African company which has used mergers and acquisition as a deliberate strategy for growth, diversification, as well as resource reconfiguration.

Given the high degree of exposure to market forces, not only in the global supply value chain but also given the sales footprint, this multinational firm is a JSE-listed company that has proven development of dynamic capabilities. The excellent firm performance, their resilience shown through COVID-19, as well as their desirable African footprint has made them a ripe target for take-over from developed market firms, who see South Africa as a gateway into Africa (Blake, 2021). This has led to the current R40.1 billion acquisition offer from the world's second-largest beer brewing company, pending competition tribunal feedback (Blake, 2021).

Notwithstanding the potential take-over from a developed economy multi-national, this corporate was still legally and structurally a truly South African firm at the time of this research study. This enabled access to core role players and data required for research.

Furthermore, the firm's status as a JSE-listed company increased the availability of public information associated with their merger and acquisition transactions. Thus, this South African giant in the alco-bev industry was an ideal setting for this research, against which various merger and acquisition transactions could be analysed.

1.6 Relevance of the proposed research

1.6.1 Theoretical relevance

This research continues the academic discussion regarding identifying the determinants for firms to engage in merger and acquisition activities (Calipha et al., 2010; Gomes et al., 2020; Singla, 2018; Zou et al., 2010). It does so by deliberately exploring the firm's internal characteristic of dynamic capabilities as an antecedent of merger and acquisition transactions. The research's explorative design has created rich insights, showcasing evidence of how dynamic capabilities influence and shape the corporate's merger and acquisition decision process.

The value it adds is in addressing the gap of an emerging economy view in earlier bodies of work (Hossain, 2021; Juasrikul et al., 2018; Opoku-Mensah et al., 2019) through the testing of contextual relevance. Findings support claims made by previous scholars that the emerging context is dissimilar to developed markets (Thanos et al., 2020). The traditional developed market approach to mergers and acquisitions in African countries leads to higher-risk transactions. Bordering emerging market firms, like this South African corporate, see a lower risk and higher potential for investments in Africa, given their ability to navigate and problem-solve in less formal markets, and their heritage advantage.

This work also adds to the development of research on dynamic capabilities. The researcher addressed contextual setting concerns found in earlier publications (Kurtmollaiev, 2020; Teece et al., 2016; Wollersheim & Heimeriks, 2016) by exploring the research questions through application within a business context. Through the use of micro-foundations, evidence was found of the existence of dynamic capabilities within the corporate. This enabled the testing of these micro-foundations within a practical setting, as well as the analyses of how these capabilities were developed.

Furthermore, the research findings continued the debate regarding the value that is created by mergers and acquisitions and the application of dynamic capabilities. Through analyses of financial and non-financial information, the researcher was able to draw a direct link between the utilising of dynamic capabilities and value creation for the corporate. A clear distinction was found between value creation and value capture, supporting previous literature on these constructs. This researcher found that dynamic capabilities create value through the execution of mergers and acquisitions, but that not all value-creating transactions lead to increased value capture for the corporate and their shareholders.

1.6.2 Business relevance

Corporations are constantly trying to find methods of growth and create competitive advantage. This has often been done by employing mergers and acquisitions as a strategy for growth (Business Insider, 2021). Studies have found a corporate's concerns related to what they could do pre-deal and post-deal to increase the likelihood of success (Accenture, 2002) and how to translate "business strategic needs in an M&A strategy" (Deloitte, 2020, p. 11). Within the recent history of South Africa, this has been a prevalent strategy, given record-breaking transactions that has been concluded with South African firms (Blake, 2021; News24, n.d.). This surge in merger and acquisition activity is expected to continue as capital-rich firms will exploit opportunities for increased efficiency and the acquisition of competencies and resources (Fernandes, 2021). Other transactions that are also presenting are many divestures, freeing up corporate capital for future strategic decisions (PWC, 2022).

Given South African firms' profitability, there is much merger and acquisition attention on South Africa as a high-opportunity region (Blake, 2021). Herndon and Bender (2020) believe that South African firms need to increase their merger and acquisition capabilities to ensure agility in decisions and executions. South African firms' dynamic capabilities are showcased through "how firms and the managers that lead them find and exploit opportunities for competitive advantage" (Teece et al., 2020, p. 2). Given this research focus around understanding how dynamic capabilities drive merger and acquisition, it is of pertinent business value in the current South African market dynamics.

Business practitioners benefit from this research by understanding how experience and team structure can develop these much sought-after capabilities. Further learnings lie in the findings that positive performance, in the form of growth, does not necessarily equate to value capture. The increased awareness that growing profit does not ensure returns sheds light on the corporate's decision to place their focus. The importance of growth as a form of competitive advantage must be balanced with the objective of successfully acquiring and retaining shareholder investments, often measured in returns.

1.7 Definition of key constructs

1.7.1 Mergers and acquisitions

There are various definitions for mergers and acquisitions. For clarity regarding the phenomenon scope being reviewed, this research accepts Snow's definition as cited in Candra et al. (2021, p. 3), stating that "a merger is a combination of two or more companies... Meanwhile, an acquisition is defined as an event where a company buys another company".

1.7.2 Value creation and value capture

There are various forms of value, but given this research's scope of measuring firm growth, the chosen definition focuses on financial measurement for value. Value is created through the transactions a firm partakes in and is measured in revenue. Profits gained by the organisation is regarded as how this value is captured (Bowman & Ambrosini, 2000).

1.7.2 Dynamic capabilities

Helfat's et al. (2007) refinement of dynamic capabilities is selected. They define this term as a firm's ability to deliberately create, increase and modify their resources. The unique characteristic of dynamic capabilities lies in that it is seen as a continuous process, repeatedly delivering value, leading to the desired competitive advantage (Teece, 2014).

"The learning and innovation that undergird transformation (and dynamic capabilities more generally) and contribute to durable competitive advantage often need to be global in scope. Multinational enterprises competing in diverse contexts have the possibility to learn across different geographies" (Teece, 2014, p. 337).

1.8 Outline of the remainder of the document

In Chapter 2, the researcher presents a review of literature supporting the relevance of each research question. It briefly examines the resource-based view, and then elaborates on previous work and research concerns regarding the theoretical anchor of dynamic capabilities. Thereafter, a summary is given of how value is defined and how value is created and captured by the firm. The third construct reviewed is mergers and acquisitions, where an assessment of most recent academic work in this fields is done. The section is concluded with a conceptual framework that depicts how previous literature is positioned to shape the research questions. Appendices C, D and E are considered supplementary to Chapter 2, included to share additional frameworks created by Teece (2014) and Lebedev (2015) related to the constructs reviewed in this chapter.

Chapter 3 details the research methodology decisions made to address the research questions. This includes guidance gathered from previous literature as to how the approach and methodology were shaped and identifies the research setting, unit of analysis and sampling decision. It further defines research instruments, explains choices around the qualitative case study approach, and elaborates on how data was gathered and analysed. The chapter goes on to explain how research quality and rigour were designed into the methodology decision and approach and concludes by detailing how ethical considerations were addressed throughout the process. Related to this chapter, readers will find an interview protocol, codes used in the analysis of data, pro-forma interviews used for data gathering, a consistency matrix, and a table detailing the replacement words used in the transcription for confidentiality in Appendix F, G, H, I, and J.

The research findings are described in Chapter 4 and 5, as a within-case analysis and a cross-case analysis. It is structured in a case format, evaluating each case study individually, structured by themes and categories as designed in the analysis of the data. Chapter 4 includes findings from interviews as well as secondary data, and identifies all discoveries made, as they relate to the research questions and literature reviewed. The cross-case comparison is presented by reviewing findings from the within-case analyses and is structured by the three research sub-questions and main question.

Chapter 6: Discussion of research findings is an evaluation that specifically compares the findings made in the previous two findings chapters, with the literature described and analysed in Chapter 2. Notably, no new findings are identified in this chapter, but previously listed findings have been related to literature. This section highlights where findings support or contradict previous literature suggestions and forms the basis of this report’s contribution.

This research reports concludes in Chapter 7, with a summary of the theoretical conclusion of the research questions. It describes how the findings of the research contribute to literature, as well as recommendations for business practitioners found within the research. Finally, this report concludes by acknowledging its limitations and offering recommendations for future research.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

The description by Hill et al. (2017) of corporate strategy specifically includes the choices made around businesses to be acquired, merged, or divested as well as matching markets to distinctive capabilities, to maximise long-term profitability. Within the field of corporate strategy, Feldman (2020) finds the resource-based view of the firm to be one of the most important debates in corporate strategy, as it relates to resource reconfiguration among constituent businesses for the development of competitive advantage (Battisti et al., 2021).

As this view has been studied over many years, it has matured and formed the basis of many new views that are currently receiving much academic attention. One such view, based on the resource-based view, is dynamic capabilities, which addresses the business's ability to sense, seize and transform a corporation's resource base. This deliberate agility allows companies to continuously adapt to external market changes, affecting their competitive advantage and leading to sustainable performance and growth.

Figure 1 below depicts the structure of this chapter. The literature review shows how research addressing how firm characteristics – more specifically, dynamic capabilities – lead to the firm's decision to engage in merger and acquisition, would fill a known academic gap. Business and academic relevance is retained by aligning this to the core business objective of value creation and capture, but with a focused approach to answering: 'How do South African firms use dynamic capabilities to create value through mergers and acquisitions?'

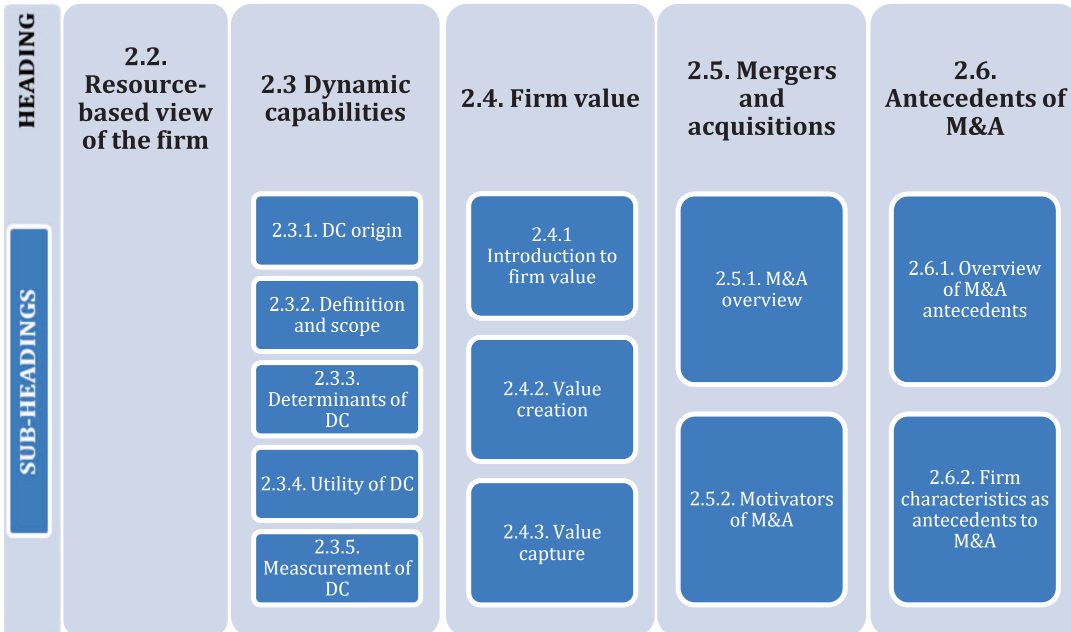

Figure 1: Structure of literature review. Source: Author's compilation

2.2 Resource-based view of the firm

Built on the understanding that a firm's performance, competitive advantage as well as growth opportunities are interconnected. Penrose's 1959 book, 'The Theory of the Growth of the Firm', identified that an organisation's unique resources form the basis of their competitive advantage (Barney et al., 2011; Kapoor & Aggarwal, 2020). More than two decades later, a new view emerged using Penrose's work as a foundation, which underpins resource development, acquisition, and exploitation. The resource-based view of the firm was originally proposed by Wernerfelt in 1984 to better understand the determinants of business performance. Through a series of publications, several academics further developed the theory (Chen et al., 2021), which was then popularised by Barney's 1991 article, 'Firm Resources and Sustained Competitive Advantage' (Barney, 1991).

The premise of the resource-based view frames internal firm resources and capabilities as the explanatory factors of company growth. It argues that value creation and competitive advantage is determined by internal firm resources, defined as a collection of competencies, processes, assets, knowledge, etcetera (Barney, 1991). These resources can be tangible or intangible resources that are valuable, rare, inimitable, and non-substitutable (Chen et al., 2021; Zou et al., 2010).

It has often been used as a theoretical underpinning for the exploration of antecedents for merger and acquisition activity (Zou et al., 2010), considering the target firm resources that the acquiring firm could benefit from (Li et al., 2018). Thus, the firm benefits from resource complementarity such as acquiring technology, market penetration, or people that will lead to improving company performance (Antelo & Peón, 2019; Calipha et al., 2010; Zou et al., 2010).

The resource-based view has however not gone without criticism. Concern has been raised regarding the accuracy of the empirical evidence proposed, which is considered to lack defining mechanisms of measurements (Barney et al., 2011), and how they relate to competitive advantage (Kapoor & Aggarwal, 2020). Further scrutiny has been directed at the limited view as it does not consider the impact of the external environment (Helfat & Peteraf, 2015), and its assumption that a firm's heterogeneous resources that deliver competitive advantage can be sustained over time (Ambrosini & Bowman, 2009; Kapoor & Aggarwal, 2020).

In the decades since its inception, Barney et al. (2011) argue that this concept has reached maturity, supported by the many scholars now referring to it as a theory, and the various spin-off perspectives it has led to. As resource-based view underwent refinement, new extensions, like David Teece's dynamic capabilities (Teece et al., 1997) were created. Contradictory to previous academic's view of competitive advantage being related to external marketing position, dynamic capabilities base firm performance (and competitive advantage) on firm efficiency through the reconfiguring of internal and external sources as a reaction to dynamic market conditions (Ambrosini & Bowman, 2009).

Dynamic capability is an alternative view that addresses the limitations of the resource-based view by incorporating the external influence impact on business performance (Kapoor & Aggarwal, 2020; Teece et al., 1997). Further, it address how resources can be acquired, created, modified and leveraged to adapt the firm to a dynamic market (Ambrosini & Bowman, 2009).

2.3 Dynamic capabilities

2.3.1 Dynamic capabilities origin

Various opinions exist regarding the theoretical premise for dynamic capabilities. Examples of delineating views include Schumpeter's economic theory of creative destruction as cited in Ambrosini and Bowman (2009), Karl Marx's capitalist ideology as cited in Fernandes (2021), and firm behavioural aspects from Vyert and March and Nelson and Winter's evolutionary theory of economic change, as cited in Kapoor and Aggarwal (2020).

Many have positioned dynamic capabilities as the extension of the resourced-based view, addressing the important question of how resources are created or shaped in changing business environments (Ambrosini & Bowman, 2009). Both models are built upon the shared foundation that firms' heterogeneous resources generate sustainable competitive advantage. Pertinent building blocks from Penrose as cited in Ambrosini and Bowman (2009) includes her argument that a firm must continuously keep evolving, which is evident in the dynamic capability model. The formative article presented dynamic capabilities as "the firm's ability to integrate, build and reconfigure internal and external competences to address rapidly changing environments" (Teece et al., 1997, p. 516).

Teece (2017) confirms that they positioned dynamic capability as a model to incorporate the new global market dynamics, as well as overcome the limitations of the resource-based view, and previous concepts such as the knowledge-based view and transaction cost theory (Ambrosini & Bowman, 2009). Figure 2, created by Kapoor and Aggarwal (2020), illustrates the popularity period of the various theories, clearly showing dynamic capabilities to be of current interest to academics.

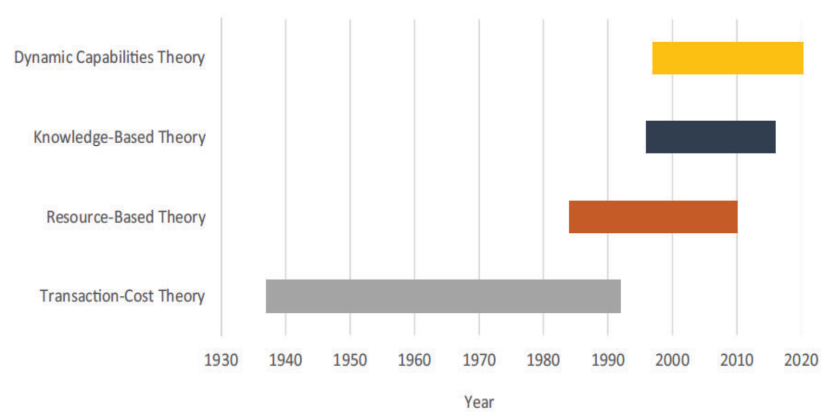

Figure 2: Popularity period of theories (Kapoor & Aggarwal, 2020, p. 194)

Nelson and Winter, as cited in Madsen (2010), argue that dynamic capabilities rather has its roots in the evolutionary theory of the firm. Madsen (2010) finds that dynamic capabilities are superior to ordinary capabilities in that it not only exploits internal and external resources, but actively develops new capabilities. It is found that these decisions, often associated with an entrepreneurial orientation, are often what lead to competitive advantage created by this construct (Madsen, 2010).

Notwithstanding the value created by and learnings taken from various theories and models, this research accepts the generally accepted origin, that dynamic capabilities' intellectual heritage can be found in the resource-based view of the firm, given the underpinning of resources and capabilities (Kapoor & Aggarwal, 2020). Given this research approach of firm growth, and the holistic orientation of dynamic capabilities, this researcher has selected it as the theoretical anchor through which to study antecedents of mergers and acquisitions within a business context.

2.3.2 Definition and scope

Many academics have proposed modified definitions of the dynamic capabilities concept and what it entails (Eisenhardt & Martin, 2000; Helfat et al., 2007; Winter, 2003; Zollo & Winter, 2002). The variety in these adaptations showcases the breadth to which dynamic capabilities can be applied and creates an academic concern around a clear understanding of this concept.

Kurtmollaiev (2020) argues that the varying interpretations of dynamic capabilities can be categorised in two contradictory approaches: the routine-based approach (Eisenhardt & Martin, 2000; Winter, 2003; Zollo & Winter, 2002), or the alternative of ability-based, which is more aligned with the core theoretical underpinning of dynamic capabilities as a differentiation and growth strategy. This interpretation, strongly supported by the original conceptualiser, Teece (Teece, 2007; Teece et al., 1997), considers the definition of the word 'capabilities', to be elaborated on hereafter.

To better understand the term 'dynamic capabilities', one must first define the individual concepts and how they are applied. 'Capabilities', in this context, does not merely mirror the scope of resources as defined in the resource-based view. It also includes routines, processes, knowledge, etcetera that can be considered firm abilities and competencies, that a firm utilises to shape and leverage resources (Ambrosini & Bowman, 2009).

This research accepts that the term 'dynamic' in this context is descriptive of a state or object that is continuously changing or developing (Cambridge Dictionary, 2022). There have been contradictory explanations of what 'dynamic' in this construct relates to. Some academics posits that the firms' capabilities are meant to be dynamic, whiles others argue that it refers to environmental dynamism, within which firms remain competitive (Kurtmollaiev, 2020). This research aligns with the proposal from Ambrosini and Bowman (2009), that the resource base needs to be dynamic. This is associated with Teece's (2014) definition quoted in the previous section, that the firm capabilities are required to shape resources into a competitive advantage. This understanding is supported by accepting that capabilities lead to the deliberate and continuous adaptation of the firm's resource base in response to environmental changes, to sustain competitive advantage (Ambrosini & Bowman, 2009).

For the purpose of this research paper, Helfat's et al. (2007, p. 8) refinement of the original broader definition of dynamic capabilities is accepted, as the "capacity of an organisation to purposefully create, extend, or modify its resource base". This definition is selected as it was crafted by the top academics in the field, it captures the significance of the model, and allows an element of breadth in its application (Kurtmollaiev, 2020).

2.3.3 Determinants of dynamic capabilities

Various building blocks have been defined to create dynamic capabilities. Even Teece has given various descriptors over the years of the determinants of this capability. In 2010, they were framed as capabilities to absorb, adapt and innovate (Teece, 2010) and, the following year, as the ability to "sense opportunities, execute plans, and configure and reconfigure assets and systems" (Teece, 2011, p. 56). These remain based on the original micro-foundations of sensing, seizing and transforming (Teece, 2007).

Due to the proliferation in scope that the model allows, much of the academic research has often focused on specific elements within dynamic capabilities (Garrido et al., 2020). The process and means of creating dynamic capabilities remain an open academic debate. The lack of consensus has opened proliferating research not only on how these capabilities are created, but also which models can be applied to create dynamic capabilities as a tool. Some have even approached the various elements as individual requirements, of which anyone creates dynamic capabilities (Čirjevskis, 2019). This has led to research singling out individual processes of competencies to measure this phenomenon, instead of as a whole. This researcher's interpretation from Teece (2007) is that it is the unique combination of all three abilities that lead to the dynamic capabilities' ability to create a competitive advantage.

The question surrounding how dynamic capabilities are shaped to create the organisational capacity explained is another element within this model that has led to academic debate. As far back as 1985, Mintzberg and McHugh suggested that resource renewal is an emergent process, that is not necessarily driven by top management, whereas Ambrosini and Bowman (2009) found numerous academics to focus on the influence from top management in developing dynamic capabilities. It has been proposed that it can be realised through pure luck (Barney, 1991), created by deliberate interventions (Winter, 2003) or bought through merger and acquisition activity (Čirjevskis, 2019).

Aggerwal and Kapaar (2018) also found that the constructs within dynamic capabilities have often been studied in isolation. Many researchers have chosen to limit dynamic capabilities to a singular view, by only considering human impact delivered by "individual managers and the top management team" (Teece, 2014, p. 332). This leaves a literature gap, for which Kapoor and Aggarwal (2020) recommend researching dynamic capabilities using an integrated framework, by focusing on cohesive organisation factors. Recently, Bitencourt et al. (2020) proposed a thorough extended model for analysing dynamic capabilities in an integrated manner. As far as this researcher is aware, this framework has not been applied in many business contexts, so its validity is still conceptual.

Contradictory belief systems arise in the spere of dynamic capabilities, regarding how they are determined. Proposals range from capability creation through activity to operating in a dynamic environment (Madsen, 2010). Other scholars propose that evidence of these capabilities can be found in the firm's dynamism, reconfiguring ordinary capabilities (Winter, 2003; Zollo & Winter, 2002). Regardless of these variations, most academics agree that these are learnt capabilities which are substantially developed by the mechanism of learning (Eisenhardt & Martin, 2000; Teece et al., 1997; Zollo & Winter, 2002). "The learning and innovation that undergird transformation (and dynamic capabilities more generally) and contribute to durable competitive advantage often need to be global in scope. Multinational enterprises competing in diverse contexts have the possibility to learn across different geographies" (Teece, 2014, p. 337).

2.3.4 Utility of dynamic capabilities

Contradictory to the increase in academic interest and support for this framework, limited research has been done on the utility of dynamic capabilities (Pablo et al., 2007). This researcher proposes that the work to date has rather been skewed towards conceptual expansion and clarification, which could be due to the comparatively adolescent phase of the concept and the underdeveloped supporting determinants and elements as well as the inability to accurately measure the impact on performance (Fernandes, 2021).

> The dynamic capabilities framework goes beyond traditional approaches to understanding competitive advantage in that it not only emphasizes the traits and processes needed to achieve good positioning in a favorable ecosystem, but it also endeavors to explicate new strategic considerations and the decision-making disciplines needed to ensure that opportunities, once sensed, can be seized; and how the business can be reconfigured when the market and/or the technology inevitably is transformed once again. In this sense, dynamic capabilities aspire to be a relatively parsimonious framework for explaining an extremely seminal and complicated issue: how a business enterprise and its management can first spot the opportunity to earn economic profits, make the decisions and institute the disciplines to execute on that opportunity, and then stay agile so as to continuously refresh the foundations of its early success, thereby generating economic surpluses over time. (Teece, 2007, p. 1347)

Figure 3, created by Ambrosini and Bowman (2009), depicts how dynamic capabilities are shaped and used as a tool to deliver superior firm performance. This allows a clear understanding of its application, supported by Ambrosini's and Bowman's (2009, p. 35) positioning that "the role of dynamic capabilities is to impact on the firm's extant resource base and transform it in such a way that a new bundle or configuration of resources is created" leading to enhanced and sustained competitive advantage.

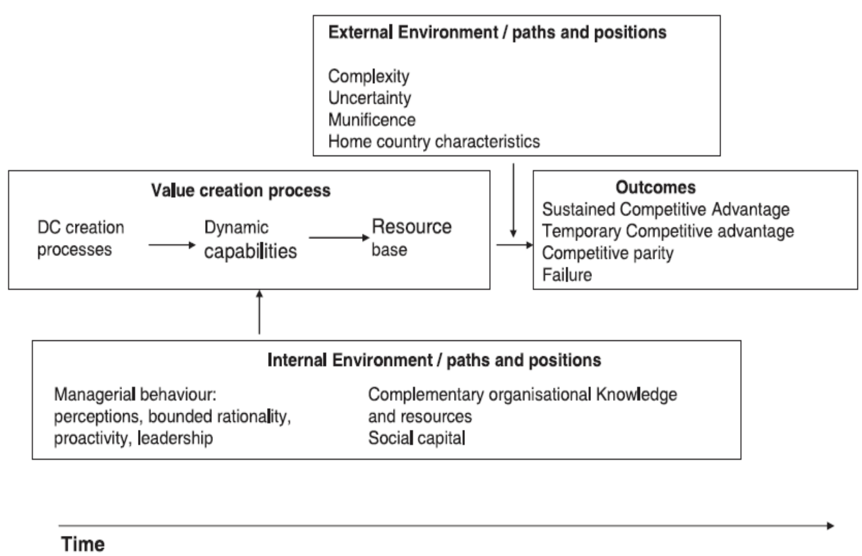

Figure 3: Dynamic capability (Ambrosini & Bowman, 2009, p. 43)

Ambrosini's and Bowman's (2009) view is supported by a later framework, created by Teece (2014), depicting the logical structure of dynamic capabilities, as seen in Appendix C. It showcases how the foundations of dynamic capabilities – sensing, seizing and transforming – lead to competitive advantage and superior profitability as outcomes of the value creation process. This framework critically highlights Teece's (2014) belief that dynamic capabilities can only deliver competitive advantage when coupled with an effective strategy.

> Dynamic capabilities must be used in aid of a good strategy to be effective. Strategy, capabilities, and the business environment co-evolve. A strategy that is consistent, coherent, and accommodating of innovation is needed to help achieve competitive advantage. A firm with strong dynamic capabilities is able to flesh out the details around strategic intent and to implement strategic actions quickly and effectively. (Teece, 2014, p. 341)

Dynamic capabilities are used to reconfigure a company's resource base, including integrating new resources or the decision to release or sell off others (Ambrosini & Bowman, 2009). Eisenhardt and Martin (2000) assert that this reconfiguring is not only done through innovation but also decisions around acquisitions, which is further supported by Karim and Mitchell (2000), positioning mergers and acquisitions as a dynamic capability. The unique characteristic of dynamic capabilities lies in that it is seen as a continuous process, repeatedly delivering value, leading to the desired competitive advantage (Teece, 2014).

A potentially supplementary view from Tang and Gudergan (2018) is that mergers and acquisitions in themselves might not be dynamic capabilities. Rather, they posit that these capabilities can be created through the activity of mergers and acquisitions, in the exposure and experience these transactions create for the firm, terming it "experience-based dynamic capabilities" (Tang & Gudergan, 2018, p. 543).

2.3.5 Measurement of dynamic capabilities

The academic interest in this model has delivered fragmented research publications leading to disjointed definitions, applications and operationalisations. Many academics believe that the conceptual breadth of dynamic capabilities has led to much complexity within this framework (Garrido et al., 2020; Wollersheim & Heimeriks, 201), creating ambiguity around what constitutes dynamic versus ordinary capabilities and incorrect research measurement (Kurtmollaiev, 2020). The concern regarding its measurements is viewed as one of the most important gaps in dynamic capabilities (Garrido et al., 2020).

Various frameworks have been built to better understand dynamic capabilities, how to identify their existence in firms, and means of measuring their impact on firm performance (Kapoor & Aggarwal, 2020; Karna et al., 2016). Wollersheim and Heimeriks (2016) shed light on the impact that the lack of agreement on the definition of dynamic capabilities has on understanding the level of analysis, as required when considering measurement (Eisenhardt & Martin, 2000). This is supported by Laaksonen's and Peltoniemi's (2018) review which found over 200 different methods of measuring dynamic capabilities. Garrido et al. (2020) further explain the difficulty in the measurement of this phenomenon, at the hand of comparing the difference in approach across previous studies that assess various dynamic capabilities within various business functions and processes.

Notwithstanding the academic importance of examining dynamic capabilities at a firm level, this research limits its focus of dynamic capabilities within the merger and acquisitions process, as aligned to the research questions. The value of dynamic capabilities lies in its ability to reconfigure resources, that leads to value creation, competitive advantage, and firm growth. Even though scholars agree on the relevance of dynamic capabilities, it has not gone without criticism regarding research finding a lack of clear performance difference between ordinary versus dynamic capabilities (Karna et al., 2016).

Contradictory research findings range from a positive relationship between dynamic capabilities and firm performance, to a negative association, to those researchers who posit that dynamic capabilities are only able to have an indirect influence (Bowman & Ambrosini, 2000). Garrido et al. (2020) propose that the negative correlation findings could be due to incorrect measurement. Eisenhardt and Martin (2000) argue that this is because the competitive advantages created by dynamic capabilities are associated with the reconfigured resources, and not the dynamic capabilities themselves.

Eisenhardt and Martin (2000) went as far as to liken dynamic capabilities to ordinary capabilities combined with best practice which has led to further debate regarding the difference between technical and evolutionary fitness (Teece, 2014). Helfat et al. (2007) argue that the true measure of the impact of dynamic capabilities requires two measurements to differentiate between technical and evolutionary fitness, the difference being effective performance or 'doing things right' compared to enablement through resource configuration or 'doing the right things'. Teece et al. (2020, p. 4) position that firms with dynamic capabilities demonstrate "knowledge creation, knowledge integration, learning and leveraging". Following this thinking, this researcher positions dynamic capabilities as a tool empowering improved firm performance, as opposed to one delivering it.

Identifying dynamic capabilities within a firm or process is most often done by validating the existence of the three primary clusters known as sensing, seizing, and transforming (Teece, 2014). Teece (2014) finds these dynamic capabilities harmonise with strategy given that both appear company wide as well as within business units or processes. Further, the three elements synchronise with strategy as sensing relates to analysis and understanding in strategising, seizing as in acting, which leads to transforming as protecting and creating value (Teece, 2014).

Sensing is explained as the searching, identification, and development of opportunities (Teece, 2014) (Zollo & Winter, 2002). "In the first stage, the firm searches for new ideas… This occurs on the basis of a combination of external stimuli along with internally generated information arising from the firm's existing routines" (Madsen, 2010, p. 6). It includes the active pursuit of knowledge through research and evaluation, reliance on intuition, as well as shaping opportunities (Khan et al., 2019).

Teece (2007) identified analytics, learning to sense, filtering and shaping opportunities as foundations of sensing (Figure 4). More recently, Khan et al. (2019) identified the micro-foundations to be market monitoring, idea generation, knowledge creation, and experiential learning. Additional concepts often associated with sensing include interpreting the environment (Zollo & Winter, 2002) and assessment of alternatives (Madsen, 2010). Helfat and Peteraf (2015) point to characteristics of perception and attention as precursors for opportunity recognition and creation through sensing.

Within literature findings, there is often an overlap between sensing and the second cluster of seizing. This exists in the sphere of evaluation, where the above-listed scholars consider the evaluation of ideas as sensing, yet Madsen (2010) believes evaluation through the scrutiny of analysis and debate to be part of seizing. This researcher concedes that a level of ambiguity and repetition of characteristics exists between the clusters. As an example, the concept of evaluating ideas utilising past experience can be regarded as sensing (Teece, 2007), or as seizing (Madsen, 2010).

Seizing is defined as “mobilization of resources to address needs and opportunities, and to capture value from doing so” (Teece, 2014, p. 332). It is often seen as the process of making a decision and implementing the sensed opportunity (Khan et al., 2019) Teece, cited in Khan et al. (2019, p. 1480) expresses the belief that effective seizing includes the “ability to make good investment decisions” and maintain strong stakeholder relationships.

Micro-foundations of seizing are identified by Khan et al. (2019) as strategic planning, governance, and collaboration. Earlier foundations listed by Teece (2007) include structures and procedures that lead to seizing, supported by Eisenhardt’s and Martin’s (2000) identification of strategic decision-making routines. Seizing has also been likened to characteristics of agility and creativity in utilising flexibility to execute the opportunity and is often balanced with strategic path alignment through governance structures and processes (Madsen, 2010). Problem-solving and reasoning are also considered elementary to seizing, given their creation of strategic investments (Helfat & Peteraf, 2015).

Once more, the researcher found an overlap between the second and third clusters. This could be due to an alternative cluster set-up used by Zollo and Winter (2002), rephrasing seizing as evaluation and transformation as routinisation. Following Zollo’s and Winter’s framing, Madsen (2010) explains the final cluster as decision-making by executing the decision, whereas decision-making could be likened to seizing, allowing the third cluster to be defined by the reconfiguring change created or enabled.

Transforming has often been referred to as the iterative renewal of resources, as it relates to processes, resources and capabilities (Khan et al., 2019). This could be incremental change or radical shifts in process and capabilities (Teece, 2014) in aid of enhancing, protecting and reconfiguring assets (Khan et al., 2019). Teece, cited in Khan et al. (2019, p. 1480) found that these “reconfiguring capabilities are underpinned in a firm's routines that enable the renewal and orchestration of resources and competencies”.

Continuous alignment and realignment of resources were deemed to be the foundation of transforming by Teece (2007), as seen in Figure 4. Micro-foundations of transforming identified by Khan et al. (2019) include knowledge integration, best practices application, and organisational restructuring. Additional constructs well suited to transforming are recruitment of expert employees found in Rindova and Taylor as cited in Madsen (2010), the adoption of best practice (Eisenhardt & Martin, 2000) and knowledge reconfiguration (Madsen, 2010). Helfat and Peteraf (2015) found strategic asset alignment to be reconfigured through individual-level capabilities of communication and social cognition.

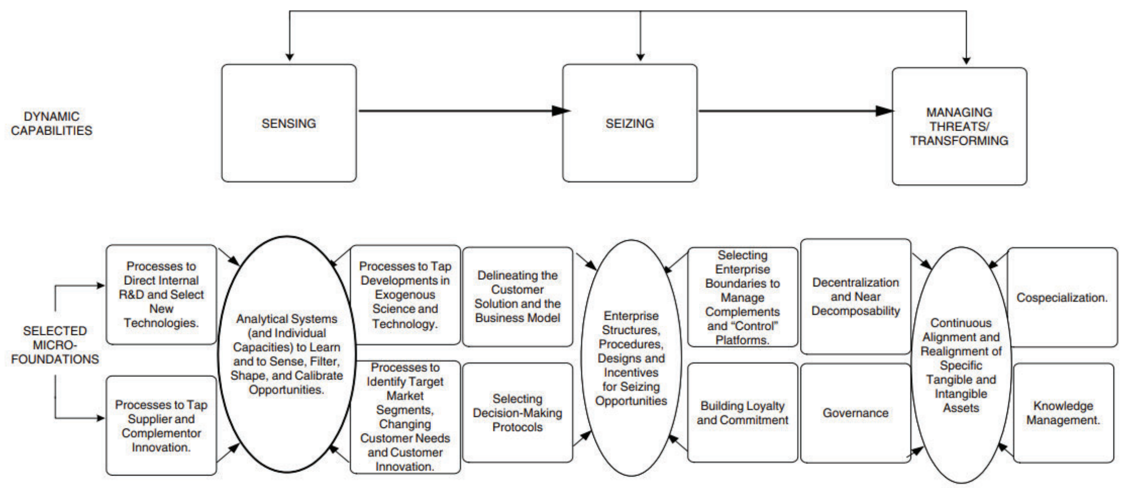

Figure 4: Foundations of dynamic capabilities (Teece, 2007)

Figure 5 below, is a summarised view of micro-foundations through which to evaluate dynamic capabilities. These can be referred to as per sections in Chapter 3: Research methodology, as well as in the analysis concluded for Chapter 4: Within-case analysis.

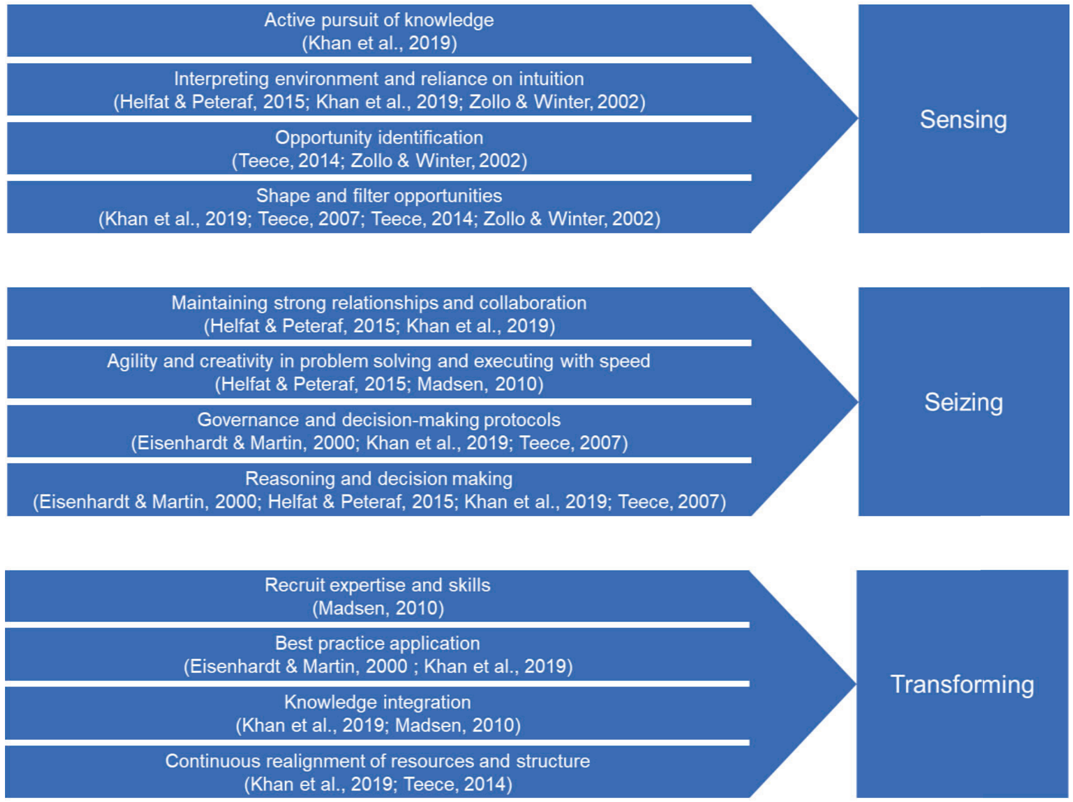

Figure 5: Dynamic capabilities micro-foundations. Source: Author's compilation

"Successful enterprises must build and utilize all three classes of capabilities and employ them, often simultaneously" (Teece, 2007, p. 1347). Dynamic capabilities in organisations have often been identified using micro-foundations to search for evidence supporting the existence of the three primary clusters explained above (Khan et al., 2019; Teece, 2007; Teece 2014). Teece himself acknowledges that these three clusters aren't mutually exclusive in practice, by calling out the interrelationships among these three elements.

> Firms develop advantages as a result of specific organisational processes, positioning of assets, and through development routines that enables them to integrate, build and reconfigure dynamic internal and external competences… Understanding what may contribute to changes in the firm is therefore a central concept. (Madsen, 2010, p. 2)

Thus, following the literature review regarding the need to better understand the determinants of dynamic capabilities, this research paper aimed to answer: 'How do merger and acquisition activity develop a firm's dynamic capability?'

Given the academic position that dynamic capability leads to firm value, competitive advantage and superior performance (Dyduch et al., 2021), this chapter next reviews the concept of value creation as well as value capture.

2.4 Firm value

2.4.1 Introduction to firm value

As far back as 1955, Drucker, as cited in Besanko et al. (2017), proposed that the most important element of the firm is to have ‘wealth-producing capacity’. He did not disregard the non-economic benefits delivered to employees, external stakeholders and communities but positioned all firm decisions to be first and foremost led by an economic dimension (Besanko et al., 2017). In this view, economic result is measured as profit, determined by the difference between the value that the market is willing to pay for goods and services, and the cost of the firm to supply them.

Following Drucker’s proxy of profit for economic performance, Hill et al. (2017) define profitability as the ability to economically apply capital to meet consumer needs by delivering of goods and services. This is supported by Bowman’s and Ambrosini’s (2007) view of the equity owner, related to a firm’s strategic objective of profitability. Given the main goal of business to generate equity benefit, this review focuses on financial firm performance as an indicator of value (Bowman & Ambrosini, 2007; Dyduch et al., 2021).

Aligned to strategy literature, Besanko et al. (2017) focuses on economic value when proposing that a firm with sustained superior economic value has a competitive advantage in an industry. They position that competitive advantage can be measured by a firm’s performance delivered through economic value creation, whereas Teece (2014) proposes that the competitive advantage can be measured in profit, as supported by his model found in Appendix C. Besanko et al. (2017) suggests that shareholders have a related view, measuring competitive advantage as a firm’s economic profit greater than the industry average.

2.4.2 Value creation

Within academic literature, ambiguity is found in the concept of value creation, as it is unclear for whom the value is being created (Chesbrough et al., 2018). Value is often distinguished as perception by subjective assessment, or has an exchange value (Bowman & Ambrosini, 2000; Chesbrough et al., 2018). Bowman and Ambrosini (2007) position value creation for the firm as creating profit by selling goods or services by minimising cost to supply and realising revenue.

Traditional economics assumes value creation is primarily targeted towards shareholders, yet it acknowledges that as value increases, other stakeholders are also rewarded (Besanko et al., 2017). Following this reasoning, economic value is defined as the difference between the perceived consumer benefits of goods and services less the cost of supply. A detailed process flow proposal of value creation can be found in Appendix D depicting how investment decisions, such as merger and acquisition transactions, lead to shareholder value. In this model, shareholder value is determined by dividends and capital gain, as explained in the value creation model of Helfert and Helfert (2001).

Besanko et al. (2017) propose that shareholder value is measured as growth in share value and market value of the existing owners' equity. An important finding from the researcher noted is that the acquisition of more shares is not considered value creation, but rather the growth of the value of the shares. Furthermore, shareholder value creation is measured as the generation of positive cash flows exceeding the cost of capital (Besanko et al., 2017).

There has been a movement to triple bottom line considerations, contemplating a firm's value created not only measured in profits, but also in people and planet (Amewu & Alagidede, 2018). Another major focus shift is towards creating shared value, whereby corporations consider the holistic impact of their service offering, like that of South African firm, Discovery, which makes a profit from improving insurers' health (Discovery, 2022). Total value created outside of revenues are however very difficult to financially measure, and even more so in developing countries.

Merger and acquisitions enable the attainment of resources and capabilities; however, the acquisition by itself is not considered value creation (Hossain, 2021). Value comes from growth in the asset as well as the growth in existing firm value and capabilities. "The value of acquired resources, however, only becomes evident when knowledge is received and embedded in a target firm's operation." (Pillay et al., 2021, p. 2)

Notwithstanding the additional non-financial value that firms create which is difficult to quantify, appropriation of firm revenue prior to profit should not be disregarded. Firms distribute value within their value chain, to direct value chain stakeholders including employees, suppliers, and shareholders (Besanko et al., 2017). Ringfenced in value creation, this research is concerned with a firm’s growth strategy and thus how to measure the value that is captured by the firm due to their decision to engage in merger and acquisition transactions.

Dynamic capabilities are often seen as contradictory to value creation, as this framework prioritises the creation of abilities, which often means investment that does not relay to short-term financial benefit (Martin & Eisenhardt, 2010). Yet, there is another type of value, termed future value creation, in which business practitioners and business academics are interested (Bowman & Ambrosini, 2007). It is proposed that dynamic capabilities can be regarded as future value creation process (Eisenhardt & Martin, 2000; Teece et al., 1997).

2.4.3 Value capture

Formative work on value capture theory, by Brandenburger and Stuart as cited Gans and Ryall (2017), was created based on game theory. It was posited that the value a party extracts by engaging in transactions with other parties is limited to the value that the party could add outside the set (Gans & Ryall, 2017). It proposes that all transacting stakeholders within the firm’s value network make decisions that shape the combined economic value creation. Within this theory, a firm’s success is determined by the added value that they can offer to the industry, over and above existing industry value, because of their presence in the market (Besanko et al., 2017). Value capture is distinct from the appropriation of the value created. The concerns with value capture theory include that a firm cannot capture more value than it has added to the industry (Gans & Ryall, 2017).

Dyduch et al. (2021) argue that value capture is defined by financial liquidity and a firm’s revenue stream. Comparatively, Bowman and Ambrosini (2000, p. 9) position determinants as the economic power relationship, stating that “the realization of exchange value, is determined by the bargaining relationships between buyers and sellers”. Following the assertion that value is financial with profits as its measure, value capture is then regarded as the profits captured by the firm, created through the transactions in which they participate (Bowman & Ambrosini, 2000). To measure value, firms use normal profits that compare the return on capital to market alternatives, or super-normal profits that compare the return on capital of the firm to those of industry competitors (Bowman & Ambrosini, 2000).

Aligned with economic theory, maximising shareholder wealth as a return on their investment can be considered to determine what value was captured by the business. Shareholder wealth maximisation is determined by share value and return on investment through dividends (Besanko et al., 2017). Yet, Gupta et al. (2021) warn against using shareholder returns in isolation, as measuring earnings per share is not a true reflection of value creation.

Building on finance theory, revenue, margin, and economic profit are considered evidence of companies making the right strategic growth decision. This is supported by Besanko et al. (2017) identifying sustained superior profitability and economic profit as measures of competitive advantage through creation of economic value. In practice, Hill et al. (2017) propose Figure 6 as a measure of value, utilising return on capital invested and profit growth.

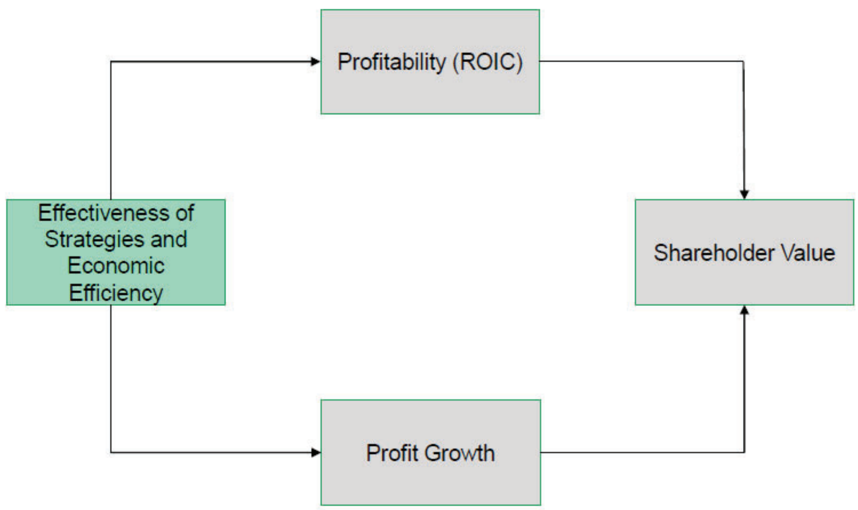

Figure 6: Determinants of shareholder value (Hill et al., 2017, p. 6)

Value creation is the core business priority (Besanko et al., 2017) and, as such, it is of critical academic and business interest to better understand which business activities create value that can be captured by the firm (Bowman & Ambrosini, 2007). This research builds on the academic work by aiming to answer: ‘How is value measured, as created and captured through the use of dynamic capabilities in mergers and acquisitions?’

2.5 Mergers and acquisitions

2.5.1 Mergers and acquisitions overview

Merger and acquisitions were initially an opportunistic activity to convert underutilised and undervalued assets into profitable ones, but later became a necessary transaction for business consolidation, acquiring capabilities and gaining access to markets and products (Candra et al., 2021). This phenomenon dates back to the 1890s with transactions between American enterprises and has since been considered to present as waves with mergers and acquisitions occurring throughout the 20th century, expanding international transactions (Reynolds & Teerikangas, 2016).

There was a notable uptake in Europe in the 1990s with the European Union integration and more recently, the focus has shifted to emerging market firms on international expansions, led by Chinese and Indian firms (Opoku-Mensah et al., 2019; Reynolds & Teerikangas, 2016). Corporate and scholarly enthusiasm for emerging economy firms in general has seen a massive uptake in the last two decades (Peng et al., 2018), yet limited high-quality sources on mergers and acquisitions topics were found applied to these contexts.

There are various definitions for mergers and acquisitions. For clarity regarding the scope within which this phenomenon is being reviewed, this research accepts Snow's definition as cited in Candra et al. (2021, p. 3), stating that "a merger is a combination of two or more companies... Meanwhile, an acquisition is defined as an event where a company buys another company".

2.5.2 Motivators of mergers and acquisitions

The prior section earmarks mergers and acquisitions as part of growth strategy (Gupta et al., 2021). Most literature findings support the motivation for mergers and acquisitions to be value creation, and that said value should be value generated towards the shareholder (Hassan et al., 2018). Further review on motives subcategorises them into strategic (or synergy) or financial motives, and other academics have found evidence to add on organisational motives (Candra et al., 2021; Gupta, 2012).

Numerous value-driving enablers have been found within literature, that are often confused with the motivators. These enablers support the core motive. In the context of value creation as a growth motive, enablers include seeking synergies through increased scale, market share and business growth, improved competence, and product and market diversification (Gupta, 2012). Under the finance category, motivations include investing surplus funds, increased market capitalisation and tax benefits (Gupta, 2012).

Some researchers simply summarise all motives to either be synergy, agency, or hubris (Peng et al., 2018). This highlights a major contradictory finding against the growth through synergy motive, to be agency theory, where scholars have found manager self-interest to be a core motivator, due to overconfidence and hubris (Renneboog & Vansteenkiste, 2019).

Measuring motives are complex, interconnected, and ambiguous, which leads to difficulty in understanding the interrelatedness of motives, antecedents, and firm performance (Motis, 2007). Given the intent to review mergers and acquisitions as growth strategies, it is important to align this research to the space within merger and acquisition literature which is aligned with value creation as a motive. This research focussed on antecedents that are aligned to value creation. Whilst not ignoring the important work addressing or overlapping with alternative motives, it is important to avoid fragmentation of determinants of the merger and acquisition decision, that do not support the corporate growth strategy.

2.6 Antecedents of mergers and acquisitions

2.6.1 Overview of merger and acquisition antecedents

Many arguments have been developed around what influences a firm's decision to participate in mergers and acquisitions (Gomes et al., 2020; Rabier, 2017; Singla, 2019; Zou et al., 2010). Important work done by Lebedev et al. (2015) summarises the antecedents into nine determinants as seen in Appendix E, identifying that firm characteristics remain an important factor across developed and emerging market firms.

Interestingly, Lebedev et al. (2015) found that the developed economy firm characteristics lead to different results when comparing them to emerging economy firms. More specifically, merger and acquisition experience has a stronger influence for developed economy firms, and network ties have a different influence altogether.

2.6.2 Firm characteristics as antecedents to mergers and acquisitions

Li et al. (2017) draws on various theories when specifically observing the characteristics of firms engaging in cross-border mergers and acquisitions. Their findings recognise organisational characteristics, firm's merger and acquisition proficiency, and senior management attributes as determinants. Li et al. (2017) shows that the resource-based view (and subsequent views) of the firm is structurally more suited to acquire a better understanding of how firm characteristics influence the merger and acquisition decision.

Many academics position that only internal characteristics, like capabilities, are to be considered to better understand decisions relevant to mergers and acquisitions as growth strategy (Al-Sabri et al., 2020; Zou et al., 2010). A firm characteristic often overlooked in this view of merger and acquisition research is the presence of dynamic capabilities.

The dyadic relationship between dynamic capabilities and mergers and acquisitions have not gone without notice (Eisenhardt & Martin, 2000), but as far as this researcher is aware, no one has formally clarified the role dynamic capabilities play as an antecedent to merger and acquisition decision of the firm. Subsequently, this research attempted to investigate that role by exploring how dynamic capabilities are used to make merger and acquisition decisions.

2.7 Literature review summary

Both the resource-based view as well as dynamic capabilities position themselves as models that use firm capabilities to deliver sustainable competitive advantage and superior firm performance. Where the resource-based view of the firm has reached maturity, dynamic capabilities is perceived to be still be in adolescence, with further work required in further developing and applying this model in research.

A major gap in dynamic capabilities has been in the application of this firm-level view and how to measure the impact it delivers. With most academics focused on the conceptual development of dynamic capabilities, comparatively less empirical research has been done in testing this view within a business setting. This is a gap to be addressed through deep analysis to further advance this valuable view.

A suitable business activity to focus this analysis on would be mergers and acquisitions. Given dynamic capabilities as a tool for resource reconfiguration leading to sustainable competitive advantage (Ambrosini & Bowman, 2009), it is a view that closely mirrors the objectives of merger and acquisition activity. Some academics position mergers and acquisitions as a dynamic firm capability, where others have found it to be a tool through which this capability can be created.

Within merger and acquisition literature, an on-going debate is to understand how firm capabilities shape the decision to engage in these transactions, and how this leads to firm value. Value for the firm is measured through financial performance and is believed to create competitive advantage if the firm can sustain superior economic value. Value capture is defined as shareholder value, as profit, dividends, and return on capital.

Building on Figure 1 at the beginning of this chapter, Figure 7 below showcases how the theoretical constructs, as addressed in this literature review with specific headings and sub-headings, each build on one other to address the core research question, through each of the three sub-questions. Note how the resource-based view of the firm is needed to position dynamic capabilities, and how an overview of mergers and acquisitions is required to lay the foundation of shaping their antecedents. Even though the chapter flow linked one chapter section to one sub-question, practically there is overlap in addressing parts of the question, illustrated in Figure 7.

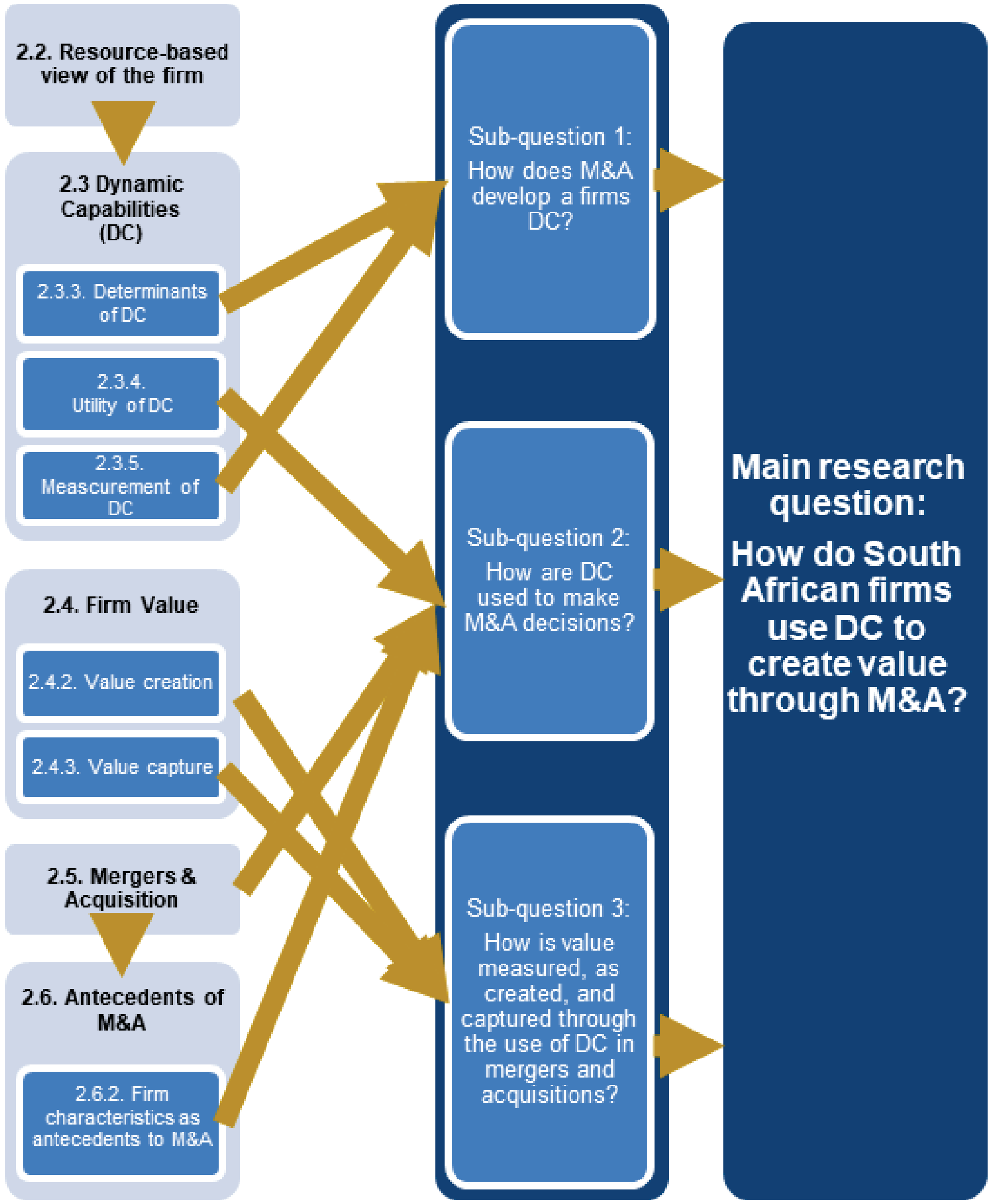

Figure 7: Conceptual framework of literature review to research question. Source: Author's compilation

The next chapter elaborates on the research design choices made to support the exploration of the conceptual framework design in Figure 7, to address the research questions. This is done using two case studies of a South African firm which decided to use mergers and acquisitions as a growth strategy. Chapter 3 also addresses how quality and ethics were addressed throughout the research process.

CHAPTER 3: RESEARCH METHODOLOGY

3.1 Introduction

The initial search to better understand the mergers and acquisitions academic landscape was limited to the Scopus database of high-rated journals, using keywords such as "mergers and acquisitions", "M&A", "corporate strategy", and "strategy". The review reflects a continuous interest from academics regarding the antecedents of mergers and acquisitions yet leaves an academic gap in applying existing theoretical frameworks to an emerging market context. Given the limited research that addressed this specific topic, the search parameters were extended to include lower-rated journals and research published before 2017.

The literature review was extended to consider the relevant theoretical models most often applied within the merger and acquisition phenomenon context. Notwithstanding the importance of mature foundational theories, this researcher found relevance in the dynamic capabilities view of the firm as an emerging academic construct, given the adolescent state of this view, with high academic relevance and potential. This model requires further development in its business application testing in response to contemporary academic criticism.

The preceding chapter summarised the researcher's findings and interpretation of relevant literature. The literature led to the main research question and three sub-questions explored in this research report. Chapter 3 explains the researcher's approach, including which decisions were made to shape the plan and procedures related to data gathering and analyses (Creswell & Creswell, 2018).

A pragmatist philosophy supported the research approach, with the research question informing the design decisions. Pragmatism was well-suited given its association with organisation theory and its ability to provide a "richer and more realistic view of human behaviour" (Farjour et al., 2015, p. 1788). The decision was further supported by the real-world context of this study and the focus on studying how behaviour and capabilities within a team or a firm affect phenomena on another level, like firm performance (Farjour et al., 2015).

3.2 Choice of methodology

The vast majority of previous merger and acquisition research has been quantitative. Haleblian et al. (2009) warns this to be reductionist. Given the complex decision-making process associated with mergers and acquisitions, a quantitative approach could limit the necessary insights (Weber et al., 2019). Conversely, a qualitative method helps to unearth more complex phenomena (Gerring, 2017).

Ambrosini and Bowman (2009) find that most dynamic capabilities research has been quantitative and applied to broad business processes. It is believed that the complexities and concerns regarding dynamic capabilities will not be addressed should researchers continue avoiding a deeper exploratory approach that investigates “the subtlety of resource creation and regeneration processes” of this view (Ambrosini & Bowman, 2009, p. 37). The research questions stipulated in section 1.4 were approached by analysing previous merger and acquisition transactions, to understand if and how merger and acquisition activity created the firm’s dynamic capability, and how the existing capability is being used to decide merger and acquisition opportunities for the firm.

“To understand fully firm-specific resources, their context and how they were created or renewed in practice requires fine grained investigations and to obtain rich and contextualized data qualitative fieldwork” (Ambrosini & Bowman, 2009, p. 37). A qualitative approach was adopted to address the primary research question and was informed by guidance from experts in the field of emerging firm mergers and acquisitions and dynamic capability academics (Eisenhardt & Martin, 2000; Garrido et al., 2020; Reddy, 2015).

The main research question and three sub-questions articulated in the previous sections led to an exploratory approach to the research. Academic support for the methodology decision is aligned with the study's primary objective of exploration through the interpretation of this approach. Many academics (Braun & Clarke, 2006; Creswell & Creswell, 2018; Yin, 2014) support a qualitative case study research design method for these studies due to its ability to address ‘how’ questions within focused contemporary events.

The selected methodology must apply a known theoretical view to analyse a merger and acquisition firm phenomenon. The case study methodology is well suited to exploring phenomena relevant to a firm (Eisenhardt, 2021). A case study is an often-used research approach that allows vigorous empirical descriptions (Yin, 2014) of historical and recent events (Eisenhardt, 2021). It enables such an in-depth analysis, due to its subject focus per case evaluated at the hand of multiple data sources (Gaus, 2017).

Likening merger and acquisition transactions as events, they are well-suited to compare with one another as individual case studies within the same firm context. This approach of comparing multiple cases (or events) extends existing theory by exploring differences and similarities as researched through emergent theories (Eisenhardt & Graebner, 2007; Yin, 1994). The researcher found case studies an effective method of analysing the two transactions. It enabled a focused scope to evaluate transaction-specific findings, as well as review the findings across both cases to identity similarities and differences (Eisenhardt, 2021). In the planning and execution of the case study research, Yin's (2014) case study protocol informed the research design adopted in this study.

3.3 Population and research setting

Ambrosini and Bowman (2009) recommend smaller sample studies to facilitate a deep understanding. Subsequently, this research was based on one South African firm that has undergone multiple merger and acquisition activities. The specific South African based alco-bev company was chosen given their known merger and acquisition activity whilst still being JSE-listed during the time of conducting the research. This enabled access to resources involved in the transactions and ensured publicly available company information, such as financial and annual reports, for supplementary data.

This single entity focus allowed an in-depth review of the existence of the firm's capabilities, and the investigation into how dynamic capabilities have been built and how they influence the firm's merger and acquisition transactions. Written permission was received from the firm's Group Head of Mergers & Acquisitions, allowing the decision to base this research project on this undisclosed firm. Further support was offered in case sampling, identification, and introductions to critical role players.

Given the research setting and following Loseke's (2020) definition of a population, the population was identified as all merger and acquisition transactions concluded by this major spirit and wine multinational since its inception. The total population is 12 transactions in the 21-year business history of this firm (Firm Group Commercial Finance Manager, personal communication, May 27, 2022).

3.4 Level of analysis and unit of analysis

The level of analysis is the previously mentioned South African multination firm. The firm is the contextual setting for all case studies and the level considered to evaluate the existence and utility of dynamic capabilities. A distinction is necessary between the level and unit of analysis that this research study analysed.

The unit of analysis is linked to the scope of a case (Gaus, 2017). In respect of this research, it was the merger and acquisition transaction. This is due to the event being the catalyst for the creation of dynamic capabilities, the incident that was influenced by existing firm capabilities, and the event that triggered the objective of value creation (Reddy, 2015).

3.5 Sampling method and size

To enable case selection and potential individuals to be sampled leading to data collection, the researcher needed to establish a relationship with a representative of the firm who has the authority to grant access to firm information, as well as introduce the researcher to critical role players. Even though the researcher did not have any prior engagement with this role player at the start of the project, a relationship was built given existing business connections. The interaction of 'reflexivity' (Yin, 2014) was addressed through research protocol and elaborated upon in this chapter.

3.5.1 Case selection

Several individual transactions were selected from the population, as it was not feasible to research each transaction in depth, given the study period. These transactions constitute the sample. The sampling process is regarded as how the selection process was designed and executed (Loseke, 2020). Within the design for this case study research, the sample size was decidedly immaterial given the richness of the case/s selected (Loseke, 2020).

A multiple-case design was chosen to increase the rigour of the case study approach (Yin, 2014). To allow the added depth of a cross-case analysis, but suit the limited time available, the design allowed for two cases to be selected as the sample. It is essential to note that the sample of two merger and acquisition transactions was selected from the population based on their significance to the research question exploring the impact of dynamic capabilities on value creation (Ishak & Bakar, 2014), with the aim of literal replication (Yin, 2014).

Qualitative/case studies have different criteria for validity and rigour. Representativeness is not one of them (Yin, 2014). Given the research design, these transactions did not need to represent all 12 transactions. Case selection criteria considered the opportunity to extract learnings from that specific event (Bell et al., 2019). Consequently, two transactions were selected through purposive sampling (Ishak & Bakar, 2014), based on below sampling criteria:

- The case must have involved at least three internal firm managers in the decision, allowing various perspectives and thus data input for analysis per transaction.
- The merger and acquisition decision phase must have taken place in the last ten years to ensure access to decision-makers, and more than five fiscal years ago, to allow sufficient time to measure the value impact of the transaction.

Practically, the selection process involved listing all transactions and removing all events with limited team involvement and financial opportunity for impact. Subsequently, divestments were disregarded due to the small number of team members involved in these transactions, and all minority shareholding or non-controlling acquisitions were removed from the list of considerations. By applying the final criteria of the transaction date to fall within 2012 and 2018, only two transactions remained. These two acquisitions, identified as Transaction A1 and transaction B2, were thus confirmed as those selected as the basis for the two case studies.

3.5.2 Primary data

Purposive sampling was applied in selecting the individuals approached to be interviewed. Spradley's (2016) three criteria were used to select which individuals would be invited to be interviewed:

- Inculturation – familiarity with the M&A context
- Current involvement – involved and knowledgeable of the transactions
- Time availability – able to participate within the research timeline

All known relevant individuals were contacted and measured against Spradley's criteria for the selected two transactions. Thus, given the need for a deep understanding, the selection of interviewees was based on firm and external consultant role players who were deeply involved in the activity. Peripheral role players unable to comment on the firm's deep capabilities, or the transaction's decision-making process, were excluded from consideration.

Creswell and Creswell (2018) recommend limiting the number of interviewees to five within the firm. Coincidentally, the above criteria led to the initial identification of five individuals employed by the identified firm during the transaction identification and decision-making process. Unfortunately, no external consultants, for example, investment bankers or accounting firms, were used in these two merger and acquisition activities. During the interview process, additional role players became evident in the corporate's external structure, specifically the role of the external board and investment committee. Previous interviewees acknowledged two other individuals per transaction, and these individuals were subsequently included as interviewees. Collecting information from board members outside the firm, who formed part of the decision-making process, allowed an additional dimension to the qualitative data gathering.

The most involved respondents willing to participate were chosen. A total of nine interviews per case study were held. As five individuals were involved in both cases, they concluded one interview for both cases, with an additional four interviews held that were case specific. Given the time required for securing relevant diary availability, this researcher completed all interviews before full evaluations and evidence of saturation. Even though data saturation from interviews was proven post analysis, at the time of identifying and scheduling interviews, this was unknown. Ideally, the total number of interviews should have been led by the point at which data saturation was met. Further detail on interviewees can be found in section 3.6 Data Gathering and in Chapter 4.

3.5.2 Data saturation analysis

The prevalence of any reduction in new findings per interview was only evident after all nine interviews were concluded, with no additional interviewees identified (Saunders & Townsend, 2016). For analysing case study 1, the acquisition of TARGET FIRM A, 347 interview-specific quotes were linked to 190 codes that were created. The first coded interview, Participant 6, led to the creation of 55 unique codes, whereas the last coded interview, Participant 9, only led to quotes associated with 22 codes, of which only seven were new codes.

Similarly, for case study 2, TARGET BRAND C's, 285 quotes were linked to 165 codes created. The first coded interview, Participant 5, led to the creation of 51 unique codes, whereas the last coded interview, Participant 8, only led to quotes associated with 13 codes, of which only five were new codes. As visible in Figure 8 and 9 below, the noteworthy reduction in unique code creation in final interviews of D9 and D10 supports the researcher's claim that data saturation was met.

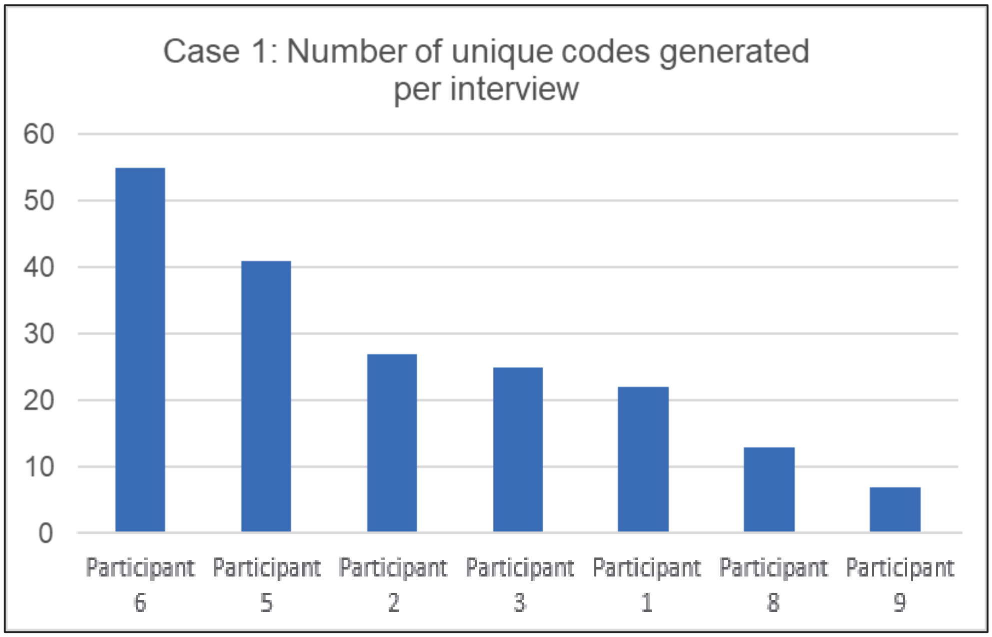

Figure 8: TARGET FIRM A's unique codes by interview. Source: Author's compilation

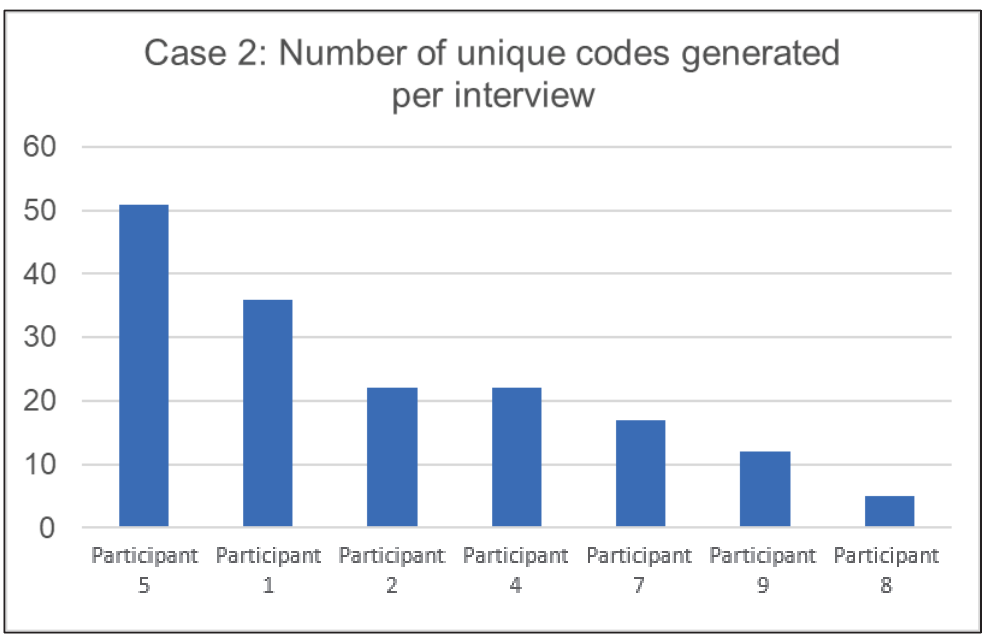

Figure 9: TARGET BRAND C's unique codes by interview. Source: Author's compilation

3.6 Data gathering

The case studies were created by gathering data through primary and secondary data collection methods. Utilising multiple data sources is a characteristic of the case study approach (Creswell & Creswell, 2018). Out of the various sources of data (Yin, 2014), this research was led by collecting primary data through interviews. Based on interview findings, additional secondary data was collected from internal firm records, as approved for evaluation by the firm representative. Finally, documentation was acquired as additional secondary data from pre-existing, legally accessible public data. These three sources ensured the triangulation of data for findings, and increased reliability.

Following Yin's (2014) recommended approach, an interview protocol was created for primary data gathering (Appendix F). This data was collected through semi-structured interviews. These interviews were the primary tool used to gain deep understanding of the selected transactions. The following section elaborates more on this instrument.

3.6.1 Measurement instrument

The literature review in Chapter 2 led to three research questions to answer the main research question: 'How do South African firms use dynamic capabilities to create value through mergers and acquisitions?' Theoretical propositions were used to shape the interview guide and identify which company performance results should be gathered to aid the analyses of the existence of dynamic capabilities and value creation.

Interviews were conducted with individuals identified as those exposed to these events through theoretical sampling. A draft interview guide was created with great care to ensure that limited to no academic jargon was used in the question phrasing, to increase understanding. The guideline was designed with open-ended questions, leading to follow-up questions and deeper exploration of the topic (Saunders & Townsend, 2016).

The draft interview guide was piloted with an experienced merger and acquisition consultant who did not form part of the sampling interview list. The pilot interview insights were used to increase validity by testing the instrument and making necessary adjustments to increase interviewee understanding and improve the appropriateness of the questions in exploring the overall research objective. It was then tailored into two specific interview guides for each type of interviewee.

The final research instrument was composed of two to three sections. Section A focused on general inquiries, including understanding the role of the interviewee as it pertained to the specific transaction and creating a baseline for understanding definitions of value. Section B contained four open-ended case-specific questions, which initiated a deep conversation around the three constructs of dynamic capabilities, the transaction, and the concept of value creation and/ growth. For interviewees involved in only both sample transactions, Section C was a repeat of the question in Section B, applied to the second case study transaction.

The existing instrument was used as-is for interviewing external board members later. Utilising the same instrument created consistency in data gathering and further supported the triangulation of findings from an external perspective. Following Yin's (2014) protocol approach, all interviewees completed a consent form. A pro-forma example can be found in Appendix F.

As explained earlier, the interview protocol was designed using theory as set out in Chapter 2. The semi-structured interview questions directly relate to this theory and the research questions. The relationship between the interview guide, literature and research questions can be found in Appendix I.

3.6.2 Primary data gathering process

Primary data was gathered through semi-structured interviews. Interviews were scheduled with individuals based on specific criteria based on their intimate knowledge of each case study transaction. All individuals contacted willingly decided to participate, and interviews were scheduled in person (face-to-face) or via virtual conference on MS Teams.

Table 1 below lists the individuals interviewed and provides additional information about their role in the case, which case they were interviewed for, and the total length of the interview. Evidence of sample triangulation was met by using different interviewee sample typologies (Yin, 2014). Two external participants were represented for each case study from the external board and investment committee, two executive committee board members from the firm, two merger and acquisition team representatives who were responsible for the transaction, as well as one business owner and/or sponsor related to the business unit impacted by the transaction.

Table 1: Interview list and length.

Interviewee title *(at time of transaction)*	**Interviewee role**	**Case Study 1: TARGET FIRM A**	**Case Study 2: TARGET BRAND B**	**Interview length**
Group Managing Director	Internal advisor and investment support	X	X	1h31
Merger & Acquisition Manager: Lead TARGET FIRM A	Responsible for transaction identification, evaluation and sign-off	X		1h03
Director Finance	Internal advisor and investment support	X	X	1h23
Merger & Acquisition Manager: TARGET BRAND C	Responsible for transaction identification, evaluation and sign-off		X	1h09
Group Head: Mergers & Acquisitions	End to end responsible for all M&A activity	X	X	1h48
Managing Director: Southern Africa	Internal business representative evaluating and promoting transaction		X	0h56
Chairman of Independent Board	External advisor and investment approver	X	X	0h53
Chairman of External Investment Committee	External advisor and investment approver	X	X	0h35
Managing Director Africa	Internal business representative evaluating and promoting transaction	X		0h52

Source: Author's compilation

The research questions were kept in mind during the interviews, ensuring that questions were answered to address their intent in full. However, following an inductive approach, questions were kept open-ended with limited guidance from the interviewer, to facilitate maximum data extraction from the interviewee's interpretation of events.

Each interview was recorded in real-time, through video and/or voice recording on MS Teams, with a duplicate voice recording made as a backup. Recordings were transcribed by a third-party transcription service. The third-party transcriber signed an NDA to ensure the confidentiality of data access. Transcriptions were reviewed for accuracy, including correcting misinterpretations and adding missed words after reviewing the recordings and general application of the interviewer's recollection and interpretation of context.

The final review of the interview transcriptions replaced confidential human and company names and identifiers with anonymous codes to ensure the confidentiality of data that would be retained and analysed. For confidentiality, a set of codes or overwrites were done on the transcription. Final modifications were done to increase accuracy and create confidentiality by coding any company and individual names. Names and other identifiers were replaced with these placeholder words to ensure no record of identifiers was kept in the transcription and coding process. The list of replacement words can be found in Appendix G.

During the transcription review process, the researcher made field notes of each interview, deeply engaging with the material and the interviewee's words. Specific attention was given to the timing of pauses and deliberation, unexpected word choice, and content and answers directly correlated to literature findings (Saldaña, 2016). These field notes were considered part of the primary data, an interpretation of interviews, and included in the data analysis (Braun & Clarke, 2006).

3.6.3 Secondary data gathering process

Secondary data was used for triangulation to address the possibility of bias within the case study. Data was drawn from internal firm records, which included case study 1's business cases and internal documentation of the acquired firm's annual financial statements, as well as prepared financial statements of case study 2's brand financial statements. Internal data was analysed through financial metrics and reported back through use of indexes to ensure the safeguarding of confidential transaction data. Financial evaluations completed by the researcher were added as secondary data as part of content to be analysed.

Further secondary documentation was considered, such as published integrated firm reports, JSE listing data and other press releases or reports from sources including the South African competition commission. This secondary data was attained to obtain an external view of the value impact of the transaction on the firm, as well as any market intelligence that could shed more light on the firm's capabilities and processes.

The data richness created by a case study approach makes it ill-suited to traditional statistical analyses (Reddy, 2015). For a thorough evaluation, critical steps included data organisation and systematic review (Kohn, 1997). The following section elaborates on how collected data was structured, analysed and converted into a thematic analysis.

3.8 Analysis approach

Data analysis included organising and sorting primary data, field notes, secondary data and subsequent memos. Data was prepared through transcription of interviews and transcription review, as explained in the previous section (Creswell & Creswell, 2018), and reviewed for the addition of notes and financial evaluation (Saldaña, 2016). After that, coding was done to group, interpret, and make sense of data to identify emerging themes.

Yin (2014) finds that there is a lack of well-defined techniques to analyse case study data. Therefore, given this researcher's limited experience in creating a new analysis strategy, this research's data analysis strategy considered some generic strategies that suit explorative research. Being led by the research question, the analysis did not rely solely on theoretical constructs, nor did it move into the grounded theory space. Data was analysed by developing case descriptions through thematic analysis derived from inductively creating primary and secondary codes.

The researcher thoroughly reviewed all transcriptions, evaluating responses against the research objectives and questions. The evaluation was approached by organising all collected data, field notes, and the researcher's calculations into codes (Creswell & Creswell, 2018).

Even though the exploratory approach of this research applied an inductive process of analyses (Creswell & Creswell, 2018), Auerbach and Silverstein's recommendation, as cited in Saldaña (2016), was followed by keeping the main research question in mind during the coding process. The below list of questions was adapted from Saldaña (2016) and used as guidance during the coding process. The approach allowed the coding to be data-driven, limiting the influence of the researcher's biases (Braun & Clarke, 2006).

- Why and how are decisions being made?
- "How do members (interviewee's) talk about, characterize, and understand" (Saldaña, 2016, p. 22) the transaction/s?
- How is the transaction reliant or hindered by people and process capabilities?
- How do interviewee's talk about value?
- Which responses were unexpected, intriguing or contradictory?

Following Martin's and Eisenhardt's (2010) approach, data was analysed through initial in-case analysis, including the impact of mergers and acquisitions leading to firm value. The inductive approach to first- and second-order descriptive codes was concluded individually for each case study. Fundamentally, the coding process was led by the epistemological research questions, allowing exploration within the data. An initial coding and process coding approach was taken, supplemented with descriptive coding to accommodate various data types, to generate the first coding cycle (Saldaña, 2016).

Heeding Saldaña’s (2016) warning, only data relevant to the research question was coded, and relevant codes were used repeatedly to avoid code proliferation. In preparation for second-cycle coding, first-cycle codes were re-coded by lumping them into larger data units to condense meaning (Saldaña, 2016). This reorganisation and condensing were done to retain the exploratory, inductive nature of the research approach (Saldaña, 2016). Analyses and recoding were further supported by ‘shop-talking’ the process with peers and an experienced supervisor.

Thereafter, case-specific categories and themes were created, oscillating between the inductive and deductive approaches (Saldaña, 2016). The conceptual leap taken in the deducted creation of categories and themes was supported by findings from Chapter 2’s literature review, specifically the micro-foundations in section 2.3.5 explaining how to measure dynamic capabilities (Klag & Langley, 2013). To facilitate close alignment to data gathering, supplementary inductive categories and themes were created in the absence of a suitable framework, led by the researcher’s interpretation of the findings. Both inductive and deductive methods led to thematic analyses, which allowed for a data-led review of the research questions and identified literature. Care was taken to ensure that naming conventions of categories were on an abstract level, allowing richer process code language whilst retaining the original intent (Saldaña, 2016).

Aligned with previous case studies on dynamic capabilities (Aramand & Valliere, 2012), computer-assisted qualitative data analysis software (CAQDAS) ATLAS.ti was used as a tool. It assisted in data codification, leading to a content analysis per case study. ATLAS.ti was a complementary tool to the researcher’s manual thematic analysis, created from the codes.

Each case was analysed and coded separately, including all subsequent secondary data. The individual case codes were grouped and analysed using thematic analysis (Creswell & Creswell, 2018). The process of coding was a process of “cyclical collection, coding and analytical memo writing” (Saldaña, 2016, p. 55). This within-case analysis found themes of similarities and differences in the data that led to case-specific insights (Braun & Clarke, 2006). The comparison of themes analysed is concluded and elaborated upon in Chapter 4.

Following the within-case analysis, a cross-case analysis was done. Even though the cases were selected for literal replication (Yin, 2014), the findings of the cross-case analyses highlighted the similarities in themes and what was unique about each. These themes could then be evaluated against the research questions and relevant literature, which probed for a theoretical relationship with the emergent dynamic capabilities view (Martin & Eisenhardt, 2010) and the existence of growth due to merger and acquisition transactions. An exhaustive list of all created codes, groupings and themes can be found in Appendix G.

A secondary generic strategy of examining plausible rival explanations was added as part of the research analyses, which was introduced as part of Chapter 5. This is often used in combination with other strategies, offering alternative interpretations of data or evidence. This was specifically of importance in this research, given the complex nature of real-world conditions within which the firm operates. Rival explanations are believed to further address internal validity of the research process, which is discussed in more detail in the following section (Yin, 2014).

3.9 Quality controls and validity criteria

Quality and rigour were at the heart of the research design process, with clear academic guidance followed on ensuring suitability of the research approach and tools, as it pertained to the research question. See Annexure G for a consistency matrix that speaks to this. Four major concerns associated with case study research is construct validity, internal validity, external validity and reliability (Lindgreen et al., 2021; Yin, 2014). Given the importance of research quality to substantiate findings, each of these four design tests are reviewed next.

3.9.1 Construct validity

Within this chapter, the researcher has laid out how the research question constructs were studied. Following the characteristics of a case study approach (Yin, 2014), the inclusion of multiple data sources allowed for triangulation of data. Furthermore, following case study tactics recommended by Lindgreen et al. (2021), multiple case studies were employed.

3.9.2 Internal and external validity

Case studies were selected to allow deep understanding and exploration of the specific context. It is acknowledged that external validity and generalisability are concerns often associated to case study research (Bell et al., 2019). Yet, as this case study was explorative in design, Lindgreen et al. (2021) suggest these validities are not applicable, as there was no objective to explain a phenomenon or establish a causal relationship, nor did it attempt to generate findings that could be generalised. Nonetheless, steps taken to address these concerns included strategic event selection, and a multiple case study approach.

3.9.3 Reliability

Replication is often a concern when considering the reliability of a research methodology design. Tactics to address this included creation of an interview protocol (see Annexure D) and the execution of a pilot test, prior to actual interviews being held. The pilot interview was not held with a potential case study participant, but rather another identified individual with similar merger and acquisition experience. The pilot was facilitated in the exact same setting as planned for the actual interviews. Insights gained from the interview regarding the level of understanding, ease of engagement, and relative time commitment was incorporated to improve the final semi-structured interview guide.

Finally, secondary data was also used for triangulation of interview findings. the robustness and reliability of research findings were bolstered through triangulation of data sources. This not only included multiple primary sources, but also secondary sources of data (Martin & Eisenhardt, 2010).

3.10 Ethical considerations

Ethics were considered throughout this research project by firstly aligning to the academic institution's ethical guidelines, evident in ethical clearance received, which can be found in Appendix A. The research was designed following four principles: "avoidance of harm; informed consent; protection of privacy through confidentiality; and preventing deception" (Bell et al., 2019, p. 109). Ethical considerations throughout the research process formed part of the research design process and data gathering, as well as in the final research document and data storage.

A review done by the researcher identified the largest area of concern, given the firm-based case study approach, as the usage of an existing firm and subsequent direct data gathering interviews. Steps taken to ensure informed consent included written approval from the firm and agreement on how the firm may be referred to in the final report. Additionally, interviewee participation was voluntary, and their confidentiality was retained throughout the process to mitigate any possibility of harm.

Respondents decided on interview settings to ensure that they were comfortable. Most interviewees favoured a virtual conference call, with two individuals requesting an in-person meeting. The interview length was proposed to be limited to 90 minutes per engagement, with no interview allowed to exceed two hours, as per Yin's (2014) recommendation. Interviewees were allowed to stop the interview after 60 and then again at 90 minutes and reschedule a follow-up second interview for their comfort. All interviewees decided to conclude the interview in a single session. See table 1 in section 3.6.2. for a detailed list of interview lengths. Additional steps taken have been added in Appendix D as part of the interview guide.

Both organisational and individual consent to participate was based on a clear and detailed understanding of the research objective and approach, as evident in consent forms in Appendices B and H. The third-party transcriber was required to sign an NDA before receiving recordings to protect confidential information received through the transcribing process. Participant confidentiality and detailed interview conversations were further safeguarded through the deliberate use of coding identifiers. Additional efforts to ensure the firm's confidentiality include a deliberately insufficient citation and reference description in the reference section, where the company's annual reports were used as a data source.

All data collected has been converted to remove or code any individual or company identifiers. Data has been stored on an encrypted protected cloud storage platform and will be kept for the necessary ten-year period, after which any records will be destroyed. The researcher has not shared any data with external parties other than recordings with the transcriber – who signed a non-disclosure agreement – and commits not to reveal any raw data to external parties. The researcher has also not included competitively sensitive information in this final report, which has been submitted as free-to-access.

3.11 Limitations of research design and methods

A limitation of the research is that the value generated through mergers and acquisitions is often only seen three to five years post-transaction. This time lapse between decision and value capture creates concerns for the ability of individuals involved to recollect the necessary detail of the transaction decision and the availability of dated archival secondary data. When using more recent events, the alternative concern is that true value impact has not yet been generated, leaving the value creation immeasurable.

The qualitative design choices made for this research delivered rich exploratory insights, but these were limited to two case studies within a single firm. The design choice was made to accommodate the time-consuming approach of a deep case study review

(Ambrosini & Bowman, 2009), adapting the Eisenhardt method (Eisenhardt, 2021) by reducing the number of case studies to two. This approach did limit the amount of case comparison and restricted the identification of opportunities for adding arguments to the theory.

CHAPTER 4: WITHIN-CASE ANALYSES

4.1 Introduction

This chapter presents the research findings from this research study, following the research methodology laid out in Chapter 3. It consists of an introduction, two within-case analyses of the two selected acquisition transactions and ends with the within-case analyses chapter conclusion. Each within-case analysis commences with an overview of the transaction for orientation and a short summary of critical data considered. The thematic structure is briefly explained, after which the analyses findings are written up by theme and concluded per theme, and per case.

A sample list of codes for each of the categories and themes created in the analyses for these case studies can be found in Appendix G. The themes and their foundational elements are used as the structures for the within-case analyses, in line with the thematic approach to the analysis. Findings are described as interpreted and analysed by the researcher, with select verbatim quotations captured where relevant.

4.2 Case study 1: Acquiring TARGET FIRM A

4.2.1 Introduction/M&A context and thematic analysis

The corporate was a strong South African player in the alco-bev industry. Growth was a strategic imperative for this corporate, as directed by their shareholders. The corporate was heavily invested in South Africa, where it already had a substantial market share and competed with mature multinationals. With limited within-market organic growth opportunities and slow organic growth outside of South Africa, the corporate looked to inorganic activity to support their growth strategy. Mergers and acquisitions were a large component of this.

Geographical expansion has been a part of their strategy for a few decades. Prior in-country investments accelerate this growth. Around the time of this transaction, end 2016 and beginning 2017, the corporate's focus had shifted to focus solely on African expansion. "*This is a strategic market for growth, Africa is obviously a strategic continent for us"* (Participant 6).

The specific acquisition utilised for case study 1 was a second tranche investment in target firm A, a Kenyan spirits and wine company, in whom the corporate had an existing

26% shareholding. The corporate's strategy was designed to support further acquisitions in TARGET FIRM A, with the aim of obtaining the majority and controlling share.

Data gathering for this case was done through seven interviews, analysis of the corporate's internal documentation, such as the investment business case, as well as published financial results, annual reports, and articles. To retain confidentiality, data utilised from THE CORPORATE's business reports, were excluded from the reference list, and cited as TARGET FIRM A. All data was reviewed and analysed using a coding system, creating categories and themes, discussed hereafter.

4.2.2 Theme 1: Sensing

4.2.2.1 Active pursuit of knowledge (research, evaluation, and analysis)

Market research and evaluating and analysing opportunities were considered synonymous with the merger and acquisition space of the corporate. The act of doing market research and evaluating the findings is found to have been a minimum requirement that ensured a deep understanding of the reality and opportunity. It included analysing the macro-economic environment, such as GDP estimates and country risks.

Further analysis work assessed the specific industry characteristics, the entire value chain, and the financial viability of the transaction. Given the corporate's experience, it was possible to challenge the target's existing processes and to critically search for potential in the target's operation. Considerations included investigating whether target firms were delivering inferior quality products, avoiding taxes or participating in any illegal activity, such as illicit trade. For this transaction, deliberate design choices were made in its structure to stimulate knowledge creation. Sensitivity and awareness of country- and firm-specific nuances were found to increase the possibility of success.

> *The reason why we bought this first stake of 26% was first to understand the company better, so you don't want to buy full control in an environment like Kenya where local shareholding and local management is very important… in that country specifically, most transactions fail because the big companies just bought out those local companies, and then most of them didn't work because of backlash from the government, communities and employees.* (Participant 2)

4.2.2.2 Interpreting environment and utilising experience and intuition

The application of perception and gutfeel was called out as an interpretation of sensing. It was argued that each team member had their own interpretation of desktop and field work done in an active pursuit of knowledge. The nuanced understanding of ‘their own take’ and intuition was found to be an unquantifiable soft factor of success.

The opportunity to pursue the acquisition of TARGET FIRM A had to be prioritised against other growth opportunities, given limited corporate resources. The interests in similar African country opportunities were abandoned based on a gutfeel. The decision was made based on the teams’ discomfort and grappling with understanding how to overcome certain concerns. The corporate trusted their intuition when making these decisions, as proven valuable by market evidence that only came to light in later years.

The researcher found the corporate to take advantage of their own experience and heritage in concentrating on select growth opportunities. Comparative to alternative prospects in the United States of America or Asia, the African-based corporate had a location advantage to consider inorganic expansion activities on the African continent. In this case, the corporate also had an established relationship in the target country, leading to the creation of expertise that were leveraged in the transaction.

4.2.2.3 Strategy creation as foresight

Strategy was seen as “*the fundamental building block for any company’s M&A activity*” (Participant 8). It shaped direction, for which foresight was required. Strategy was at the core of the merger and acquisition process. For the corporate, understanding “*where we’re going, where is the future growth coming from?”* (Participant 3), was the starting point for transaction consideration. Strategy was both an output of foresight and an element that created foresight, used to shape corporate alignment upon which to base decisions.

The corporate’s strategy not only directed focus, but also the structure. It was used to decide on resourcing and shape decision-making. As resources were limited, merger and acquisition options required prioritisation.

> *You’ve got to trade them off, using strategy to determine the priority. New corporate strategy that kind of evolved during that period of time basically put M&A as a core pillar to unlocking inorganic growth.* (Participant 6)

Closeness between the merger and acquisition and corporate strategy improved understanding. It strengthened the internalising and integration of strategic direction in every consideration. Thus, when target markets and key countries were identified, the team had an inherent sense of suitability related to strategic alignment.

4.2.2.4 Identification of opportunities

Strategic alignment was critical for the corporate to define opportunities. With limited opportunities left in Africa, due to first mover advantage to other multinational competitors, the corporate considered remaining options suited to their strategy. The first minority share acquisition of TARGET FIRM A in 2012 originated from an existing relationship created with the target firm, as they were the corporate's local distribution partner. Through utilising existing relationships and knowledge gathered, the opportunity was found to be a strategic fit and identified as an acquisition to pursue.

Throughout the various interviews, relationships often came up as a critical skill, found to be vital in dealing with and influencing stakeholders. Interestingly, the first transaction created intimate knowledge of the target firm, which increased confidence and the firms' interest in expanding their share of that business as well as gaining control. The recognition to acquire the majority and controlling share was identified because of the first transaction and baked into the strategy for execution in the future.

4.2.2.5 Shaping and filtering of opportunities

Opportunities were shaped by understanding complementarities between the firms, by identifying capabilities that could be applied to grow the target firm. This was supplemented by understanding the potential of growing the corporate's brands on the target's platform. This process shaped the opportunity and increased its total value.

> *Is what you bring to the table complementary to that portfolio? Ideally you want to be complementary, which gives you the growth. And the other one is capability… What capability exists in that organisation, and what capability exists in your organisation, and how is that going to work together for growth? Can you learn from it and bring it to the rest of your business, and is there stuff in your business that you can take and put into that new business that you're looking to buy? Because those things all generate growth.* (Participant 3)

Shaping and filtering of opportunities were supported by influencing the internal team, in terms of sharing conviction in the opportunity. Additionally, building relationships of trust and subtle negotiations with the target firm's stakeholders influenced the outcome of the transaction.

> *If you can have that ability to influence and manage stakeholders at a very strategic level… It goes far beyond just crunching the numbers and making sure an investment looks in shape – which I think we did quite well in TARGET FIRM A.* (Participant 6)

The combination of this and the ability to present a coherent and convincing business case increased the speed of filtering opportunities and the potential for success.

4.2.2.6 Conclusion

Findings showcase the interwovenness of strategy and foresight. The strategy was created with potential future scenarios in mind given the corporate's aspirations and used as a tool against which opportunities could be identified and evaluated. The creation of strategies was based on analyses work, examining market dynamics and internal capabilities, which identified strategic fit that maximised growth and return.

The merger and acquisition process was riddled with research, analysis and interpretation. Understanding country dynamics, macro-economics, population demographics as well as the target firm's performance was seen as a core priority, without which no transaction would be considered. Within the process, the team relied on their experience that allowed for distinct interpretations and trusting of intuition when reviewing opportunities and their risks, both in isolation and compared to alternatives.

The process and outcome of identified opportunities were influenced by a deep understanding of complementarity between the two companies, and alignment to strategy. The transaction was shaped through insights into the operational reality for TARGET FIRM A, and a sense of the deal's growth potential. The team's shared belief in the investment was considered a factor in seizing the opportunity.

4.2.3 Theme 2: Seizing

4.2.3.1 Strategic path alignment

Focusing on opportunities that aligned with the corporate's strategic direction was of critical importance given the need to smartly apply limited resources. Strategic alignment ensured holistic reviews were led by complimentary fit considerations, as worded by Participant 5 as, "*you can buy anything, but it needs to be strategically aligned*". Given the focus on Africa, and specifically Kenya, this transaction was supported by the corporation's strategy. The alignment ensured ease of decision-making in collective buy-in and the effective use of resources in a targeted manner. Additionally, the execution of the acquisition played a role in progressing the corporate on their growth path.

4.2.3.2 Maintaining strong relationships and collaboration

The corporate exhibits strong collaborative characteristics, which was seen in their approach to opportunity evaluation as well as decision-making. By leveraging expertise across corporate insights through to procurement, they acquired rich understandings. "*I guess that capability is crucial, you cannot do an M&A project without really excellent internal support*" (Participant 6). Participant 1 explained further:

> *The M&A teams do a great job when they recognise at what point do further expertise, experience in your own company need to be brought into the opportunity to go and assess on the ground. The knowledge that this creates is exceptionally important and can't be done without teamwork. The collaboration extends past desktop exercise, but ensuring the team walks the streets, understands the country, the opportunity, and risks*.

Outside of the corporate, the merger and acquisition team drew on expertise from board members and shareholders, where strong relationships were maintained. Shareholders often participated in collaborative discussions and shared expertise, which assisted in the merger and acquisition process.

Furthermore, preserving strong relationships with industry players and specifically target firm stakeholders, assisted greatly in this transaction. "*It was a 15-year partnership before we owned a stake in them*" (Participant 6). Through building up trust and showcasing a collaborative approach and sincere interest in the country investment, the corporate was able to establish creditability and strengthen the relationship, which assisted in the transaction process.

The target firm's shareholders understanding that the corporate would do the right thing for Kenya was a strong motivator for the transaction to proceed smoothly. It was a surprise that TARGET FIRM A's private shareholder wanted to sell their shares, but it is a testament to the good work done by the merger and acquisition team when those shareholders opted out of creating market competition and made it known that their desire was to sell particularly to the corporate. The level of trust was such that the shareholders requested the corporate to put the deal together. The relationship building was praised across the interviewees, with a belief that it was a transaction differentiator.

4.2.3.3 Agility and creativity in problem-solving and executing with speed

Every merger and acquisition transaction was unique. The merger and acquisition team often needed to "*keep on exploring avenues until you find a mechanism that can allow the transaction to be unlocked. Sometimes it's friendly, sometimes it's hostile*" (Participant 5). One participant expressed a belief that it was perseverance rather than agility that led to the execution of this transaction. Given that the data gathered showed a faster turn-around than the planned deal conclusion, the researcher considers this evidence to rather support the existence of creativity utilised in execution.

The agility is visible in both the process and the skillset employed by the team. Participant 2 explained that "*deals never happen the way you think. You need to be flexible the whole time, even with the funnelling phase, identification phase – it's never what it seems*". Interviewees also believed acquiring the firm in tranches was an agile approach, as opposed to walking away when they could not get a controlling share in the first transaction. The corporate shaped their approach to what was available, but also based on their understanding of the market dynamics and Kenyan culture.

> *We had to play a very different role, we had to know our place, we had to develop those relationships as a different type of investment or investor, as opposed to just this big South African corporate rocking up to Kenya because it is a high-growth market. So, we kept local management, we invested in local initiatives, we understood that from a stakeholder perspective that what we had to do to sweeten the overall transaction… which I think South African companies won't necessarily immediately see if they don't spend time on the ground and time speaking to Kenyans and politicians and understanding that, actually, things are done slightly differently.* (Participant 6)

The timeline for acquiring the majority share was quicker than anticipated due to the relationships. Here, the speed of execution was the second transaction differentiator. The ability to execute the transaction with speed played a role in the beneficial outcome, which is believed to have only been possible with a highly capable team and board.

4.2.3.3 Governance and decision-making protocols

The corporate had a strong mandate for growth through merger and acquisitions. Yet, given their dependence on the South African market, defending and potentially growing local market share was their central focus. Thus, the expertise and resource allocation to this stream of inorganic growth was established but limited. To ensure the calculated application of limited resources, strategic alignment was often used as a guardrail for deciding which merger and acquisition opportunities would be pursued.

Internally, a type of informal protocol was followed in ensuring alignment within the corporate team. Participant 6 explained, "*we have to be completely convinced internally as an M&A team, internally as an executive team*". This belief was created by ensuring sufficient evaluation was done to prove the value of the opportunity, as well as validating alignment to the corporate's identified growth market and geography.

The corporate had an approval framework that governed investment decisions, which can be found in Appendix K. Lower value investment decisions could be made on a corporate level, whereas investments over a certain threshold were deferred to the investment committee, consisting of external board members. There was a strong appreciation for the governance structures, which was navigated by the various role players with ease.

> *We're not very bureaucratic, don't have lots of layers so decisions started to quickly surface through the M&A team to Participant 2, myself and to our board so we were on top of it.* (Participant 1)

4.2.3.4 Reasoning and decision-making

The role of the investment committee was not only to give final approval but also formed part of reasoning and decision-making.

> *So as a board you have to be careful. You've got to push the growth agenda, but you've also got to pull management back in terms of, is this the one for us, you know, and proper due diligence needs to be applied.* (Participant 8)

The primary driver for corporate decision-making was whether the transaction would create or maximise shareholder value. The timeframe of review was not immediate returns. Considerations were made based on shareholder investments over 50 years. The considerations thus included whether Kenya would remain an attractive destination five decades into the future.

Through the above-mentioned structures' quarterly engagement sessions, the investment committee were kept updated of the Kenyan firm's performance, which meant little re-education when the opportunity became available and "*that's why it was pretty smooth sailing to get us to a point where we approved it*" (Participant 1). Still, within the decision-making process, an element of influencing was needed. The team relied on their ability to shape the delivery to the final decision-makers. This was something that had improved over time, through familiarity with the board.

> *To do that, you have to be agile; you have to show analysis in really powerful ways, you have to go down into detail that teams are not able to do naturally. You have got to really sell it internally; you have to tell them why buying a stake in TARGET FIRM A is exciting… We have got to vie for capital and we have got to be relevant in influencing – a big part of influence is how we show up and how we present materials and how we make a business look and make sense for us to buy it.* (Participant 6)

4.2.3.5 Conclusion

The investment in Kenya was part of a longer-term strategic plan for the corporate. It was anticipated to be a waiting game for when shares would become available. The selling of the private investment company shares was unforeseen, yet the corporate was ready to seize the opportunity.

Through building and maintaining strong relationship with the target firm, the opportunity for acquiring the shares was made directly to the corporate, decreasing competition and increasing the negotiation power. It is worth noting that the relationships were built over many years, through a deliberate and tailored Kenyan approach. The corporate applied a specific focus to create trust through shared desire for investing and growing the Kenyan industry and benefiting its communities.

Internal collaboration between the merger and acquisition team and operational business units created buy-in and conviction to execute with speed. Within the investment committee, maintaining strong relationships with the corporate's board through continuous engagement and deliberation led to the team's ability to seize with speed.

4.2.4 Theme 3: Transforming

4.2.4.1 Recruiting expertise and skills

It was critical for the corporate to ensure that they had the baseline merger and acquisition expertise in-house. Their structure was set up to require each merger and acquisition lead to run their own transaction from identification, evaluation through to implementation. This meant that financial and valuation skills alone, often associated with these positions, weren't sufficient. Additional focus was placed on individuals that had "*way more EQ than just the technical abilities*" (Participant 2).

At the time of this transaction, the team was newly formed. The team members were appointed from investment banks. They brought their technical skills into the corporate, and quickly had to learn how to apply them in a business-oriented setting. The corporate made this decision based on their strategic focus shift to enable end-to-end mergers and acquisitions to happen in-house. The structure supported the strategic focus on growth through inorganic opportunities. These specific individuals and their expertise were well known and sought after. As such, ensuring that the business environment was stimulating and renumeration was sufficient was very important as a retention strategy.

4.2.4.2 Best practice application

Continuously searching for improvement, either by setting a new standard of best practice or adopting one, is believed to create a competitive advantage. The corporate had an embedded culture of striving for good corporate governance, as found in their 2018 integrated report:

> *We believe best practice in corporate governance contributes towards an ethical culture that stretches beyond compliance with regulation and across the principles of true accountability, transparency and fairness*.

The ambition reflects a willingness to adopt and embrace change, aligned to best practice benchmark. This also applied specifically to merger and acquisitions. The newly appointed team brought in best practice, including financial modelling and process management, which was institutionalised in the merger and acquisition way of working.

4.2.4.3 Learning through experience

The corporate had limited experience in African expansion. Interestingly, for a company who has been relatively active in merger and acquisition activity over the past two decades, they consider the management team to be relatively unaccustomed with these transactions. Yet, with the transition to an in-house process, it was found that the corporate developed as a result. Participant 5 explained "*going through those processes, makes the organisation… learn and understand what is involved with M&A processes… The experience levels in the corporate (are) developing over time*".

This transaction was a second tranche acquisition in a company with whom the corporate had a long-standing relationship and a minority share in. With that experience came increased capability and confidence in the process and the required decision. Deliberate shaping of engagements also facilitated the maturing of the team in better understanding the corporate, its culture, and the expectations of how to put a deal together.

Participant 6 explained the learning process to create process change, in that "*you just fiddle and strengthen*". This shaped how knowledge was integrated into the corporate. Additionally, the learning that was being stimulated through experiences had its own value outside of the merger and acquisition process. The larger corporate team was part of this exposure, and the knowledge creation and integration happened across the company. It created increased capabilities and understanding for the industry and unlocked other ways of value delivery for the corporate.

> *The value of working in Africa, doing the structure of these types of deals, the capability of learning to work with governments…, multiple levels of regulation, segment sizing and growth across multiple geographies – all of this capability has come as a result of this kind of work. I don't know how you put a value on that, but from a shareholder perspective what it means is that those same teams of individuals, can create more and more value financially over time.* (Participant 3)

4.2.4.4 Knowledge integration

Adoption of best practice speaks to the corporate's absorptive capacity, and their ability to have integrated knowledge. The corporate displayed an eagerness to learn and pursue opportunities for improvement. This is the power of integrating new knowledge.

The skillsets were brought into the company by deliberately recruiting expertise in-house. Yet, these individuals kept learning from other team members, and allowed those learnings and interactions to transform the team's capability and the process.

> *We have learnt a lot from the different parts of the business – and that combination is powerful, and I think it has shaped the team.* (Participant 6)

4.2.4.5 Continuous realignment of resources and structure

The structure of the merger and acquisition had a core in-house team, with the capability of managing an end-to-end transaction, yet allowed the team to hire additional resources when required. This was done with high value or particularly risky transactions, allowing agility in the structure. For the acquisition of TARGET FIRM A, the transaction was concluded in-house, with an extended business team incorporated into the process.

4.2.4.6 Conclusion

The merger and acquisition team was established shortly before the execution of case study 1's transaction. The team was deliberately structured to enable in-house execution of a full merger and acquisition transaction, as was the case with acquiring TARGET FIRM A. The individuals in the team were recruited specifically for their technical skillset. With their appointment, they brought with best practice material which was institutionalised in the corporate's merger and acquisition process.

With the structuring of the team, the process was also formalised using best practice created by industry leaders within the emerging market alco-bev context. The structure made the merger and acquisition team the core managing these transactions, with resources being allocated from the business when needed. This created a continuous flow of resources and abilities, increasing knowledge transfer and integration.

With each transaction, more experience was gained. This created confidence as well as increased the team's understanding of how to navigate the corporate's context. Learnings were integrated and processes were refined to tailor the structure and process.

4.2.5 Theme 4: Value creation

4.2.5.1 Business case performance

Even though mergers and acquisitions were seen as long-term strategic decisions that continued value delivery 50 years into the future, performance was mostly measured for three to five years. "*M&A isn't finished ever until you've reached a point where five years down the road you've now fully embedded a new business into your business*" (Participant 1). The problem with performance measurement was that the companies became integrated, making it nearly impossible or inaccurate to identify the exact performance improvement delivered due to the acquisition.

For the acquisition of TARGET FIRM A, the team created a business plan forecasting various scenarios. This was important as the business was small in relation to the corporate's operations in South Africa, and even outperforming the business case for TARGET FIRM A would not move the needle within the corporate's results. Actual performance was planned to review volume, revenue, gross income and margin, and

EBITDA and margin measurements for the first five years since the acquisition in 2017. In the absence of the team actively measuring these indicators, the researcher did an analysis of revenue and margin growth measures in aid of reviewing performance.

Table 2: High-level performance.

	2017	**2021 target**	**2021 actual**	**Findings comment**
Revenue	100	198	249	Massive growth
Margin (as %)	100	139	91	Reduced profitability

Source: Author's compilation

Participant 3 explained that extenuating circumstances, like COVID-19, are not considered when measuring performance. Shareholders expected to see returns and performance regardless of market dynamics. Table 2 above summarises the researchers' findings, converting actual values into an index using 2017 as the 100-baseline. Revenue grew 149% from 2017 to 2021. Due to a 157% increase in cost of goods, the profitability decreased by 9% even though profit increased 166% year-on-year, from 2017 to 2021 (see table 3). Participant 2 commented on the performance by adding that "*the past five years was a real doubling of the business, actually tripling bottom line… (It's) a great investment story for… it's one of the bigger ones we've done."*

4.2.5.2 Value creation as firm growth

Creation of value was the improvement enabled through the new partnership. For TARGET FIRM A, value was created by improved performance through skills and capability established due to the corporate's intervention. Value was created through synergies and capability strengthening, that in turn reduced cost. Additional value was created within TARGET FIRM A through increasing quality of execution and increasing product attractiveness. An article published in Africa Outlook Magazine (Wadlow, 2020), supported this further, with a quote from the Managing Director of TARGET FIRM A:

> *I joined TARGET FIRM A at the time when the business was embarking on its transformation journey on the heels of a successful privatisation… The last few years (since 2017) have been a period of business transformation and growth… in an environment re-engineering processes and structures."*

An additional value for the corporate was identified in accessing local production capacity which reduced cost and strengthened the route to market capabilities, enabling growth of the corporate's brands in Kenya. This reinforced operational effectiveness and product portfolio attractiveness as the Kenyan firm had increased economies of scale in production and distribution, as well as a more appealing product portfolio. During the four-year period of review, the Kenyan revenue associate with the corporate's brands grew 55%.

As TARGET FIRM A was a listed entity, asset growth could further be measured through the share price, and valuation of the firm by considering how the multiples have improved.

> *The business is way more worth than what we bought it for … if we kept it like it was, it would have not done that, but we changed management, we changed the portfolio, we added obviously our portfolio to it, we changed the route to market as well, we changed distribution partners. All those things enhanced the profitability of the business… therefore it's worth more.* (Participant 2)

Various financial calculations exist for measuring of value creation. Most often mentioned by the participants was comparing discounted cash flow and EBITDA multiples as economic value creation before and after the transaction. An EBITDA multiples analysis was done in collaboration with the corporate's merger and acquisition team comparing estimated value of TARGET FIRM A at the time of acquisition of TARGER FIRM A (February 2017) to October 2022. Analysis identified a multiple uplift of 0.8 times, which equates to a 5% increase in value. This, combined with a share price improvement, showcases that value was created for this firm, and thus the value of the shareholding of the corporate had also increased.

Outside of asset value growth, value was created for the corporate through this acquisition. This was evident in skills development:

> *The almost priceless part is the experience in the corporate strategy team, the experience in the M&A team, the experience in the Africa team. Those things are priceless capability that's getting built in the business.* (Participant 3)

Some interviewees called out that in general, often a firm would acquire other companies to protect themselves against acquisition. Yet, in the case of TARGET FIRM A, the strength that came from the acquisition made the corporate a more attractive target. This was confirmed by Participant 6:

> *If I look at CURRENT ACQUIRING FIRM's interest in us, a large part of that is our business in Africa, and TARGET FIRM A is our biggest part. So, if we didn't have that business, I think it would have made a difference to us as a target... it has (unlocked) a lot of value.*

4.2.5.3 Value creation as shared value

A spectrum of stakeholders benefit from value creation, from increased Kenyan GDP to improved working conditions for employees. *Whatever you do to achieve growth, you need to make sure that… you create value across the spectrum of your shareholders, your customers, your consumers, your employees and the communities that you operate in.* (Participant 3)

Here, the value created was not captured by the corporate, but rather created and distributed. Many interviewees felt financial returns remained the primary driver, but a definite shift in considering environmental, social, and corporate governance when investing, and acknowledging the need to focus on local empowerment, was part of the investment.

> *Over time, and as the world has shifted and as our business and our strategy is shifting, our shared value is coming onto the table… One of the elements of doing an M&A activity is shareholder value, without a doubt. But the other areas in terms of customer, consumer, employees and the society that you're going to be running the business in, this is becoming more and more apparent over time, and must become apparent. It's not just lip service.* (Participant 3)

Even though the corporate seemed aware of the importance of these factors, no evidence was found to suggest active measurement, due to difficultly in quantifying the true impact or value. At most, one could refer to the 157% increase in spend allocated to suppliers, or the 497% increase in taxes paid to the Kenyan government, or the salary and wage spend increasing with 174% since the 2017 transaction.

4.2.5.4 Conclusion

Strong evidence was presented to confirm that value was created due to the complementarity of the two firm's capabilities and resources, as unlocked by this transaction. This led to an almost tripling of revenue growth for TARGET FIRM A. Outside of the benefit seen in TARGET FIRM A's financial performance, further value was created through increased employment, improved working conditions, and strengthening the Kenyan economy by stimulating local business and increased tax income to the local government. The transaction and experience in-country also led to transferrable skills being developed for which the value is arguably immeasurable. Nonetheless, it is believed that they have been utilised to stimulate additional corporate opportunities.

4.2.6 Theme 5: Value capture

4.2.6.1 Profit growth as shareholder value

Through analyses of TARGET FIRM A's financial statements since the 2017 controlling share acquisition, it is visible that the firm has seen a continuous increase in profit. Even through difficult economic conditions, such as COVID-19, the profit kept increasing year-on-year. Table 3 below shows an indexed view of that improvement, utilising a 100-index for 2017 on which to base the comparison.

Table 3: Profit of TARGET FIRM A.

	2017	2018	2019	2020	2021
Profit	100	208	565	756	811

Source: Author's compilation

4.2.6.2 Shareholder return

Given that improving shareholder returns was considered the focus of the corporate's financial performance, it was a vital element of the acquisition. Regardless of strategic attractiveness and the corporate's ability to operationalise an acquisition, if the transaction did not enable the shareholders to increase the value that they could capture out of it, the transaction would not continue. Reiterating the words of Participant 8: "*it's really got to result in enhance shareholder returns... you compete with other companies in keeping your shareholders happy and satisfied*".

Shareholder value could be considered as the dividends being paid but was more often calculated based on comparison between return on net assets, or invested capital, and the firms weighted average cost of capital. The corporate used the measurement to ensure shareholder returns were higher than the weighted average cost of capital as an indicator that shareholder value would be more if invested in the corporate, as opposed to a bank or similar establishment.

With the support of a financial specialist in the corporate, the researcher analysed the comparison and found the ratio to weighted average cost of capital to move from -7% to a positive ration of 2.4% in 2022, with a return on net assets of 14.2% in 2022. Future projections of return on invested capital, estimated to be 12.34% in 2022, indicated that this ratio would remain positive. This indicates favourable and market competitive value captured by the firm. Table 4 below shows the improvement, converting values into an index using 2019 as the 100-baseline for RONA, and 2022 as the 100-baseline for ROIC.

Table 4: RONA and ROIC projections for TARGET FIRM A.

	2019	**2020**	**2021**	**2022**	**2023**
RONA	100	131	221	302	398
	2022	**2023**	**2024**	**2025**	**2026**
ROIC	100	94	100	113	119

Source: Author's compilation

Through financial statement research, dividend pay-outs were identified, and considered as part of shareholder returns. No dividends were paid out in the financial year before and up until the first year of majority control. In 2019, dividends were paid out to the value of 3.6% of firm profit, and in 2020, 6.1%. No dividend payments were made in 2022, due to the corporate's agreement with the ACQUIRING FIRM that no dividends would be paid whilst the deal was under negotiation (corporate's annual integrated report, 2022).

4.2.6.3 Conclusion

TARGET FIRM A remains a lucrative and promising investment for the corporate, given the major profit growth since the corporate took the controlling share. Returns offered to shareholders are above market, and thus economic value being created through this acquisition is favourable. With projections remaining positive, it is anticipated that it will remain an investment that enables value to be captured in the next five-year horizon.

4.2.7 Theme 6: Exceptionality of emerging market context

4.2.7.1 Unique African approach

A uniqueness regarding doing business in Africa as an emerging market came to light in the interviews, even though the interview guide was not designed to expressly explore this concept. The distinctions in doing business in a developed compared to emerging market was often brought up by the internal and external senior leadership team. Agility and flexibility were a prerequisite, given the lack of formal processes and structure. As explained by Participant 8, "*you have to be aware and open and flexible up to a stage, especially in the markets that are under-developed, like ours... in Africa there are few opportunities, and they tend to be less formally structured*".

Further commentary was most often directed to risk factors in these markets. The teams expected information received from targets to be incorrect and did additional layers of evaluations in response. As seen in the quote added to Appendix G, informal markets were light on governance and weren't known for following reputable management practices. As a corporate, their reputation was critical, and the onus rested on them as the transacting party to make sure sufficient due diligence was done.

Outside of the firm-specific risks, there were also country specific risks with political unrest. The corporate had to consider the impact and likelihood of these instabilities impacting the business, combined with their ability to extract money from the country, and the attractiveness for expats. To navigate these complex environments, foreign corporates, albeit from the same continent, required strong relationships with local stakeholders.

> *You need local partners, you need the government… because outright foreign control doesn't work in these African countries.* (Participant 2)

Notwithstanding these very real concerns, there was also a natural complementarity that presented itself to firms who were part of an emerging economy, or on the same continent. In this case, with the corporate being from South Africa, senior management found growth into Kenya to be a more natural fit given the firm's own heritage. Acquisitions in developed markets came at a premium cost, and interviewees felt that African opportunities were lower risk with a higher reward potential by comparison.

4.2.7.2 Conclusion

There is a difference between doing merger and acquisition transactions in developed markets, comparative to developing markets. The necessity exists for agility and being able to navigate informal markets and processes. This often coincides with increased risk as accurate information is not as readily available, and the countries and firms are not necessarily as compliant with governance regulations expected of well-established multinational corporates.

It is often difficult for South African firms to do business in well-established markets, due to the excessive premium to access and execute these opportunities. However, there is a location advantage for South African firms, compared to developed country acquirers, when engaging in African-specific merger and acquisition transactions. The heritage-benefit of understanding the context and being able to successfully operationalise acquisitions, made TARGET FIRM A a more attractive option.

4.2.8 Conclusion

The acquisition of TARGET FIRM A is the execution of an African growth strategy. Foresight was used in identifying this opportunity in the strategy. Through continuous internal collaboration and investigation, the corporate team acquired sufficient knowledge to develop an internal conviction that this would be a successful transaction. By trusting the team's interpretation and their gutfeel created by experience, they had a deep understanding of complimentarity and risk, which shaped the opportunity.

The strong relationship between the Kenyan shareholder and the corporate enabled the sale to be offered directly to the corporate, which meant the corporate did not enter into a competitive bidding process to acquire the shares. Through a tailored engagement approach and local investment, high-quality relationships were established and maintained with the target firm shareholders and local government. Internally, the merger and acquisition process governed decision-making and approval mandates, with informal activities increasing the trust within the team. This ability to create connections was pivotal in the speed with which this opportunity was seized.

The merger and acquisition team were recruited for their technical skills and expertise which they brought into the corporate. They established merger and acquisition best practice, by combining existing experience with adopting learnings from the corporate culture, business specialist's knowledge and the board's expectations. The capability and the process strengthened significantly over time, as they explored and concluded more transactions. This growth increased the corporate's confidence in their African expansion strategy and embedded new capabilities across multiple divisions.

The analysis of TARGET FIRM A's financials since the 2017 acquisition showcased major performance improvements across revenue and profit. The value is associated with complementarity and reconfiguration of resources and processes. The portion of this value that was able to be captured, as measured in shareholder value of profit and returns, is above market and considered to be a strong investment.

It was found that the emerging market context in which this transaction took place required a unique and adaptive skillset. There is believed to be a location-heritage advantage for South African firms doing business in Africa, compared to developed country firms, given South African firms' inherent ability to understand and adapt to cultural nuances.

4.3 Case study 2: Acquiring TARGET BRAND C

4.3.1 Introduction and orientation

The acquisition of TARGET BRAND C came to fruition after the then-brand owner approached the corporate, expressing his interest to sell. The brand had been gaining some traction within the South African market, but given the size of the existing ownership structure, they were unable to support further growth. Their business model was understood to be the creation of potentially successful brands, and the subsequent selling of selected brands at a premium, given market potential.

Category expansion into this specific premium segment of alco-bev was not expressly identified within the corporate's growth strategy. However, TARGET BRAND C did address a segment that was found to be a gap within the corporate's existing portfolio offering. This niche market had been an area in which the corporate had less expertise, and inorganic growth through acquisitions was considered the quickest way to enter this category.

Even though the corporate knew their strong local production and route to market capability supported brand growth, they had two major concerns. Firstly, would the opportunity offer the necessary returns given the premium acquisition cost? As mentioned in Participant 5, "*M&A is not by itself a revenue-generation top line. It's just a mechanism by which the company grows and expands*". Secondly, was this opportunity merely an attractive distraction that did not actually support what the corporate set out to achieve? Even though the merger and acquisition team were charged with pursuing all potential growth opportunities that suited their competence, the opportunity had to be triangulated back to strategy. As Participant 2 explained:

> *Does it make sense to then even go further? So we get those opportunities, but we cut our base on what our strategy is, and we've seen it, rather get something closer to home where we can be more successful.*

Data gathering for this case was done through seven interviews, analysis of the corporate's internal documentation such as the financial statements created for the brand, as well as published financial results, annual reports and market publications. All data was reviewed and analysed using a coding system and supported by foundational work and inductive exploration converted into categories and themes which are discussed hereafter. To retain confidentiality, data utilised from THE CORPORATE's business reports, were cited as TARGET BRAND C and excluded from the reference list.

4.3.2 Theme 1: Sensing

4.3.2.1 Active pursuit of knowledge (research, evaluation and analysis)

Acquiring information assisted in the creation of future scenarios, against which the opportunities were compared and analysed. This enabled the corporate to evaluate which potential transactions not only offered up the most value, but also which were strategically aligned to the corporate's more specific objectives. Within the merger and acquisition process of the corporate, much work was done to create this type of foresight. To understand the probability of the various scenarios is considered part of the basic acquisition homework, and it was believed to have been done well.

The same can be said for sensing opportunities, like complementarities, supported by findings. However, the process of validation was still done. It was a detailed process and it is not without interpretation. In TARGET BRAND C specifically, the owner of the target brand had some optimistic projections, thus it was critical that the corporate relied on their own data and created their own projections.

> *There's an element there of mixing data, economic data at a macro level, historic data and management forecast at a company level and mixing that with internal evaluation of an element of due diligence – how realistic is that, you know? A company can put a forecast on the table that says, I'm going to be growing 200% every year. I'm going to be doubling every year for the next ten years. But there's then an evaluation… And there's a bit of subjective judgement of how that is expected to play out.* (Participant 5)

A question often posed by the corporate was why the owner of this brand would be interested in selling if it was a healthy and growing asset. The ability to understand the context and reality enabled the answering of this question through relationship building and interpreting the relationship. In this case, there was a natural complementarity between the brand owner's need for a scale manufacturing and distribution platform, and the corporate's capabilities.

4.3.2.2 Interpreting environment and utilising experience and intuition

Perceiving that which is not explicitly being said is a skill much required when participating in high-value transactions, such as acquiring premium brands. The firm was often presented with opportunities of overstated value, and it seems to be a trait of negotiations like in mergers and acquisitions, to be suspect of information being shared. The merger and acquisition team had developed a gutfeel as to where to question information, and find ways of quantifying it themselves.

Gutfeel often represents a belief, albeit management or the team's belief. It was considered important as this sense was used to make the team aware of discomfort that signalled a warning. Many interviewees suggested that this capability was generated by previous experience, having seen and been a part of previous transactions. The sense was often tangible in the commentary raised by board members, and addressed in the form of debate, which is discussed in more detail during Theme 2, Seizing.

4.3.2.3 Identification of opportunities

This transaction was not initiated from the corporate's side. In fact, the target approached the corporate to test their appetite for acquiring the brand. The brand owner had created a few brands, and this specific one was performing very well in the market. So well in fact, that it needed to be placed on a larger platform to allow continued grow.

This transaction was not actively identified from within the merger and acquisition team. The corporate was often approached by sellers trying to capitalise on their brand's success. By trusting their intuition to entertain the consideration, the corporate was able to identify that this opportunity had potential and filled a gap in their own portfolio.

> *I recall at the time also there wasn't really great focus on that category, although interestingly, when the transaction then came about, or when the guys approached THE CORPORATE, then actually THE CORPORATE said, 'Let's think about, okay, where are we in white spirits in South Africa?' Then obviously we saw gaps in our portfolio that, it involved a couple of other conversations as well. That's how it came about*. (Participant 7)

4.3.2.4 Shaping and filtering of opportunities

This opportunity almost did not realise for the corporate. The value of enhancing the brand on the corporate's platform was evident, but there was some initial animosity around the seller's expectations of the brand value. As this was not a priority project, it was not being actively pursued. Interest was revitalised through a more junior team member, who saw the value associated with the brand by the target market. His conviction spread, and that led to the project picking up more traction.

The transaction value was shaped by how the deal was structured. Buying a strong brand to grow on the corporate's platform had appeal, but a premium brand that performed in cycles held risks. Even though the brand addressed a hole in the corporate's portfolio, it lacked expertise in this category segment. The agile approach taken by the merger and acquisitions team to address these risks in the deal structure was noteworthy.

> *For us, it was a bit of a soft point that we struggled to really break through with premium spirits. We struggled with various formats to establish our premium capabilities. Using TARGET BRAND C was part of it; learning from our new partner who had the more entrepreneurial set up and still earning 30% of the brand… We wanted him to import knowledge and both capabilities and be more agile and see what capabilities you need and how to work a premium brand which I think was quite successful.* (Participant 4)

4.3.2.5 Conclusion

Identification of the opportunity was done in a creative way, as the acquisition opportunity was not a part of the firm's growth plan. The findings show dexterity in deliberation to pursue this transaction. By allowing various team members' interpretation of the brand health and perception, the team was able to support further exploration of this acquisition. The continuous market research created a sense for the complimentary fit of the opportunity.

Notwithstanding the value of word-of-mouth information, the team relied heavily on market evaluations to analyse the brands growth potential. Given the seller's optimism reflected in his projections, the team had to be sure of a detailed forecast following the corporate's own internal due diligence process. This work was not limited to the merger and acquisition team, which is elaborated upon in the following section.

The merger and acquisition team's unique approach to how they structured the deal created additional value for the transaction. By addressing the risk of the in-house expertise gap in this segment in the deal structure, the opportunity's attractiveness increased. The seller's put offer was designed in such a way that his expertise would be transferred with the brand into the corporate, while his remaining 30% share ensured a vested interest for the brand to continue to grow.

4.3.3 Theme 2: Seizing

4.3.3.1 Strategic path alignment

One participant expressed frustration with the limitations caused by confining the merger and acquisition team to inorganic growth opportunities identified in the strategy. The interviewee added that "*the process was too tailored towards strategy rather than whether an opportunity would have fit strategy or doesn't fit strategy"* (Participant 7). This contradicted leadership's view that strategic alignment created discipline *"in terms of opportunities that's being looked at and not chasing dreams but chasing realities or opportunities that are executable*" (Participant 5).

Regardless of the outlier view, the acquisition of TARGET BRAND C proved the process was agile enough to allow this unforeseen opportunity to be considered. The opportunity assessment followed a similar evaluation and consideration process as would one on the strategic plan. It was reviewed against the corporate's strategic objectives, internal strengths and competencies, as well as consumer positioning and segments.

> *We always felt, to be under index in white spirits in South Africa so that was a category gap that we had. We have all the other competencies to make a success of white spirits. We just didn't have the brand with traction on the ground. That was a complimentary fit to our sort of spirits portfolio. And this one ticked again, all the brand, the consumer, the channel blocks.* (Participant 1)

4.3.3.2 Maintaining strong relationships and collaboration

The alco-bev industry was relatively small and, as such, the team was often made aware of transaction opportunities through existing relationships. In this case, the owners of TARGET BRAND C had a long-standing relationship with the merger and acquisition team and other team members within the corporate. The opportunity was introduced to the corporate through existing business relationship with the corporate's senior leadership. The merger and acquisition team was notified via the corporate's chairman.

> *M&A had a good relationship with the seller for a long time, and somehow business unit own managers also knew (him)… we knew the individual quite well. So that gave us maybe a better insight track compared to other buyers who were*

obviously also looking around, but yeah, I think that gave us a better insight. Yeah, so it's more personal, and building good relationship. (Participant 2)

The corporate's value of "*we win by collaborating*" found in the corporate's integrated annual reports (2018) came to life during the opportunity evaluation and decision-making phase. The merger and acquisition team worked together across the business from legal, finance to supply chain as well as the marketing teams. "*The fact that the operational guys said, 'Yeah, we'd like to do this, that counts a lot of points – most of the points'*" (Participant 8). This collaboration created useful insights and buy-in, which were used to address the board's concerns regarding the corporate's ability to successfully operationalise the brand, grow the brand and whether it increased returns.

You need to bring on board some of your own senior managers who are going to be accountable for the deal, so that they own it. Because what you need is for them to be the custodians of that business case so that they… manage that and make it happen. (Participant 1)

4.3.3.3 Agility and creativity in problem solving and executing with speed

The process versatility, as explained in the shaping and filtering of section 4.4.2 Theme 1. Seizing, reinvigorated the transaction evaluation based on conviction from team members that this was a great opportunity. The relationships and ability to influence allowed agility in reconsidering to the deal. Even though this opportunity was not explicitly on the merger and acquisition plan, it had merit, and was seriously considered due to its strategic alignment. The speed of execution and decision-making process was further improved by leveraging the good relationships and information engagements to create collective buy-in.

So, if they really all align to the strategy and they know what's necessary, then a couple of phone calls and so on will make this process very agile. (Participant 4)

The corporate culture allowed for freedom in influencing outside of the formal meetings and structures. "*It makes it agile, but it really depends on the culture of the business, the nature of the people in the leadership position and then more than anything, their trust relationship*" (Participant 4). This allowed the transaction to be executed very quickly, as called out by Participant 1: "*I think the issue there was speed again, reacting swiftly and with conviction I think was something that we showed there*".

The process had a layer of sensitivity that was unique to this specific brand acquisition. Building on commentary made about initial 'silliness from the seller', the team had to navigate some personality clashes. They had to overcome this issue, to avoid it impacting the deal.

> *There's quite a lot of conflict resolution skills that needed to be deployed in the early days and I think that's important because you will go through times where you have different expectations in any M&A transaction both in the negotiation phase. It's important to try and find common ground and I think we developed competency to do that.* (Participant 1)

Interviewees highlighted the creative way in which the contract was set up, touched upon in section 4.4.2 Theme 1: Sensing. It was structured uniquely to increase value extraction for the corporate, but also for the brand. The corporate followed a tailored engagement strategy which addressed the unique risks. Participant 5 specified that agility was key in this process. Findings suggest a belief that a different organisation would have approach this in a different manner, and this agility led to shaping the opportunity.

> *Seller wanted more value, and how do you generate more value first by de-risking for THE CORPORATE, and how do we retain some of his knowledge and transfer that knowledge? So we had a two-part transaction – 70% now and then 30% in a put and call. Other transactions don't have a put and call. So, everything is different. There's no standardisation of engagement… You can look at how you're going to value something, but then when you get there, you've got to have a framework and you then have to negotiate around how do.* (Participant 5)

It is worth mentioning that the deal structure was not perceived to have been perfect. Even though uniquely designed to maximise value, business users felt it left room for improvement in finer deal detail that impacted the ability to operationalise. The collaboration evident in evaluation was not present in contractual fine print, where the focus is placed on closing the deal at speed, leaving the corporate with unforeseen risk.

4.3.3.4 Governance and decision-making protocols

The governance process was generally the same, regardless of how the opportunity was identified or brought onto the merger and acquisition agenda. It consisted of triangulating whether the opportunity was strategically aligned, made financial sense, and whether the corporate had the capacity to make a success of operationalising the opportunity. The merger and acquisition team convinced the internal senior leadership with the triangulated information and once aligned, would proceed to the investment committee.

The investment committee (made of board members) had an important role to play in ensuring the due diligence was applied, whereafter a framework would be designed for transaction evaluation and move ahead to discussions with the target, which led to a memorandum of understanding. The investment committee would give a mandate to the merger and acquisition team in terms of investment range, and the pre-deal active engagement would be concluded once the right value was negotiated.

Within the interviewee base, there was an unknowing debate regarding the impact of governance on agility. The business specialists and senior management felt strongly that the corporate managed the right balance between good governance and agility in the process, as mentioned in Participant 4: "*The process will normally be very agile, but then run through good governance*". The role of the governance process protected the corporate and its shareholders and focused resources, whilst enabling agility through informal engagements that expedited buy-in from the team.

Conversely, Participant 7's outlier commentary raised two concerns; 1) the lengthy review process was centred more around good governance, internal positioning as opposed to deal outcome, and 2) the rigidity of the governance process hindered creativity and blocked the exploration of potential high-value opportunities.

> *I find THE CORPORATE's a little bit rigid in some cases. Yes, it's great to have a five-year strategic plan and framework, etcetera but you almost become a little blinkered… you've got a very narrow focus there in terms of what you're willing to look at… what you're willing to do.* (Participant 7)

The researcher finds that these results are not mutually exclusive, as supported by Participant 1's commentary that "*mavericks are welcome in that area but obviously governance then is required. So, I think we have got that right*". Governance is critical in the space of mergers and acquisitions, but agility is needed to allow potential to be unlocked. This is endorsed by final commentary from external board members:

> *Give them space. But sometimes I think Participant will reel them in, I think, just enough to keep their handbrakes on sometimes*. *[Laughs] So, I think it just works.* (Participant 9)

4.3.3.5 Reasoning and decision-making

The corporate was continually debating between organic or inorganic growth. In this case, the teams had to reason out whether this was something they could create in-house, and whether they had the time and capital to create an equally successful brand. The other important debate, alluded to earlier, was answering the question of whether the corporate had the ability to operationalise the growth aspirations of this brand. Regardless of strategic alignment, the high cost of acquiring a premium brand had to make financial sense, which caused conflict. The business was found to be appreciative for the debate and guidance created from the board during these difficult conversations.

> *They're good guys, so they ask the right questions. They've seen this quite a bit – you can quickly destroy value or add value if you do the right acquisition, so yeah, they're very knowledgeable. It comes through experience, so that's why you have all these independent board members with experience on the board, to give you that experience.* (Participant 2)

The board accepted the responsibility for asking those tough questions and making sure the due diligence was done correctly. As alluded to earlier, the concerns included whether the corporate had the wherewithal to operationalise the brand and whether the corporate could extract value from it. Even though the value for this transaction was below the value threshold required for investment committee approval, in lieu of collaboration and relationship building, the corporate ensured they were kept abreast of developments, and included them in the decision-making.

4.3.3.6 Conclusion

Relationships and social connections are extremely important in the merger and acquisition environment. This was evident in a small industry such as alco-bev spirits. The opportunity was brought to the corporate through existing relationships, and it was these existing relationships that improved the corporate's ability to take a collaborative approach and gave them an advantage over other bidders.

Even though this acquisition opportunity was not on the corporate's strategic growth plan, the team had the foresight to see the complementarity. Through levering the corporate's established culture of collaboration, the buy-in was speedily attained after necessary review, from within the business teams to the senior decision makers.

The merger and acquisition team showed how their creative problem-solving capabilities were a competitive advantage. They successfully navigated personality conflicts and unrealistic deal expectations. The team managed to turn the opportunity from a low priority consideration into a successful deal that only led to the acquisition of a premium brand, but also the integration of sought-after skills into the corporate.

4.3.4 Theme 3: Transforming

4.3.4.1 Recruiting expertise and skills

To drive the inorganic growth strategy of the corporate, internal expertise was recruited to manage merger and acquisition transactions in-house. This internal capability was acquired through a structural investment, specifically for lower threshold opportunities as external consultants in the merger and acquisition space are considered overly expensive. The team was relatively small and unestablished in the corporate, due to the shift made a short while before this transaction. Even though they were hired for technical capabilities, the expectations of the team expanded beyond technical expertise. Given the end-to-end focus, the team had to have a wider and more generalised skillset over and above technical acumen. Participant 2 explained that they required "*a different attitude and relationship, and lots of soft skills, I think, compared to technical skills".*

There was a general belief that part of the value generated through having an internal team was also the creation and retention of knowledge. The knowledge of how to professionally run a merger and acquisition process, the sense of understanding the corporate and what would be strategic and complimentary fits becomes institutionalised.

> *That's why you want people to stay in a team with that experience and knowledge and knowledge of each other and trust, you just add value in different ways. For sure you start with people with technical abilities… otherwise why would you have an internal unit? The reason why you run it internally is people should understand both the company's strategies and understand the company better and the company's people better. I think that team is improved as a result of all those reaso*ns. (Participant 4)

4.3.4.2 Knowledge integration

Often overlooked is the value of that knowledge when integrated and allowed to shape the merger and acquisition team. This was not only relevant for the specific transaction, but also in how it created transferrable skills and expertise that can be leveraged in future opportunities. Through harnessing the experience and expertise of the collective team, the merger and acquisition process and proficiency increased. The value generated out of the activity of market evaluation, as explained in 4.2.2 Theme 1: Sensing, is not only applied to the merger and acquisition case. The same can be said for the value generated out of collaboration discussed in section 4.2.3 Theme 2: Seizing. The value also creates an improved understanding of your own company.

> *And typically, all the desktop work you do or field work you do, teaches you something about your own business, be it here in South Africa or geography concerned or on the continent, teaches you a heck of a lot about it. Typically, it will teach you about categories and consumers in those markets. Actually, there's almost more value to that than there is in executing as well. Because it gives you perspective on why that particular target is valid and for you. Fit for your strategy and fit for potential next level which would be, you build a rigorous business case and you table it to your board so I see the value as enormous.* (Participant 1)

At the time of the transaction, the corporate had a few acquisitions that they successfully concluded, albeit not all with the current structure. The acquisition of TARGET BRAND C and subsequent transactions increased the knowledge base and confidence. As explained by Participant 4 "*You build a bit of reputation inside the company and outside. If you're successful with one brand like TARGET BRAND C, then you get confidence to do another and so on".*

This transaction also led to acquiring skills with the objective of integrating that know-how into the corporate with the brand. This was done through structuring the deal in such a way that the brand owner was to support the integration and share his knowledge.

> *He's very instrumental in building up the brand still, we wanted to keep him in as a shareholder, so not to buy it directly because the brand was still in a phase where we needed his involvement.* (Participant 2)

4.3.4.3 Continuous realignment of resources and structure

The structure of the merger and acquisition team allowed for development, which was found to be constructive under the guidance of Participant 2, to whom the team reported as the Finance Director. There was a sense of freedom that allowed for exploration, as Participant 9 explained: "*It's very easy to over-regulate them from the top. Sometimes one must just leave them, and they will develop themselves*".

Specific commentary was made about the development seen in the team in the last six years, which was the period since the focused inorganic growth strategy. Structurally, the core team was lean, which allowed strategic focus on first-phase opportunity identification. However, the process allowed increased resource allocation when the first hurdles of support and interest were cleared, which triggered an increase in support from business resources. The model also allows flexibility in hiring external advisors, but this was not necessary for acquisition of this brand.

Data gathered found that experience created confidence in the team, increased their merger and acquisition capabilities and allowed the realignment of resources. The uniqueness of each case increased the team and the process dexterity and creative problem solving. Participant 4, however, suggested that team capabilities were created through stability in the team structure.

> *There's been stability. If you have that and you have people with abilities, then they learn, and they learn to trust each other, and things go faster… (A) good team, stable team, they bring good transactions to the table and make sure that you do them effectively.* (Participant 4)

Talent retention was not common in highly ambitious and sought-after merger and acquisition talent, yet the corporate was able to create stability in their merger and acquisition department, increasing trust and knowledge integration within the structure.

4.3.4.4 Conclusion

To drive the corporate's inorganic growth, set in motion a year before this transaction was concluded, this team was established. A small team of experts were recruited into the corporate, hired to execute on more than their technical capabilities. Given the job description to run end-to-end merger and acquisition transactions, there was a strong requirement for a generalised and more personable skillset. These secondary softer skills were particularly important to the corporate, as they allow for the team to grow with the corporate, creating trust and strengthening internal relationships and processes.

Given the intensity of research and analysis done during the merger and acquisition process, the teams involved grew in exposure and understanding. This education was invaluable for the individuals and the corporate. Similarly, long-term stable relationships and internal collaboration meant teams were closely connected and shared expertise that was turned into improved business understanding and ways of working.

4.3.5 Theme 4: Value creation

4.3.5.1 Brand performance as value creation

The corporate was not as particular in considering the brand value 50 years into the future as with TARGET FIRM A, given the much lower risk and lower value. The agreement was that the business plan would be measured for three to five years, in which period ideally the shareholders would have received the necessary returns. Given the small scale of the brand acquisition and the immediate integration into the corporate, value creation as part of the business case was limited to volume projections. "*The business plan we set up was something like 5 or 600,000 litres which was the target, which we've achieved over the five-year period"* (Participant 4). Interviewees agreed that the brand exceeded its business plan, and that the scale that the corporate was able to achieve made TARGET BRAND C a success within the premium spirit segment.

Outside of volume growth, the researcher analysed the brand's financial statements to find evidence of the brand's financial performance. Royalty income was used a proxy for revenue, calculated as adjusted gross income less discounts, marketing expenses and the corporate's distribution fees, and margin was included as a supplementary performance measure. Table 5 below summarises the findings.

As the integration of the brand into the corporate's structure had such a major impact on the brand performance, the findings are presented by using the 2018 year as the baseline and indexed as 100. The brand was acquired in 2017 when it was a low-volume brand performing at a loss. Revenue (royalty income) showcases continued strong performance superior to year one of owning the brand. It is noted that there was a major margin drop, due to an increase in suppliers' cost associated with post-COVID market dynamics.

Table 5: Brand performance measures.

	2017	2018	2019	2020	2021	2022
Royalty income	1	100	226	143	159	125
Margin	0	100	104	101	101	99

Source: Author's compilation

4.3.5.2 Value creation as brand value growth

Noticeable concerns were raised by the external team regarding the original expectations of the acquisition value. Subsequently, value was created through strong negotiations in reducing actual agreed price. The merger and acquisition team leveraged their capabilities and relationship, enabling the corporate to acquire the brand for a fair price. Another measure of value creation would be to compare the per share price of the 70% shares acquired by the corporate in 2017, to the final 30% shared acquired in 2022. This depicts a clear image of how the value of the shares, and thus the business, has grown in the five years since the corporate has acquire their controlling interest.

Retrospectively reviewing the brand value growth from 2017 to 2022, the researcher worked with Participant 6 to calculate the EBITDA multiple. Aligned with the movement in the spirits industry, it was found that the brand value had grown by 5%. This asset growth could also be considered value created over the five-year period.

4.3.5.3 Conclusion

The measures of brand performance through litres of sales and revenue depict favourable value created in the five years since the corporate has acquired the majority share. Further value measures, considering the asset value of the brand itself, indicates growth in this asset, which also supports value growth. Value created out of this transaction, such as skills transfer into the corporate, is not possible to measure when reviewing the brand-specific results and found to be acknowledged but immeasurable.

4.3.6 Theme 5: Value capture

4.3.6.1 Profit growth as shareholder value

Performance indicators used in brand performance reviews by the corporate included adjusted gross profit. The corporate’s lower cost structure enabled through production and route to market scale resulted in a 100-fold improvement in the first year that the brand was taken over by the corporate. Once normalised, the gross profit continued to deliver gross profit improvements compared to 2018. Table 6 below reflects 2018 as the indexed baseline year for comparison. The COVID-19 impact is visible post 2019, where the brand and the corporate could not keep up with market price increases.

Table 6: TARGET BRAND C adjusted gross profit.

	2017	**2018**	**2019**	**2020**	**2021**	**2022**
Gross adjusted profit	1	100	226	143	159	125

Source: Author's compilation

4.3.6.2 Shareholder returns

Participant 4 explained: "*The more you grow, the higher the profit margins. The profitability, the bigger returns. So, the shareholder returns, that part of your purpose will be achieved by growth and better profitability scale*". It was however found that the positive volume growth and favourable profitability did not reflect a similar positive picture when considering the shareholder returns. Utilising return on net assets and invested capital, comparative to weighted average cost of capital, the value captured by the shareholders out of this brand acquisition is yet to bear fruits. With the support of a financial specialist in the corporate, the researcher analysed the comparison of these metrics and found that even though the return on net assets improved, estimated at 106% in 2022, the ratio comparative to the cost of capital was negative.

Of more concern was that return on invested capital was estimated as -2.3% meaning the shareholders were losing money with this investment. Furthermore, even though immediate projections of return on invested capital started out favourably increasing, the predictions saw a reduction in three-to-five years' time. Similarly, the ratio comparison of invested capital compared to cost of capital was negative, meaning shareholders' investments would have delivered more favourable returns elsewhere. Table 7 below shows the improvement, converting actual values into an index using 2019 as the 100-baseline for RONA, and 2022 as the 100-baseline for ROIC.

Table 7: RONA and ROIC projections for TARGET BRAND C.

	2019	**2020**	**2021**	**2022**	**2023**
RONA	100	138	101	122	140
	2022	**2023**	**2024**	**2025**	**2026**
ROIC	100	267	249	213	172

Source: Author's compilation

Further returns offered to the shareholders, which is seen as value captured, were evident in the payment of dividends. When the corporate acquired the brand in 2017, the firm reported no prior dividends associated with the brand. Yet as of 2018, dividends were paid each year, with a general upward trajectory in value when reviewing value of pay-out, of which 2022 was the highest dividend pay-out to date.

4.3.6.2 Conclusion

Massive value was created for this brand by the combination of a lower cost structure, enabled through scale and manufacturing capabilities of the corporate, as well as major sales volume increases as supported by the corporate's strong distribution footprint. Due to major cost pressures created by the COVID-19 pandemic, the profit growth could not be sustained, but is still well above pre-acquisition performance levels.

When considering returns to shareholders, the results are concerning. Even though the return on invested capital has improved substantially since the acquisition, the shareholders returns were projected to remain below the weighted average cost of capital. Objectively, it seems that value captured by the shareholders was not market competitive.

4.3.7 Conclusion

Acquiring TARGET BRAND C required a sense of foresight, as the opportunity was not on the planned merger and acquisition horizon. The opportunity could be recognised due to the merger and acquisition team's ability to interpret signals from their formal and informal environment. Utilising the shared expertise within the corporate, detailed analysis was done to scrutinise the growth projections and brand value proposed by the seller.

A favourable relationship with the seller and select corporate team members, including the merger and acquisition team, led to some competitive advantage in being able to better navigate risks that arose throughout the transaction. The merger and acquisition team had to design creative solutions for problems spanning from managing personal conflict, unrealistic valuation expectations and an expertise gap that could risk successful operationalising of the brand acquisition. These risks were addressed by managing relationships, collaboration within the teams and skilful deal structuring.

There were contradictory findings in the sentiment regarding the governance process employed by the corporate. One participant felt the laborious process inhibitive to the extent that it limited the exploration of opportunities and that it was skewed towards governance rather than execution. However, across the internal and external senior leadership team, the findings pointed to a well-balanced process, allowing freedom and agility within good governance. Further evidence suggested that this deal was concluded with speed, suggesting that commentary on delays caused by the due diligence process is inconsistent.

Within the merger and acquisition environment, findings were clear that each transaction is unique, and required the application of a different approach and often a different skillset. The dynamism stimulates skills development for knowledge integration. Against the concept of transaction distinctiveness, is the impact of team stability in terms of structure and retaining talent. It is proposed that stability within the team, operating in the changing environment, stimulates the effective execution of transactions.

The acquisition of TARGET BRAND C created value in terms of increased revenue and profit. Through the acquisition, the corporate was able to significantly strengthen the profitability, with more value created through an increase in the brand's asset value. However, the analyses found that the value captured by the corporate's shareholders was not market competitive, and at risk of being value erosive to shareholder funds.

4.4 Within-case analysis conclusion

The acquisition of TARGET FIRM A is the execution of an African growth strategy. Foresight was used in identifying this opportunity in the strategy. Through continuous internal collaboration and investigation, the corporate team acquired sufficient knowledge to develop an internal conviction that this would be a successful transaction. By trusting the team's interpretation and their gutfeel created by experience, the opportunity was shaped through a deep understanding of complementarity and risk.

Through a tailored engagement approach and local investment, high-quality relationships were established and maintained with the target firm shareholders and local government. Internally, the merger and acquisition process governed mandates and decision-making, yet informal activities increased the trust within the team and in their proposal. This ability to create a connection was pivotal in the speed with which this opportunity was seized.

The merger and acquisition team were recruited for their technical skills and expertise. Best practice was established for the management of merger and acquisition activities by utilising expertise and adopting learnings from the corporate culture, business specialists' knowledge and the board's outlooks. The capability and the process strengthened significantly over time, as they explored and concluded more transactions. This growing ability increased the corporate's confidence in their African expansion strategy and embedded new capabilities across multiple divisions internally.

Both transactions showed major value created through the complementarity and transformation that was possible through these acquisitions. Revenue growth more than doubled, with exponential growth in profit when comparing the firm and brand performance prior to acquisition. Both transactions established awareness of value created due to knowledge transfer into the corporate, as well as deliberate management and investment decisions in the acquisition of TARGET FIRM A to parties other than the corporate. Value creation was also considered in the growth of the firm and brand asset value when utilising a valuation approach using EBITDA multiples. Both the firm and brand were estimated to have seen a 5% value growth.

Value captured as shareholder value considered profit and returns. Both transactions offered continued superior profit delivery, well above that of the firm and brand prior to the acquisition. Both firms also paid out dividends, with FIRM A doing so less frequently and BRAND C paying out dividends consistently since the first year of the acquisition. When measuring return on invested capital, TARGET FIRM A was found to deliver a positive ratio comparative to the weighted average cost of capital, with further improvement projected for the next three to five years. In the case of TARGET BRAND C, this ratio was negative, suggesting a non-market competitive return to shareholders.

The emerging market context, in which this transaction took place, required a unique and adaptive skillset. There is believed to be a location-heritage advantage for South African firms doing business in Africa, compared to developed country firms, given South African firms' inherent ability to understand the cultural nuances and adapt. This, compounded by the more formal and costly developed market opportunities, leads to the understanding that the African continent holds a more natural and complimentary expansion.

Building on the findings of this chapter, Chapter 5 reviews the similarities and differences between the two cases. This is done retaining the themes but is structured based on the research questions.

CHAPTER 5: CROSS-CASE ANALYSIS

5.1 Introduction and thematic analysis

This section reviews the findings of each of the two designated within-case analyses, with the aim of evaluating similarities and differences. The section is structured per research sub-question, leading up to the main research question. In each sub-section, relevant themes as identified in the within-case analyses are used to argue findings related to each question, supported by a summarised table per question.

Data reviewed for the creation of the cross-case analysis was limited to the findings highlighted in the within-case analyses in the previous chapter. It is noted that of the seven participants per case study, five interviewees participated in data gathering for both case studies. Data gathering similarities between the two cases, other than interviews, include published financial results and annual reports. Unique secondary data considered was TARGET FIRM A's internal business case and online articles, and TARGET BRAND C's internal brand financials.

5.2 Research sub-question 1: How does merger and acquisition activity develop a firm's dynamic capability?

This question examens how dynamic capabilities were developed in each of the two cases. It does so by reviewing how previous merger and acquisition transactions, including the case transactions themselves, impacted the evolution of the sensing, seizing and transforming capabilities within the corporate. Table 8 below is a summary comparison of the findings across each of the elemental themes for dynamic capabilities.

Table 8: Sub-question 1: Case comparison summary.

<table>
<tr><th rowspan="2"></th><th rowspan="2">Case Similarities</th><th colspan="2">Case Differences</th></tr>
<tr><th>Case Study 1: TARGET Firm A</th><th>Case study 2: TARGET BRAND C</th></tr>
<tr><td colspan="4">Sub-question 1:
How does merger and acquisition activity develop a firm’s dynamic capability?</td></tr>
<tr><td>Sensing</td><td>Active pursuit of knowledge stimulated through merger and acquisition transactions.

Experience of above and impact of previous transactions increases the team’s awareness and trust to utilise their gut-sense.</td><td>Previous mergers and acquisitions shaped strategy and identification of opportunity.

Furthermore, it assisted in shaping and filtering the opportunity.</td><td></td></tr>
<tr><td>Seizing</td><td>Investigation and execution of transactions within the corporate necessitates collaboration and built relationship.

All transactions are unique, and shape transferrable skills in agility and creativity in seizing the opportunity with speed.

Robust governance and decision-making protocol existed and was followed for both transactions, even though it was not necessary for TARGET BRAND C given lower-value threshold.</td><td>Previous transaction shaped relationships and collaboration with target firm.</td><td></td></tr>
<tr><td>Transforming</td><td>Merger and acquisition experience facilitates the process of knowledge integration.</td><td>Ample evidence supported those prior transactions developed learning through experience</td><td></td></tr>
</table>

Source: Author's compilation

5.2.1 Theme 1: Sensing

The corporate’s growth strategy clearly set-out mergers and acquisitions as a core pillar of their inorganic growth focus. This was supported by previous transactions that supported this development, particularly the experience from the prior acquisition of a minority share of TARGET FIRM A. This earlier transaction led to the identification of Africa as a target growth market and the second controlling share transaction.

The foundational elements of sensing were stimulated by the active research and analyses conducted to pursue knowledge creation as part of the pre-implementation phase of considering various merger and acquisition transaction opportunities. Transactions concluded prior to both transactions, as well the knowledge pursuit of these two transactions, further developed this capability. It was also found that this experience, combined with previous transactions, stimulated the team's gut-feel warning signs and their trust in employing it.

5.2.2 Theme 2: Seizing

The merger and acquisition process requires a lot of collaboration in evaluating, but also within the approval framework. These formal and information connections with internal and external teams stimulate collaboration and the maintaining of strong relationships required for dynamic capabilities.

Given the uniqueness of each merger and acquisition transaction, the team and the process need to build agile capabilities that help find creative solutions to problems that could delay or block the potential deal. "*You need to be quite agile, because not every transaction is the same and different things will pop up*" (Participant 5).

5.2.3 Theme 3: Transforming

By structuring the merger and acquisition team in-house, the corporate stimulated the internalisation of best practice in the process. Previous merger and acquisition experience, like in TARGET FIRM A where the corporate already had a minority share, created access to information and increased confidence. All interviewees believed that it was the experience of these transactions that built confidence and capabilities.

> *The team also learns on the job. So, the more they do these things, the more they learn, so they get to know countries better, what to watch out for, understand the industry in that country better and the legal environment. I think you get experience, and you get knowledge as you do more of these things in Africa, so you do change and then you adapt your process.* (Participant 2)

Capabilities were created through the team structure that allowed some freedom, as well as in the acquisition industry environment where agility is required to continuously realign resources. Another respondent felt that stability within the team structure assisted to increase capably, meaning, team stability, operating in a dynamic environment, and freedom within that structure, led to capability development.

5.2.4 Conclusion

Merger and acquisition activity stimulated activities that led to gaining knowledge and created confidence in the team to trust their interpretation and gut-senses. The more transactions the team and the corporate participated in, the more these capabilities developed. Only TARGET FIRM A found proof of how previous transactions shaped strategy, and how that led to opportunity identification and the shaping of capabilities. The active pursuit of knowledge and trusting of intuition in both cases are foundational elements of sensing, thus confirming how previous transactions stimulated the development there-of.

The evaluation and decision-making process for mergers and acquisitions were heavily reliant on collaboration, which encouraged relationship building and strengthening. As the teams worked across business units and with the external board's investment committee, they gathered a better understanding and working relationship. Furthermore, through pursuing various unique transactions, the team developed agility and creativity in their approach to opportunities. Findings suggest that previous transactions developed seizing capabilities, as evident in the existence of strong relationships and dexterity.

The corporate's decision to pursue merger and acquisition transactions created an in-house expertise through recruiting. Processes were continuously shaped by learning from best practice, previous transactions and working with other team members during transactions. This incessant integration of knowledge and reconfiguration of approach with each transaction led to the team's ability of transformation.

The strategic direction from the leadership team regarding the inorganic growth strategy led to the creation of the in-house team, as well as execution of various merger and acquisition transactions. These transactions stimulated experience, which increased the merger and acquisition team and process to acquire and integrate knowledge, build relationships through collaboration necessary for analysis and transaction considerations, and required the team to develop creative and agile approaches to executing the transactions. As more transactions were concluded, the process was adjusted, resources were developed, and the team started to trust and use their intuition more.

5.3 Research sub-question 2: How are dynamic capabilities used to make merger and acquisition decisions?

Mergers and acquisitions are unique transactions that require a strong technical skillset for evaluation. Yet, the identification, shaping and execution of the transaction requires a myriad of capabilities, including foresight and agility. This question focused on understanding how the ability to sense, seize and transform was used to make the decision. Table 9 below is a summary of these findings.

Table 9: Sub-question 2: Case comparison summary.

<table>
<tr><th rowspan="2"></th><th rowspan="2">Case Similarities</th><th colspan="2">Case Differences</th></tr>
<tr><th>Case Study 1: TARGET FIRM A</th><th>Case Study 2: TARGET BRAND C</th></tr>
<tr><td colspan="4">Sub-question 2:
How are dynamic capabilities used to make merger and acquisition decisions?</td></tr>
<tr><td>Sensing</td><td>The pursuit of knowledge, analysis was utilised to better understand and identify, as well as shape and filter opportunities, leading to decision-making.

Identification of complementarity across the transaction supported and expedited shaping, filtering and decision-making.

The process relied heavily on the team’s ability to interpret and trust their gut and expertise when it came to decision-making.</td><td>The corporate’s strategy played a direct role in the prioritisation and decision-making of this transaction.</td><td>TARGET BRAND C relied much more on interpretation and intuition, given that the opportunity was not an extension of an existing strategic decision.</td></tr>
<tr><td>Seizing</td><td>Established relationships supported both opportunities to be brought to the corporate and facilitated problem solving which accelerated decision-making.

Both transactions followed the corporate’s governance process, and benefited from robust reasoning and internal debates, leading to the investment decision.</td><td>Strategic path alignment expedited decision-making and this the seizing of opportunity with speed.</td><td>Creative problem-solving capabilities designed a risk-mitigating deal structure, enabling decision-making.

A balanced tension found between maintaining good governance process and allowing agility in consideration aided decision-making.</td></tr>
<tr><td>Transforming</td><td>The corporate recruited expertise to manage the merger and acquisition in-house, bringing with them process and financial best practice.

The structure allowed flexible resourcing. The agile approach enabled knowledge integration not only in what to base their decision on, but also continuously improving the process.</td><td>The team showed strong willingness to learn from experience, which improved their confidence and the corporate and board’s trust in the team, leading to improved decision-making.</td><td></td></tr>
</table>

Source: Author's compilation

5.3.1 Theme 1: Sensing

Dynamic capabilities represent the corporate's ability to interpret their environment, including the experience and heritage advantage to South African firms in African country acquisitions. In the acquisition of TARGET FIRM A, the researcher found the example of utilising research and locational experience to prioritise transaction opportunities to support in the opportunity evaluation, whereas in TARGET BRAND C's acquisition the team applied subjective judgment to the interpretation of research findings.

> *(In) initial discussions with interested parties, you get a kind of sense if there's substance to both the management team and the forecast that they are putting on the table, and that's very hard to quantify, but you cannot just believe what is being put on the table from a competitor or a target side. You need to effectively evaluate and it's kind of a common-sense application, then going through that and verifying that with, as far as possible, trying to fit what's being provided to you and evaluate that against identifiable facts, whether it's macro forecasts or category forecasts or brand forecast and brand health data. (*Participant 5)

Merger and acquisition decisions were based on alignment to strategy, from the team structure supported by the strategic importance of merger and acquisition for inorganic growth, through to transaction selection. Participant 6 explained that you had to *trade them off, using strategy to determine the priority. New corporate strategy that kind of evolved during that period, put M&A as a core pillar to unlocking inorganic growth".*

On the contrary, there was no upfront strategic alignment to strategy with TARGET BRAND C, yet the merger and acquisition team were able to identify the potential of the opportunity. The capability of a team to foresee value in a brand, which was not identified on the growth roadmap, indicates how strategic path alignment does not necessarily mean only considering that which is written on the strategy, but also that which would support its core purpose.

Merger and acquisition opportunities were shaped through the identification of complementarity, that led to understanding how the corporates capabilities could increase the target firm's performance, as well as how the target firm's capabilities could be leveraged to grow the corporate.

Participant 8 commented that firms are acquired when they are performing sub-optimally, with the assumption that the acquiring firm can improve performance and add value.

> *So, do you have the wherewithal to actually turn that, to add value, you know, to get to your value discussion? Whatever you require, you have to be convinced that you, your management team has the unique capability to extract extra value out of that, and probably more so than any other competitor.* (Participant 8)

5.3.2 Theme 2: Seizing

> *Firstly, you have got to define your strategy carefully and precisely. And be very deliberate about choices, because strategy is not about execution it is about the choices you make for long term value creation, shareholder value creation... We made pretty clear choices a while ago that Africa was our primary hub, feeding ground for growth, and therefore our M&A teams were charged with the responsibility to pursue every potential opportunity for growth that actually fits our skill set, our competence, as an organisation.* (Participant 1)

Creating and preserving strong relationships greatly assisted in the acquisition process for TARGET FIRM A. By building credibility over many years, the corporate and their merger and acquisition team established trust that expedited the process. Criticality of strong relationships were also the foundation of TARGET BRAND C's process, where "*we knew the individual quite well. So that gave us maybe a better insight track compared to other buyers… I think that gave us a better insight*" (Participant 2).

> *One thing for the M&A team, they need to build relationship with the industry, with other players, understand most companies and work with advisors and build relationships, so it's not the cold environment. There's lot of relationships that you need to keep intact.* (Participant 2)

Agility in problem solving came to light in how to influence the team to put resources behind the acquisition of TARGET BRAND C, conflict resolution, as well as in how the deal was structured to fill the expertise gap.

Unique to the acquisition of TARGET BRAND C was the debate that arose on whether the merger and acquisition governance process hindered agility in consideration and decision-making, both of which are needed to make M&A decisions. The researcher found that it was exactly this tension between the two that show how dynamic capabilities were used to make decisions.

Influencing plays an important role in decision-making. "*A big part of influence is how we show up and how we present materials and how we make a business look and make sense for us to buy it*" (Participant 6). A good understanding of the decision makers and how decisions are made, improved these capabilities within the team and process.

5.3.3 Theme 3: Transforming

Outside of technical skills, the team expertise, which was recruited for, found their skillset to include influencing and people management, which was much needed in the decision-making process.

The structure of recruiting an in-house merger and acquisition team expedited the process through retention and integration of knowledge. The resultant improved strategic alignment and trust greatly assisted in the process. Stability within the team structure, which is not considered a dynamic capability characteristic, was found to support the transformation process within the merger and acquisition team and process.

> *And I think our model is right. You flex that team up when you need to and you have a core that you just have to have of expertise and we have got very good expertise in that core to manage the pipeline. If you need the pipeline bigger you obviously expand the team.* (Participant 1)

5.3.4 Conclusion

Dynamic capabilities are evident and essential throughout the entire merger and acquisition process. Acquiring knowledge and utilising expertise assists in evaluation and shaping of opportunities, to enable decision-making. TARGET FIRM A showcased how foresight from strategy and strategic alignment can prioritise decision-making. On the other hand, TARGET BRAND C relied more on the team's expertise to identify the value of the opportunity.

Relationships were at the core of the merger and acquisition process, from enabling the awareness of transaction opportunities, through to leveraging these established personal connections as a competitive advantage in negotiations. Relationships established trust, which was further bolstered by the robust governance process, leading to accelerated deal execution on both cases. The unique problems of unidentified opportunity, personality clashes and risk of operationalising identified in TARGET BRAND C were creatively solved in the acquisition's agile approach to influencing and deal structuring.

Furthermore, the recruiting of expertise and adoption of best practice increased trust in the process and facilitated more comfortable decision-making. Findings from TARGET FIRM A's acquisition include the value of learning through experience, which improved team capabilities and confidence, delivering a more efficient evaluation and decision-making process.

5.4 Research sub-question 3: How is value measured, as created and captured through the use of dynamic capabilities, in mergers and acquisitions?

With value creation at the core of corporate strategy, this question explored if value was created and captured by the firm, through utilising dynamic capabilities in executing merger and acquisition transactions. Distinction is made between the value created by these transactions and which portion was captured by the corporate. The approach taken was to compare findings in each of the individual cases that evidence value creation and returns to the firm. Table 10 below is a summary of this comparison.

Table 10: Sub-question 3: Case comparison summary.

	Case Similarities	Case Differences	
		Case Study 1: TARGET Firm A	**Case Study 2: TARGET Brand C**
Sub-question 3: How is value measured, as created and captured through the use of dynamic capabilities, in mergers and acquisitions?			
Sensing	*Knowledge* and capability created through market research and strengthening team *intuition* created value for the corporate's teams.		
Seizing	Maintaining *strong relationships* improved negotiation position of the corporate, enabling more competitive acquisition prices. Furthermore, relationships allowed agility to execute transactions with *speed*, reducing transaction cost.		*Agility in problem solving* increased the value offering of the whole transaction, considering acquisition of expertise with brand.
Transforming	*Knowledge integration* institutionalises the experience, creating potential for increased future value creation for the corporate.		
Value Creation	*Performance* improvement through reduced cost and increased sales indicated value creation post acquisition. Value created through transaction was seen in both acquisitions' revenue improvement.	Value created in Kenya includes increased value *appropriated to value chain stakeholders*, GDP growth, employee working conditions, as well as local community investments.	Integration of expertise from brand owner into the corporate.
Value Capture	The increase in valuation of TARGET FIRM A and TARGET BRAND C showcased asset growth available to be captured. Continued *profit* growth post-acquisition, as well as dividends paid out, show value captured by firm due to these two transactions.	Transaction delivered a positive return on invested capital for the *shareholders*, larger than the weighted cost of capital.	

Source: Author's compilation

5.4.1 Theme 1: Sensing

Th active pursuit of knowledge creates the value of improving the corporate teams' capabilities, as said by Participant 1: "*The knowledge created is invaluable*". This strengthens the team's intuition and ability to interpret the environment, which ultimately improved opportunity identification and shaping.

5.4.2 Theme 2: Seizing

The corporate had a competitive advantage in both transactions given their existing relationship with the targets. This led to a negotiation benefit that had a favourable impact on the final acquisition price. The trust and understanding that existed between the parties furthermore increased the speed of transaction execution, reducing the transaction cost.

Further value was generated in TARGET BRAND C's acquisition through the creative problem-solving of the merger and acquisition team. The deal structure included the acquisition of expertise to be brought in-house, which the corporate could not only leverage to make a success of operationalising the acquisition, but also learn from to increase internal capabilities.

> *We intentionally tried to learn from him and to involve him for that reason… we wanted him to import knowledge and both capabilities and be more agile and see what capabilities you need and how to work a premium brand which I think was quite successful.* (Participant 4)

5.4.3 Theme 3: Transforming

Capabilities and knowledge mentioned in the above two sections become transformative when they are institutionalised in the firm. Here, value is found to be the internalising of expertise into the process. The potential for increased value delivery out of this expertise was incalculable, but clearly understood to exist.

5.4.4 Theme 4: Value creation

Supported by the complementarity identified through sensing activities, TARGET A was transformed through the re-engineering of resources, which led to major performance improvements, as seen in revenue growth.

The firm growth meant an increase in appropriation of value to value chain stakeholders, such as employees, suppliers, and local government. This value that was shared is judged to be an outcome of dynamic capabilities utilised in the transaction. It is noted that this is the portion of value that was created that was not captured by the corporate.

Additional value that was created for Kenya is seen in the upliftment work initiated and supported local communities. The strong relationships in seizing led to the awareness and creation of value through in-country investments by the corporate. Furthermore, it was also the collaboration and strong relationships that led to the improvement of business performance of TAGRET FIRM A, which stimulated returns to afford these investments

5.4.5 Theme 5: Value capture

The value created, as explained above, had a direct impact on the portion of that value that was captured by the firm, and thus the corporate and their shareholders as well. Value captured by the TARGET FIRM A was massive, as supported through a 663% growth in profit value. This lens quantifies the portion of value generated by the complementarity, that is allocated back to the firm.

Other than target firm and target brand valuation growth, as seen in the improvement in EBITDA multiples, shareholders captured value in the form of dividend pay-outs. TARGET FIRM A offered shareholders a positive return on invested capital, which exceeded the weighted cost of capital, whereas TARGET FIRM B delivered a negative return ratio.

5.4.6 Conclusion

Throughout the process of identifying, evaluating, and executing transactions, value was created in the maturation of the team, enhancing their expertise, and improving the process. Strong relationship and dexterity in maximising value extraction from the deal structure further created value through enhanced negotiation position and speed in execution. Transformation of the team unlocked future value-creating potential.

Evidence of value created in transaction implementations were evident in performance indicators, like revenue growth. Value of revenue growth was appropriated among value chain stakeholders, with further value created in Kenyan communities due to investments made by the corporate. Value capture to the firm was supported by the increased value of profit in both cases, after the acquisition. Shareholder returns were evaluated to be favourable for TARGET FIRM A's investment, but not for TAGRET BRAND B. Additional value captured was identified as a growth platform for the corporate's brands in Kenya, which grew by 55%, and the expertise transfer from the brand owner in TARGET BRAND C, who developed a premium spirit marketing capability within the team.

The above value was created and captured due to the execution of the transactions, of which neither would have happened to the level of success had there been no dynamic capabilities present in the corporate's merger and acquisition team, as well as the process. Sensing enabled opportunity identification, whilst seizing leveraged relationships and creative problem-solving to increase the possibility of value created by the transactions. The recruited skills within the team created and continuously adjusted this process that led to the delivery of these favourable transactions. Each of these foundational capabilities form the building blocks without which the process cannot run successfully, nor would value creation be maximised.

5.5 Main research question: How do South African firms use dynamic capabilities to create value through mergers and acquisitions?

Throughout the analysis, the close relationship between dynamic capabilities and the inherent nature of mergers and acquisitions was evident. It is often difficult to discern whether the dynamic capabilities shaped the transactions, or whether the transaction experience developed the capabilities. Potentially equivocal, these two statements were found to be non-exclusive. The relationship between the two constructs was observed to have an interplay whereby each has a direct impact on the other.

Dynamic capabilities were found within this corporate, and they increased value created by execution of the transactions. Table 11 below shows a short summary of how the findings under each theme addresses the question of how these capabilities were able to create this value through mergers and acquisitions.

Table 11: Main research question: Case comparison summary.

	Case Similarities	**Case Differences**	
		Case Study 1: TARGET FIRM A	**Case Study 2: TARGET BRAND C**
Main research question: How do South African firms use dynamic capabilities to create value through mergers and acquisitions?			
Sensing	*Knowledge* enables analysis and together with *intuition*, supports *identification* of risk and opportunity in potential transactions allowing the team to *shape the opportunity* to maximise value.	Previous transactions were used to shape strategy, that was used as foresight in identification of opportunity.	
Seizing	*Maintaining strong relationships* with both		*Collaboration* and *reasoning* flagged

	target shareholders, value was created in improved ease of transaction execution, as well as negotiation benefit due to competitive advantage. Internal collaboration increased trust in decision-making, allowing transaction execution to happen with speed.		operationalisation risk. This was used in contract negotiations, addressing the risk and creating value through *creatively solving the skills gap,* enabling knowledge transfer into the corporate.
Transforming	The corporate's internal teams and the merger and acquisition process was transformed through *knowledge integration* stimulated by the *recruitment of expertise*, adoption of *best practice* and *continuous learning*. This led to a capability development that unlocked value within these transactions and enabled future value creation.		
Value Creation	Improved performance as seen in revenue growth, was enabled through sensed and seized complementarity. Performance created growth in asset value. Performance improvement also led to the appropriation of increased value to value chain stakeholders, including employees and local government.	Additional value was created in Kenya due to community investment.	Within the corporate, value was created through knowledge transfer as part of the deal structure, improving internal capabilities in managing premium spirit brands.
Value Capture	Improved performance explained above led to increased profit post acquisition.	Positive returns to shareholders created through performance and firm growth.	Evidence that improved performance and increased profit does not necessarily lead to increased shareholder returns.
Exceptionality of emerging market context		Ability to interpret African context and be agile in approach to transaction evaluation and execution, increased total value created.	

Source: Author's compilation

5.5.1 Theme 1: Sensing

Even though different routes for opportunity identification were followed, in both cases this was done through trusting and utilising the team's ability to sense. Opportunity identification for TARGET FIRM A was influenced by the corporate's ability to learn from previous acquisition experience and incorporate that into their strategy. Whereas in TARGET BRAND C, the team trusted their interpretation of potential for an unforeseen opportunity.

It is found that the South African firm had a natural intuition to sense how to navigate and scrutinise available information and where more information would need to be acquired. This capability enabled the understanding of where the risks and potential within each transaction lay. Furthermore, through a lack of arrogance in their own expertise and ways of working, the corporate had an openness that strengthened their interpretation of the environment. Their understanding of risk and potential, including cultural nuances, influenced the shaping and seizing of transaction opportunities.

5.5.2 Theme 2: Seizing

The South African corporate showcased a natural agility towards navigating informal processes and adapting their approach to suit the specific environment of the opportunity. This characteristic created substantial value when applied to problem-solving how to successfully operationalise both acquisitions. In the acquisition of TARGET FIRM A, this was evident in creating trust through building relationships and understanding how to show a vested interest in Kenya through integration decisions and local investments. For the acquisition of TARGET BRAND C, the contracting created maximised value extraction to the firm, by retaining the owners' expertise and enabling the knowledge transfer to the corporate.

> *Seller wanted more value, and how do you generate more value first by de-risking for THE CORPORATE, and how do we retain some of his knowledge and transfer that knowledge? So we had a two-part transaction – 70% now and then 30% in a put and call. Other transactions don't have a put and call. So, everything is different. There's no standardisation of engagement… You can look at how you're going to value something, but then when you get there, you've got to have a framework and you then have to negotiate around how.* (Participant 5)

The corporate's internal culture of collaboration strengthened the analysis process, as well as created buy-in and ownership by the teams for integration. Internally, the strong relationships that were built through the formal processes, as well as the information approach taken to influencing decision-making, strengthened trust and increased the speed within which both transactions were executed.

Furthermore, the inherent nature of the South African team to maintain industry relationships increased transaction value, due to an improved negotiation position in both cases. The strong relationship with the shareholders resulted in a non-competitive bidding process for TARGET FIRM A and improved the team's ability to manage personality clashes in TARGET BRAND C.

5.5.3 Theme 3: Transforming

The corporate, as led by their strategy, created the in-house capability to run end-to-end merger and acquisition processes. This was enabled by the recruitment of expertise, as well as the adoption and creation of best practice. As a South African multinational, the corporate's ambition to shape an ethical culture supported a major focus placed on governance and the adoption of best practice. This was evident within the merger and acquisition team and process. The value generated by this approach reduced risk as well as increased trust in the process and the people managing it. Flexibility in team structure allowed for the realignment of resources as required. Business owners and specialists were brought in as required per transaction, stimulating further knowledge creation and integration.

The continuous learning and application of best practice transformed the team and process. The improvement created more value for the corporate, not only for the transaction at hand, but also future opportunities. As Participant 1 phrased it: "*Once you decide that you're going to just do more work in a market that's an investment in your education as a company and in your people's development, so I don't see it as a cost that sunk*". The continuous pursuit for improvement led to a willingness for knowledge integration, whereby the teams and processes were often transformed, increasing the capability within the corporate. Integration of knowledge is a value-add.

5.5.4 Theme 4: Value creation

By leveraging complementarity identified by the team and process, value was created through improved performance. This is evident in the reduction of cost as well as increased sales. The operational improvements and increased attractiveness of the transformed assets led to an increase in both assets' value as measured in EBITDA multiples.

Improved performance and revenue led to increased appropriation of value to value chain stakeholders, which was expressly highlighted in acquiring TARGET FIRM A. Given the level of integration of the brand acquisition onto the corporate's business model, this was more difficult to discern, but can be inferred.

Additional value was created acquiring TARGET FIRM A in Kenya, through community investments made by the corporate, as identified through long-term relationships and sensing. For TARGET BRAND C, additional value was created for the corporate in deal structure, whereby the asset owner assisted in not only operationalising the brand on the corporate's platform, but also transferring knowledge into the corporate.

5.5.5 Theme 5: Value capture

The portion of value that was measurable and considered to be captured by the firm, out of the above-mentioned value created is evident in increased profit and dividend pay-outs in both cases. A difference between the two cases is evident when measuring return to shareholders through return on invested capital. The positive return outweighed the weighted cost of capital in TARGET FIRM A's acquisition. Yet in the acquisition of TARGET BRAND C, even though the performance indicators were similar, the returns to shareholders are negative.

5.5.6 Theme 6: Exceptionality of emerging market context

TARGET FIRM A was the only cross-border transaction, as both the acquiring and target firms in TARGET BRAND C were South African. TARGET BRAND C offered no evidence alluding to a uniqueness given the emerging market context, yet in TARGET FIRM A, commentary was freely shared without being led by the interview guide to do so. It was found that a different skillset was required to investigate and execute African transactions, compared to those in developed markets.

The researcher found a strong dependency on the team's ability to trust their intuition throughout the transaction process. The South African team were able to sense the unique cultural requirements of doing business with Kenya and had the ability to adapt their approach accordingly. Evidence suggested that the South African firm had a locational expertise or, rather, a heritage advantage given their ability to creatively navigate informal markets and processes.

Given the preference afforded to the South African multinational, compared to other non-South African competitors in both transactions, evidence exists to suggest that the South African based corporate had an advantage due to their ability to build and maintain strong industry relationships. This generated value in both transactions, in transaction cost as well as success of operationalising post acquisition.

5.5.7 Conclusion

Dynamic capabilities were leveraged throughout the merger and acquisition process to increase the value of the transactions. The pursuit of knowledge and trusting of the team's intuition created an ability to sense transaction potential, which led to shaping of opportunities. The inherent South African intuition displayed increased ability to interpret the distinctiveness of each transaction's requirements, often required specifically in emerging market contexts to adapt to cultural nuances of transacting parties and firms.

Internal relationships and collaboration also supported the above sensing capabilities, by levering the collective team's ability. Through formal and information collaborative engagements, the team was able to build trust in the process and increase the speed of executing the transaction. The strong industry relationship built by the South African team increased value creation out of the transactions through superior negotiation positions. These external relationships also assisted in managing people in the process, as part of problem-solving.

Furthermore, the agility and creativity of the team to address risks through contracting, and increased value generated out of the transaction, were found as evidence of how the South Africans seized opportunities for their benefit. This dexterity was found to be a unique factor required when doing business in emerging markets, given the need to navigate the informal processes.

The benefits delivered weren't only found in the transaction but were also evident in the corporate's team. Through realignment of resources and continuous process improvements, the larger corporate team improved by hand of experience. The integration of knowledge increased the corporate's internal capabilities, which were found to have the potential to deliver further future growth and value-generating opportunities.

The South African firms' dynamic capabilities created value through the improved performance of the target firm, and target brand post acquisition. As a result of understanding potential through sensing and shaping of the transactions, the team realigned resources and processes to increase revenue, by reducing cost and increasing sales in both transactions. The portion of value captured was delivered through increased profit and dividend pay-outs, yet only in TARGET FIRM A was there evidence of a favourable shareholder return on invested capital.

5.6 Cross-case analysis conclusion

Merger and acquisition experience shapes the development of dynamic capabilities by requiring the pursuit of knowledge. Knowledge and experience grow the team's intuition. The process stimulates collaboration, reasoning and relationship-building within the corporate, as well as creativity in the team given the uniqueness of each transaction. Each of these elements transforms the team through knowledge integration and realignment of resources and capabilities.

In turn, dynamic capabilities are used to make merger and acquisition. The strong relationships within the team are leveraged not only to stimulate internal collaboration and thus trust in transaction conviction, but also external relationships, which improve the corporate's ability to shape the opportunity. Transaction decisions are also supported by team expertise which was recruited, and flexible resourcing to support the process. The team's ability to integrate knowledge and continuously improve the process further benefits the decision-making process.

The value that is created out of these transactions starts with performance improvement in the firm and the brand, post-acquisition. Through leveraging complementarity of capabilities, both acquisitions saw a reduction in cost and an increase in sales volumes leading to growth in both revenue as value created and in profit, considered to be an element of value capture. Further value created lies in knowledge and capabilities development within the corporate, and an increase in asset valuation of both transactions. Interestingly, even though performance indicators were positive in both cases, only TARGET FIRM A showed a favourable return to shareholders, given invested capital.

South African firms were found to leverage their inherent intuition and strong relationships to increase success and value created out of acquisition opportunities. The corporate's openness to learn and interpret were found as unique characteristics, as found in dynamic capabilities, that influenced the approach. The team's dexterity in adapting to the unique needs of each transaction was found as a differentiator, catering for cultural differences, managing personality conflicts, and shaping the transactions in such a way that maximised value creation.

Figure 10 below depicts the interplay between dynamic capabilities elements, influencing merger and acquisition transactions. The experience transforms the firm, developing dynamic capabilities. Furthermore, acquisition decision led to value creation, as shaped by the application of dynamic capabilities, whilst transformation and capability development in itself creates valuable. Value is captured from value creation, with profit growth and dividends captured by the firm, regardless of strategy. However, the application of strategy enables value captured through shareholder returns, indicated in light to dark grey shading.

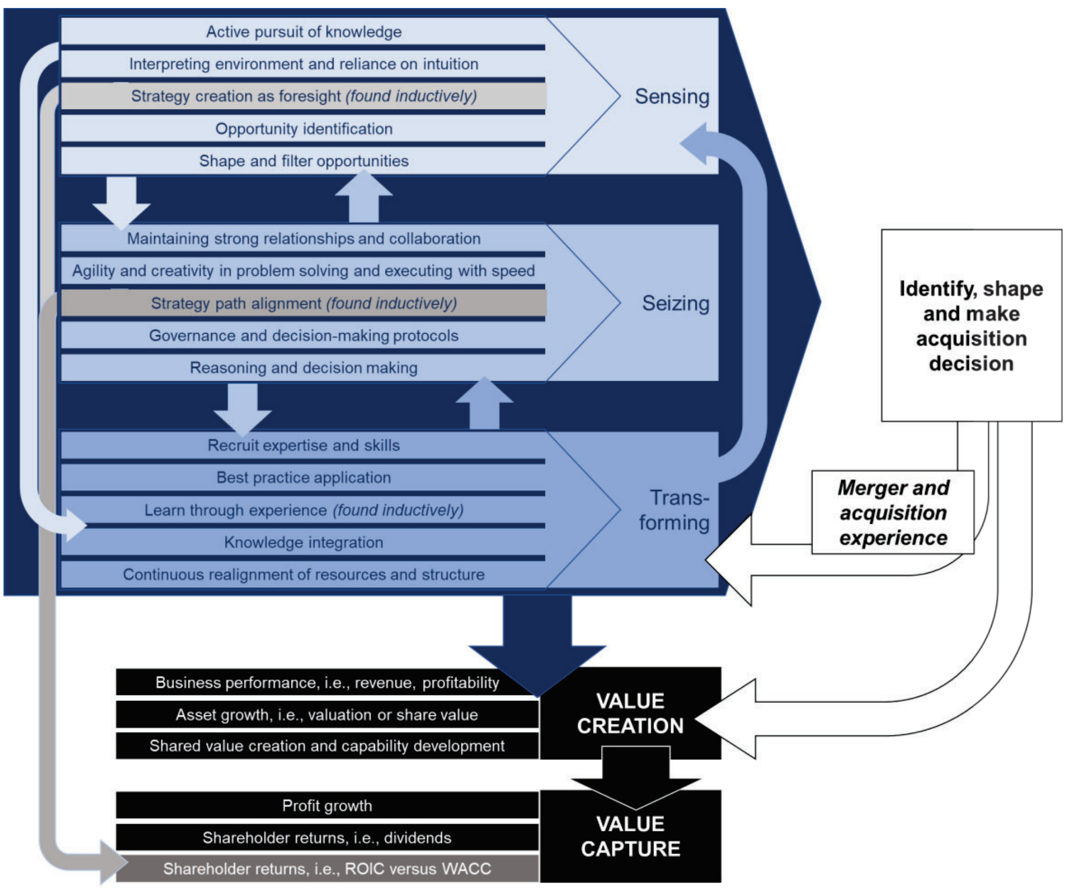

Figure 10: Research findings framework. Source: Author's compilation.

CHAPTER 6: DISCUSSION OF RESEARCH FINDINGS

6.1 Introduction

The research findings were presented in the previous chapter, through within-case and cross-case analyses. In this chapter, the research outcomes are discussed by comparing the research findings with literature. It is noted that while dynamic capabilities appear company-wide as well as within business units or processes (Teece, 2014), this research discussion focuses on capabilities developed and found, as related to the coprorate's merger and acquistion activity.

The corporate engaged in merger and acquisition activity as inorganic growth decisions to support their strategic objective of growth. TARGET FIRM A was a clear example of geographic expansion, whereas TARGET BRAND C was an opportunistic acquisition. Within both transactions, focus was placed on the complementarity between the targets and the acquiring firm, considering how the corporate could redistribute resources and capabilities into the operations to grow the target firm and brand, as well as how the corporate's own capabilities could be built up through the acquisitions. The decisions to execute the transactions were based on a triangulation of a strategic fit, ability to operationalise and grow the acquisition, and financial returns.

Similar to findings from Teece (2014), the capabilities were used in collaboration with useful strategy to be effective. The similarities between mergers and acquisitions and dynamic capabilities are evident in literature, given the "capacity of an organisation to purposefully create, extend, or modify its resource base" (Helfat et al., 2007, p. 8). This is supported by the underpinning association of resources and capabilities (Kapoor & Aggarwal, 2020) on both constructs.

6.2 Research sub-question 1: How does merger and acquisition activity develop a firm's dynamic capability?

The innate characteristic of mergers and acquisitions allows the reconfiguring of resources, including capabilities, into the target firm as well as acquisition firm and brand. The corporate engaged in merger and acquisition activity as a growth strategy, given the limited ability for organic growth within the market dynamics. This is found to mirror Teece's (1997) formative article presenting dynamic capabilities as an ability to shape, combine and reconfigure resources and capabilities.

The dynamic environment of mergers and acquisitions assists in building the capabilities.

This aligns directly with Penrose's building blocks, as cited in Ambrosini and Bowman (2009), including her argument that a firm must continuously keep evolving, which is evident in the dynamic capability model. Even though this researcher chose to exclude the consideration of Kurtmollaiev (2020) that the dynamism of the construct relates to the environment, the argument holds that a dynamic environment assists in shaping the capability. Given the unique nature of each merger and acquisition transaction, Ambrosini's and Bowman's (2009) findings hold true.

Madsen (2010) positions this construct as a superior ability, given its capacity to exploit existing capability as well develop new capabilities. Within the research findings, evidence gathered indicated how experience in previous transactions built relationships and enabled knowledge to be integrated into the team and the process. As in the words of Peter Bruce, "Nothing beats experience… for it shapes your instincts" (Makura, 2012, p. 382), This expertise and confidence in the team's capabilities transforms their ability to interpret and trust their intuition. Thus, stimulating that experience through considering and engaging in merger and acquisition activity, plays a role in shaping the capabilities.

The findings propose that the capabilities were in the least partially developed through the execution of previous transactions, which is in contrast with academics supporting that the capabilities can be bought (Čirjevskis, 2019) or that they exist by pure luck (Barney, 1991). Aligned to Winter's (2013) proposal, the development of capabilities came as a result of deliberate intervention. Given the drive from leadership to stimulate inorganic growth, the findings are supportive of Ambrosini's and Bowman's (2009) view that the development can be influenced by top management. This research found this correlation to be indirect however, as the focus on the outcome of merger and acquisitions as set out in strategy was to generate growth for the firm, and the act of executing these transactions then also led to the internal development of the capabilities.

Given that the act of executing these transactions was found to stimulate research, collaboration, and creativity to find solutions across various unique transactions, the concept of "experience-based dynamic capabilities" (Tang & Gudergan, 2018, p. 543) seems suited to explain how experience assists within the development. Thus, this is aligned to the concept that these capabilities can be created through the activity of mergers and acquisitions, in the exposure and experience these transactions create for the firm. This finding is further supported by Eisenhardt and Martin (2000), Teece et al. (1997), and Zollo and Winter (2002), who posit that these capabilities are substantially developed by learning.

Research findings as per Chapter 4 and 5 give sufficient evidence to confirm that previous merger and acquisition transactions support the development of dynamic capabilities. Mergers and acquisitions in themselves are not dynamic capabilities, but these capabilities were created through the activity of mergers and acquisitions. The exposure and experience these transactions create for the firm enabled learning and development, termed as "experience-based dynamic capabilities" (Tang & Gudergan, 2018, p. 543). Participant 3 highlighted that in the process of mergers and acquisitions, the corporate specifically identifies and compares organisational capabilities, asking "*Can you learn from it and bring it to the rest of your business?*"

Learning through experience is a micro-foundation of dynamic capabilities. Teece (2014) posits that this learning underpins the transformation. Academics agree that these are learnt capabilities which are substantially developed by the mechanism of learning (Eisenhardt & Martin, 2000; Teece et al., 1997; Zollo & Winter, 2002). Given the strong impact of collaboration and relationships, the development of capabilities could be likened to a knowledge-based view, often found in international literature (Kapoor & Aggarwal, 2020). The researcher finds the knowledge transfer concept of this construct to be insufficient given its failure to address how the dynamic environment of mergers and acquisitions shape dynamic capabilities. This is supported by findings from Winter (2003), who furthermore argues the static knowledge-based view to be limited to internal knowledge, ignoring agile resourcing associated to the dynamic capabilities, as stimulated through merger and acquisitions.

The capabilities were created through hiring in technically skilled expertise, which were ordinary to M&A, and then developed through best practice (Eisenhardt & Martin, 2000) and experience, to become superior capabilities. This reconfiguration of the resource base and process competencies found in the research was shaped through merger and acquisition transactions, and characteristic of dynamic capabilities (Ambrosini & Bowman, 2009). The findings support Eisenhardt's and Martin's (2000) assertion that this reconfiguring is stimulated through acquisition decisions. The next section explores the question regarding how these decisions are made.

6.3 Research sub-question 2: How are dynamic capabilities used to make merger and acquisition decisions?

Although Al-Sabri et al. (2020) and Zou et al. (2010) argue that a firm's internal characteristics shape merger and acquisition decisions as a growth strategy, the researcher found no previous publications regarding utilising dynamic capabilities, as an internal characteristic, in these decisions. Thus, this sub-question 2 is positioned to compare the characteristics of dynamic capabilities found in the research, to merger and acquisition antecedent literature, when reviewing how decisions are made. While the individual micro-foundations are considered to compare research findings with literature, it is noted that the value of dynamic capabilities lies in the unique combination of all three abilities (Teece et al., 2016).

Motives for mergers and acquisitions were found to be the identification of synergies (Gupta, 2012) and diversification (Lebedev et al., 2015), which is aligned to research findings regarding the identification of complementarity and geographical and portfolio expansion for decision-making. In both the literature and findings, the cross pollination of capabilities led to levering increased scale, market share and business growth, improved competence and product and market diversification (Gupta, 2012). No reference was found in the literature as to how these complementarities were found. Research findings related to dynamic capabilities showcase the importance of the active pursuit of knowledge and application of interpretation and evaluation to identify and shape these opportunities.

Furthermore, the findings showcased a major dependency on collaboration and relationships, flagged by Participant 1 as a vital characteristic of the team: "*they need to build relationship with the industry*". This was evident in the decision-making phase of the two acquisition transactions, with a unique awareness of how to influence through presentations shaping TARGET BRAND C's outcome. These concepts were also not found in the antecedent literature.

The decision-making process associated with merger and acquisition is considered complex (Weber et al., 2019). The importance of reasoning and collaboration were found to be vital in both cases. This is stimulated through the robust governance protocol, enabling internal and external senior leadership to scrutinise opportunities against the triangulation of financial metrics, ability to operationalise and strategic alignment.

Findings from a study by Deloitte (2020) found the role of the board to be aligned with the concept of evaluating merger and acquisition activity against strategic plans. Drucker (2012) positions management's role as one to put economic performance first in their decision-making. Given findings that financial returns are considered the most important element of the decision, the findings support this literature view. Li et al. (2017), further support the important role of senior management within this phenomenon.

The importance of strategic alignment was highlighted by Teece (2014, p. 341), stating "a firm with strong dynamic capabilities is able to flesh out the details around strategic intent and to implement strategic actions quickly and effectively", supporting it as a requirement for value to be generated out of dynamic capabilities. Commentary from both Besanko et al. (2017) and Teece (2014) was made in general and applied within the merger and acquisition context. During the literature review process, no specific research was found regarding the ability to operationalise, but the researcher positions this gap to be associated to the research focus being the decision-making phase of mergers and acquisitions, as opposed to executing and integrating of the decision.

Research found the recruitment of expertise and adoption of best practice to assist in decision-making, given the capabilities built into the team, as well as the trust it built, enabling easier influencing of decisions. This transformation within the corporate is aligned to Ambrosini's and Bowman's (2009) argument that the deliberate and continuous adaptation of resources sustains competitive advantage, but literature does not comment on how this influences the decision-making process. Additionally, no merger and acquisition literature commented on the impact that a flexible resourcing model had on decision-making, whereas research findings suggested this agility stimulated knowledge integration and continuous process improvement leveraged in decision-making.

Teece's (2007) view is that dynamic capabilities explicate how opportunities and decision-making principles can transform a firm once sensed and seized. This is directly supported by the research findings, given the way that these three clusters were found to be leveraged throughout the decision-making process. Their interwovenness of sensing, seizing, and transforming creates an iterative influencing model which, when combined, strengthen decision-making and the value created there-of. The next section reviews what value was generated from utilising these dynamic capabilities in the acquisition transactions.

6.4 Research sub-question 3: How is value measured, as created, and captured through the use of dynamic capabilities in mergers and acquisitions?

A discrepancy is found within the value created using dynamic capabilities. The research findings were centred around growth, as measured through financial value created. No commentary was found regarding the impact acquisitions have on competitive advantage. By contrast, literature from Eisenhardt and Martin (2000) and Teece (2007) strongly posits that the benefits of these capabilities lie in the creation of competitive advantage. Even though both growth and competitive advantage look to profit as an indicator, the distinction is made that for competitive advantage, sustained superior profit compared to industry competitors is used. Value is measured in individual financial terms, with acknowledgement of the findings gap related to competitive advantage. This is due to an inability to do an industry comparison, given the lack of findings.

Value creation for the corporate was found to be measured in the acquired firm and brand performance, through increased revenue and profit. This is aligned to academic's proposition to use economic value as measure for value creation (Besanko et al., 2017; Bowman & Ambrosini, 2007). Evidence suggested that both transactions created value.

An additional measure of value, seen as shareholder value, could be determined by dividends and capital gains (Helfert & Helfert, 2001). This view is supported by Besanko et al. (2017) who state that growth in value of shares, as opposed to the number of shares, depicts value creation. Given the research findings confirming dividend pay-outs and an increase in the valuation of both the firm and the brand, there is alignment to literature in how the corporate was able to create shareholder value through these acquisitions.

An additional measure considered by the corporate, in terms of shareholder value creation, was the return on investment compared to the cost of capital. This measure is aligned to Besanko et al. (2017), considering positive cash flows exceeding the cost of capital as shareholder value creation. Here, the researcher was unable to confirm that the use of dynamic capabilities in merger and acquisition transactions consistently delivered a positive return, given contradicting ratio results. The acquisition of TARGET FIRM A showed a growing return on invested capital with a positive ratio to cost of capital, whereas TARGET BRAND C's acquisition had a negative ratio indicating a non-market competitive investment for shareholders.

Notwithstanding this one contradictory measurement, overall, it is evident that the corporate's value created out of the use of dynamic capabilities within the merger and acquisition context was positive, and that the shareholders were able to extract value through dividends and increased share value. It is noted, however, that the value delivery is considered indirect, as the dynamic capabilities influenced the merger and acquisition process, which in turn created the financial firm value. This is aligned with findings from Eisenhardt and Martin (2000) that dynamic capabilities stimulate actions that create value, as opposed to that dynamic capabilities themselves create the value.

Though not measured as part of the research, the findings shed light on the importance of discounted future cashflow as part of merger and acquisition measurement. The concept of merger and acquisition transactions' longer-term value delivery aligns with academics' views that dynamic capabilities can be regarded as a future value creation process (Eisenhardt & Martin, 2000; Teece et al., 1997). This is further seen in the findings given that supplementary value was created in increased strengthening of team abilities and the merger and acquisition process, believed to enable future value delivery.

As the performance of the firm improves, the value that they generate also increases value appropriation to value chain stakeholders. This is seen in the research findings, related to an increase in TARGET FIRM A's payments to employees, suppliers and local government, and cost of goods sold. Besanko et al. (2017) found this to be an external element of value creation. Additional external value creation could be measured as shared value (Amewu & Alagidede, 2018), yet no evidence was found in the research to suggest that the corporate measured this as part of their merger and acquisition analysis.

The researcher acknowledges that the findings are not clear in isolating what portion the value generated from mergers and acquisitions were associated to the existence and application of dynamic capabilities. Furthermore, there is insufficient evidence to suggest that the application of alternative constructs excluded from literature review would not have delivered the same benefit to the process. An alternative argument could be made that Prahalad's and Hamels's (1990) core competencies would have delivered the same results. Yet, this proposal is dismissed, given the specific evidence of value creation through the micro-foundations of the constructs. Furthermore, recent findings from Cegliński (2020) proposes that dynamic capabilities could create core competencies, suggesting that the results would still have originated from dynamic capabilities.

An additional rival view to consider is Hill's et al. (2017) distinctive capabilities, which suggest a similar interaction between strategy and competencies which have an iterative relationship with resources and capabilities, delivering competitive advantage as superior profit. There are similarities between this model and dynamic capabilities, but as with the researcher's findings when comparing the alternative with core competencies, this rival view overlooks the importance of the micro-foundations of dynamic capabilities, which were found to be vital in value delivery. Thus, this rival view is rejected.

6.5 Main research question: How do South African firms use dynamic capabilities to create value through mergers and acquisitions?

Lebedev et al. (2015) found firm characteristics to differ between developed and developing economy firms when considering what leads to mergers and acquisitions. They specifically highlight that transaction experience has a weaker influence in emerging economy firms, which could be due to relatively lower transaction activity. Even though the corporate felt they had relatively less merger and acquisition experience compared to industry competitors, they were focused on inorganic growth, which delivered value. The findings suggested that a latecomer disadvantage, through less experience and fewer opportunities left for acquisition. This latecomer disadvantage to emerging market firms, like the South African corporate, was also found in the literature as a differentiator between these markets (Li et al., 2018).

Findings placed emphasis on relationships that were able to be cultivated and maintained by the South African corporate. Li et al. (2018) found that network ties influenced developed and emerging market firms in a different way. Building relationships and trust are considered a South African firm characteristic often employed in mergers and acquisitions (Makura, 2012).

Participant 1 stated that the experience from merger and acquisition work is "*an investment in your education as a company and in your people's development*". The similarities between the research findings related to the unique South African capabilities echo the words of Dr Lyal Whit: "Leading companies from South Africa seem open to learn about and adapt to specifics of each country and culture… (They) have a genuine orientation to discover and learn" (Makura, 2012, p. 17).

The findings showcased an eagerness by the corporate to first understand the cultural nuances of the Kenyan environment, gather knowledge and shape their approach accordingly. The corporate's approach to empowering the locals and showcasing a long-term commitment to assisting in developing the local economy was also identified in previous publications as a unique South African characteristic (Makura, 2012).

Lebedev et al. (2015) further suggests that national pride is a unique trait found in emerging markets. The researcher found no such evidence within the South African firm.

Yet, one could argue that it was evident in findings of tailoring the approach of the Kenyan acquisition, given Kenya's cultural nuances.

Though TARGET BRAND C was a local acquisition, evidence was also found from the corporate to adapt a creative approach that entailed contracting for an increase in knowledge integration. Additional findings related to the corporate's active pursuit to increase internal capability through recruiting expertise and adopting best practice once again re-establishes support for publication findings that South African corporates are eager to learn and improve (Makura, 2012).

Furthermore, the findings suggest that decisions were based on triangulation of financial returns, ability to operationalise and strategic alignment. Decision-making protocols follow a governance process, which enabled reasoning to be applied to the team's research findings, intuition, and conviction. All elements of dynamic capabilities are utilised in the decision-making process, as supported by Teece (2014), who proposes that the relationship of the three elements synchronises with strategy as sensing relates to analyses and understanding in strategising, seizing as in taking action, which leads to transforming as protecting and creating value. Furthermore, the triangulation utilised to make decisions is also found, as per the previously mentioned quote by Dr Lyal White: "…they are able to go the distance with continuity and persistence, conscious of strategic, financial and operational imperatives to the business" (Makura, 2012, p. 17).

The above comparison showcases how the micro foundations of sensing, seizing, and transforming were found in the research, as well as literature. Research findings create awareness of the interrelationship between these three themes. It showcases how they reinforce and collectively shape value delivery when applied to the merger and acquisition decision process, aligned to Teece's (2011) conviction that all three foundational requirements are interlinked and must be present for evidence of dynamic capabilities. Later work from Teece states that the value of dynamic capabilities lies in its ability to reconfigure resources, that leads to value creation, competitive advantage, and firm growth (Teece et al., 1997).

Ambrosini's and Bowman's (2009) dynamic capabilities model (found in section 2.3.4 as Figure 3) showcases how processes and a firm's internal environment stimulate the development of dynamic capabilities, which in turn reconfigures their resource base. This model proposes that the continuously adapting capabilities are leveraged within dynamic environments to deliver competitive advantage over time. The research findings, as per

Figure 10, show how sensing influences the corporate's ability to shape opportunities in seizing, as well as assists in transforming the competencies. Previous experience further enables resource reconfiguration, which strengthens sensing and seizing abilities. This interaction increases the ability to create value out of mergers and acquisitions, in identifying complementarity, leveraging relationships to negotiate transaction price, and creating agility in the approach to maximise value and probability of successful operationalising in contract structure. Evidence of continued growth in revenue and profit are considered evidence of value created, combined with internal capability development.

Teece (2014) argues that this value delivery is only possible when coupled with an effective strategy. The research findings showcase that in TARGET FIRM A, the decision had clear alignment to strategy, and offered favourable returns to shareholders compared to cost of capital. In the acquisition of TARGET BRAND C, there was limited strategic alignment. Although the brand filled a gap in the corporate's portfolio, it was not on the strategic roadmap, and financial analysis indicated a negative shareholder return. These findings suggest that dynamic capabilities can create value for the firm, but only offers suitable value that can be captured by the shareholders as returns when executed aligned to corporate strategy

The model findings suggest that dynamic capabilities do not create value in isolation, but that they create a dynamism in resource reconfiguration, continuously improving capabilities to identify, shape and seize opportunities This is aligned to Eisenhardt's and Martin's (2000) argument that the competitive advantage created by dynamic capabilities are associated to the reconfigured resources, and not the dynamic capabilities themselves. The research findings are aligned to Bowman's and Ambrosini's (2007) position that the application of dynamic capabilities leads to a positive impact on firm performance, found in substantial value created in the application of the South African firm's dynamic capabilities in their merger and acquisition decision-making process.

6.6 Conclusion

The decision to engage in these transactions could be considered as deliberate intervention from senior management, but the intervention was found to only indirectly shape the capability, making the findings slightly different to Winter's (2013) proposal of leadership intervention directly shaping dynamic capabilities. Yet, the experience of the transaction process, as offered by Madsen (2010), exploited and transformed the team and process capabilities. Given that each merger and acquisition transaction was unique, research findings are like Ambrosini's and Bowman's (2009) argument that dynamic environments shape dynamic capabilities. Related to the impact of experience, the research findings are well suited to give further evidence that dynamic capabilities are learnt (Eisenhardt, 2021; Teece et al., 1997; Zollo & Winter, 2002). Furthermore, the knowledge creation process of mergers and acquisitions and acquiring and integration of competencies further indicates how these transactions stimulate transformation as learning through experience (Teece, 2014).

Exploration of rival explanations for how dynamic capabilities were developed in the corporate, like that of the knowledge-based view, were disproven through the lack of explaining impact of dynamic environment and resourcing, as per findings from Winter (2013). The findings on shaping dynamic capabilities through previous merger and acquisition experience supports Eisenhardt's and Martin's (2000) view that reconfiguring is stimulated through acquisition decisions.

The transaction decision-making process was found to be shaped by the firm's dynamic capabilities, aligned to merger and acquisition antecedent research regarding the role of internal firm characteristics (Al-Sabri et al., 2020; Zou et al., 2010). The capabilities of opportunity identification and shaping influenced the process by finding synergies in cost and growth potential and diversification, considered to be transaction motivators (Gupta, 2012; Lebedev et al. 2015). Unique research findings in sub-question 2 regarding the importance of collaboration and relationships in mergers and acquisitions were not found in academic literature. However, the role of senior management to debate and scrutinise opportunities to ensure they support the corporate's economic performance was found in the dynamic capabilities present in the process, as presented by Besanko et al. (2017) and Li et al. (2018).

Strategic alignment, financial returns and ability to operationalise was found to be the practical triangulation used when making merger and acquisitin decisions. The ability to evaluate these criteria was shaped by recruitment of expertise and application of best practice. Though merger and acquisition literature refrains from directly listing any of these criteria, strategy literature calls out strategic alignment necessary to create value through the application of dynamic capabilities (Besanko et al., 2017; Teece, 2014).

The value that is created by using dynamic capabilities in mergers and acquisitions was found in research and literature to only be possible when sensing, seizing, and transforming are present and utilised within the process (Teece, 2014). Strategy literature positions value generated from these capabilities to generate competitive advantage, whereas the research findings were centred around what the metrics thereof would be. Aligned to value creation literature (Besanko et al., 2017), performance indicators in both cases were found in increased revenue and increased profit.

Helfert and Helfert (2001) suggested shareholder value creation focused on dividends and capital gains, for which evidence was found supporting that dividends were received, and the valuation of both assets were evaluated to have increased since acquisition. The corporate also considered shareholder returns compared to cost of capital as an important value capture measure, aligned to measurement of shareholder value (Besanko et al., 2017), but only TARGET FIRM A showed evidence of a positive return. The finding suggests that the impact of strategic alignment present in the acquisition of TARGET FIRM A increased value captured, as opposed to the acquisition of TARGET FIRM B where there was no strategic alignment, and a negative return ratio.

Additional value generated by the application of dynamic capabilities was found in the improved negotiation position created due to the maintained relationships, attainment of premium capability expertise as part of the acquisition in TARGET BRAND C, as well as in general the corporate's internal knowledge and development, which was considered valuable. The corporate did note the value increased to value chain stakeholders but could be considered an appropriation of growth seen in revenue value created. Furthermore, the corporate noted the potential of shared value creation through the application of their abilities in this process, but this was not measured.

An argument exists that similar value could have been created through the application of alternative capabilities in the merger and acquisition process, like that of core competencies (Prahalad & Hamel, 1990) and distinctive capabilities (Hill et al., 2017). The researcher found neither plausible, given the research findings specifically associated to the impact of the micro-foundations of dynamic capabilities.

The main research question is an iteration on the sub-questions, with a unique focus on the impact of South African characteristics. Given the specific gap found in literature associated with mergers and acquisitions in emerging markets, there were limited academic comparisons to be made. The research findings highlight the critical role that relationships play in the South African corporate, and how the trust that is built through them facilitates and improves the process (Makura, 2012). Furthermore, the South African firm was found to be open and eager to learn throughout the process, which surpassed their ability to pick up cultural nuances in target firms, but also shaped a willingness to continuously improve their own ability and process through the recruiting of expertise and adoption of best practice. Makura (2012) and Lebedev et al. (2015) found this sensitivity to be unique compared to developed countries, and given the inherent association with micro-foundations, showcases how they were able to leverage this in the execution of decisions.

The corporate's latecomer advantage leading to less experience and fewer opportunities could have been a deterrent, but aligned to literature, emerging markets do not act like developed-country firms in this context (Lebedev et al., 2015; Thanos, et al., 2020). The triangulation of evidence used in decision-making, considering "strategic, financial and operational imperatives to the business" (Makura, 2012, p. 17) were evident in the findings and show alignment to business best practice. The research findings aligned to Bowman's and Ambrosini's (2007) position that dynamic capabilities lead to positive impact on firm performance, found in substantial value created in the application of the South African firm's dynamic capabilities in their merger and acquisition decision-making process. It further found that value capture could be associated to strategic alignment, given the discrepency in return ratios between the two cases.

CHAPTER 7: CONCLUSION

This research explored how dynamic capabilities were developed within a South African corporate, within the merger and acquisition context. Furthermore, it investigated how these capabilities influenced the corporate's decision to engaged in merger and acquisition transactions, and what and how value was created and captured through these transactions. This chapter presents the research conclusion in relation to the exploration, by presenting the theoretical and business contributions, recommendations, and acknowledgement of the research limitations.

7.1 Theoretical conclusion

7.1.1 Development of dynamic capabilities

Teece (2014) positions dynamic capabilities as an enabler for learning across various geographies. Literature suggests that this construct not only stimulates learning but is also developed by the mechanism of learning (Teece et al., 1997; Zollo & Winter, 2002). The research findings support that the process of merger and acquisition transactions develops dynamic capabilities through stimulating knowledge creation and integration, collaboration and relationship building, and agility and creativity, which are considered micro-foundations of this construct. The findings support assertions from Eisenhardt and Martin (2000) that this reconfiguring of competencies is stimulated through decisions around acquisitions.

7.1.2 Antecedents of merger and acquisition decisions

Previous scholars have proposed that a firm's internal characteristics, such as competencies, could be considered antecedents of merger and acquisition transactions (Al-Sabri et al., 2020; Zou et al., 2010). Gupta (2012) and Lebedev et al. (2015) position the decision to be determined by the firm's ability to deliver synergies across the firm's resource base, that lead to diversification and growth. Teece (2014) finds decisions to be aligned to a coherent firm strategy, while the role of senior management within the decision-making process is found to validate financial returns of investment decisions (Besanko et al., 2017).

The research findings support that the corporate's internal competency of dynamic capability played an influencial role in merger and acquisition decisions. This was done through detailed evaluation of complimentarity, leading to reduced cost and growth, with decisions supporting geographical and portfolio diversification. The process had a strong reliance on collaboration and relationships from evaluation through to influencing and decision-making, which was done by the board. The research supports Teece's (2014) belief that the three elements of dynamic capabilities must all be present and utilised to sustainably influence value creation.

7.1.3 Value creation and value capture measurement

Literature reviewed positioned firm value to be measured in financial terms, leading to value creation as an increase in revenue, profit and asset growth (Bowman & Ambrosini, 2000; Chesbrough et al., 2018). Besanki et al. (2017), however, suggest traditional economics to rather focus on sharehodler value, aligned with Dyduch's et al. (2021) position that the main goal of business is to generate equity benefit. Shareholder value is measured by dividends, capital gains (Helfert & Helfert, 2001) as well as generation of positive cash flows exceeding the cost of capital (Besanko et al., 2017). Research findings showcased the corporate to have considered important measures to be revenue, volume and profit as indicators of value creation by the transaction. Further consideration was given to valuation of assets, which was also positive but not actively measured, as well as return in invested capital compared to cost of capital, which delivered differing results across the two cases, regardless of similar favourble value creation indicators.

7.1.4 The unique South African business context

Multiple frameworks created for understanding what leads to a firm's decision to engage in mergers and acquisitions are skewed towards developed-market companies. Lebedev et al. (2015) offered a framework, identifying national pride, institutions and latecomer disadvantage to be unique to emerging-market firms. The research findings confirmed relevance of latecomer disadvantage to the South African corporate, but as per Makura (2012), not as a deterrent in the pursuit and exection of transactions. Research findings further supported Makura's (2012) and Li's et al. (2018) proposal that network ties and relationship are more heavily relied on in this context. The South African firm presented a sensitivity and awareness towards national pride (Lebedev et al., 2015) and other cultural nuances in their targets, which led to a heritage advantage leveraged during the merger and acquistiion process. Furthermore, the findings were aligned to Maukra's (2012) business view, that South African firms' willingness to learn and adapt was a South African characteristic often leading to their success in growth strategy execution.

7.2 Contribution to literature

7.2.1 Development of dynamic capabilities

Given the continuous value-generating potential of dynamic capabilities (Dyduch et al., 2021), Madsen (2010) raises the importance of understanding how this competence can be developed to deliver the required transformation. Ambrosini and Bowman (2009) found a lack of existing rich insights to understand this phenomenon, thus this research was aimed at exploring this question within a real-word context. This researcher found evidence of how merger and acquisition transactions stimulate dynamic capabilities. It corroborates literature arguments regarding development through learning and experience (Teece et al., 1997; Zollo & Winter, 2002), within a business context.

7.2.2 Antecedents of merger and acquisition decisions

Where sub-question 1 explored transactions as an antecedent for these dynamic capabilities, sub-question 2 studied the role that these capabilities had in the merger and acquisition decision-making process. The dyadic relationship between dynamic capabilities and mergers and acquisitions have not gone without notice (Eisenhardt & Martin, 2000). Yet, to this researcher's knowledge, no priori academic work has investigated the impact of dynamic capabilities on the acquisition process, within a practical context. This research proposes that the corporate was able to make more valuable merger and acquisition decisions, in a shorter timeframe, using their sensing, seizing, and transforming capabilities. The findings suggest an extension to literature, that could be valuable for further exploration.

7.2.3 Value creation and value capture measurement

Value creation is seen as the core business priority (Besanko et al., 2017) and, as such, it is of critical academic and business interest to better understand which business activities create value that can be captured by the firm (Bowman & Ambrosini, 2007). This research builds on the academic work by investigating 'How is value measured, as created and captured through the use of dynamic capabilities in mergers and acquisitions?', to better understand how to measure the impact thereof.

The research findings highlighted a clear distinction between value creation, as measured by revenue and profit growth post acquisition in both cases, compared to value capture. As per Dyduch's et al. (2021) position, the business practice placed emphasis on the shareholder returns. The research findings suggest that dynamic capabilities lead to value creation within the merger and acquisition context, regardless of strategic alignment.

This finding differs from Teece's (2014) logical structure, which suggests that strategy is required in combination with dynamic capabilities to offer high levels of sustained profit. The findings supply further evidence supporting financial and business scholars who differentiate between value created and value captured (Besanko et al., 2017; Dyduch et al., 2021). A suggestion could be made that the differentiator lies in the alignment to strategy, given the negative return ratio found in TARGET BRAND C, where the acquisition was not aligned to the corporate pre-determined strategy. Thus, the research offers a refinement to the research, with potential for further research.

7.2.4 The unique South African business context

Academics have warned that the contextual setting could invalidate the existing developed market merger and acquisition frameworks. Academic research revealed limited research applied within the emerging -market context, even less so within South African firms (Opoku-Mensah et al., 2019). Thus, this research started the evidence gathering process to review the similarities and differences between these models, when applied in the South African context. Business context comparison between Makura's (2012) findings of what made South African firms unique were corroborated by research findings regarding the importance of relationships, opennes to learn, and ability to adapt within different environments. The findings were aligned regarding the triangulation of decision-making criteria found for merger and acquistion decisions.

The findings contribute to literature by suggesting a positive association with Teece's (2014) position that all three elements of sensing, seizing and transforming need to be present, given their reinforcing relationship to deliver sustained benefit. An additional contribution lies within practical evidence supporting Bowman's and Ambrosini's (2007) belief that dynamic capabilities lead to positive impact on firm performance, with an extension that this benefit is delivered indirectly, through mergers and acquisitions, as per Eisenhardt and Martin (2000).

7.3 Recommendations for firms and other stakeholders

This research suggests that business practitioners stimulate the development of dynamic capabilities to address the concerns regarding increasing the likelihood of merger and acquisition success. It recommends that managers focus on creating a balanced environment enabling governed freedom, to allow team agility in exploration and problem-solving, whilst ensuring the decision-makers can do so considering the triangulation of financial returns, strategic alignment, and ability to operationalise the acquisition. Attention should be given to stimulating collaboration and relationship building within the corporate, as well as within the industry. The research findings suggest that transacting in emerging markets requires an openness to learn, and a dexterity to adapt the corporate's approach to respond to the cultural nuances of the target.

Furthermore, managers are urged to define a coherent strategy, against which opportunities can be evaluated. Strategic alignment could very well be the difference between creating value and the ability of the corporate to capture that value. As shareholders are constantly reviewing investment decisions, ensuring retained shareholder attractiveness through shareholder returns should be of critical importance to the business manager and their own merger and acquisition decision.

7.4 Limitations of the research

This research does not address and analyse all elements of competitive advantage as an outcome of mergers and acquisitions but is rather limited to individual target firm performance. Given the relatively small size of the acquisitions comparative to the corporate, the impact was minimal and could not be used as a measure for competition within the larger South African alco-bev industry. Furthermore, within the research analysis, the corporate's standard business average was utilised as the weighted cost of capital, which could be considered an inaccurate reflection of exact cost of capital allocated from the shareholder to the each of the acquisitions.

Although this research evidenced how dynamic capabilities were able to enhance value created from mergers and acquisitions, it was unable to identify what portion of value creation was associated to the merger and acquisition transaction and what portion was added due to the existence and application of dynamic capabilities.

7.5 Recommendations for future research

Research findings were isolated to researching the impact of dynamic capabilities. This leaves a gap in understanding whether other competencies would have delivered similar firm value in acquisitions. Future research is recommended to compare acquisition value created when utilising dynamic capabilities compared to core competencies.

Further research is urged to continue the exploration of the impact of strategic alignment in merger and acquisition decision on ability to capture value. The finding's suggested value is created from utilising dynamic capabilities in acquisition transactions, yet only when combined with strategic alignment were positive shareholder returns delivered. Further studies supporting this finding would be valuable for academics interested in strategy literature, as well as business practitioners.

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APPENDIX A: ETHICAL CLEARANCE APPROVAL

Ethical Clearance Approved

Dea[redacted]

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

This email has been sent from an unmonitored email account. If you have any comments or concerns, please contact the GIBS Research Admin team.

EthicalClearanceReport.pdf

APPENDIX B: FIRM CONSENT STATEMENT

[redacted]

07 July 2022

RE: Research Project Permission

TO WHOM IT MAY CONCERN

I[redacted], hereby give consent on behalf of[redacted] that GIBS student 21845167,[redacted] may base her research study on this firm's historic merger and acquisition transactions.

This letter serves as confirmation of consent for the researcher to

- Collect data related to the firm's merger and acquisition transactions
- Publish research findings, with no embargoes other than company confidentiality

It is acknowledged that data will be gathered from publicly available sources, as well as interviews with individuals involved in the selected transactions. Interview partaking will be offered on a voluntary basis from identified individuals.

As agreed with the researcher, all participants, and the company name, as well as secondary firm information, will not explicitly be named in research publication and subsequent addendums unless approved by Distell in its sole discretion.

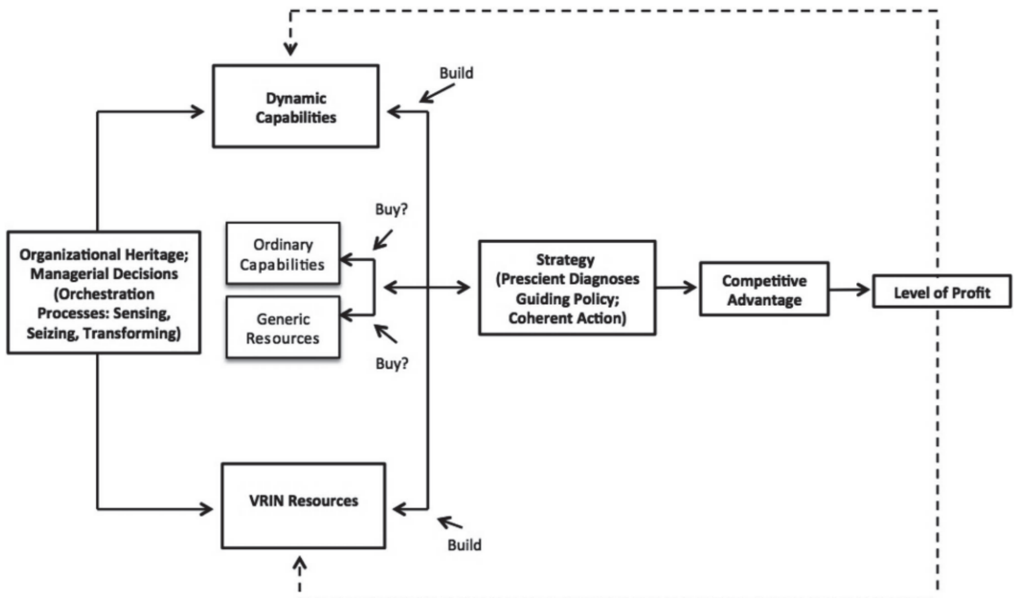
Regards,

[redacted]

[redacted]
Head of Mergers and Acquisitions

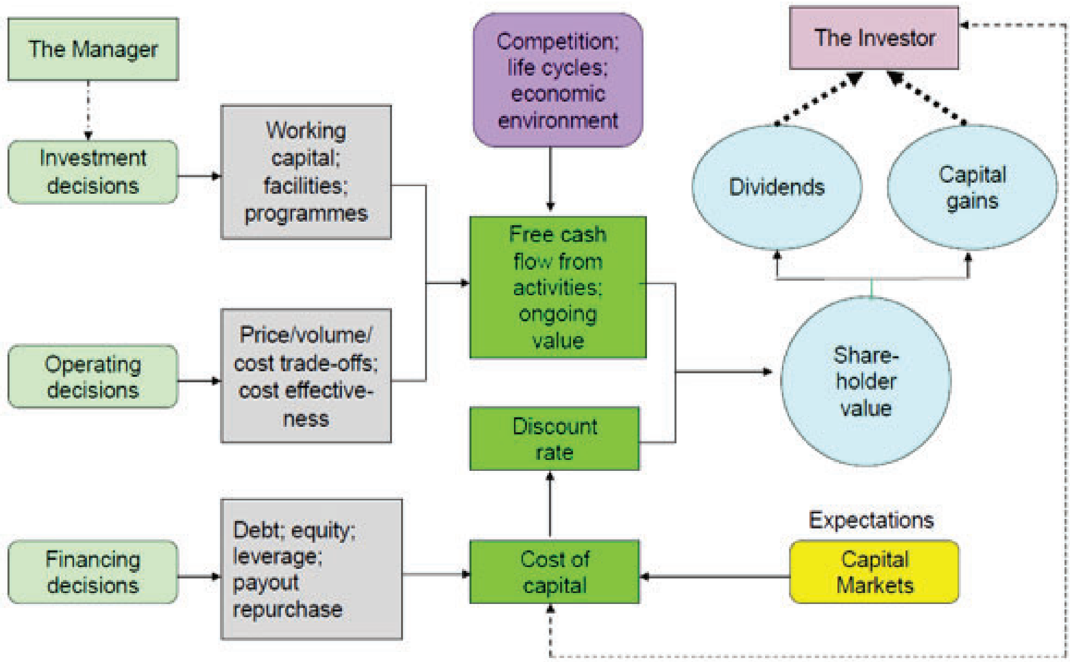
APPENDIX C: TEECE'S DYNAMIC CAPABILITIES FRAMEWORK

Below figure is Teece's (2014, p. 334) logical dynamic capabilities framework, explaining the delivery of competitive advantage, as measured in profit, through utilising of dynamic capabilities.



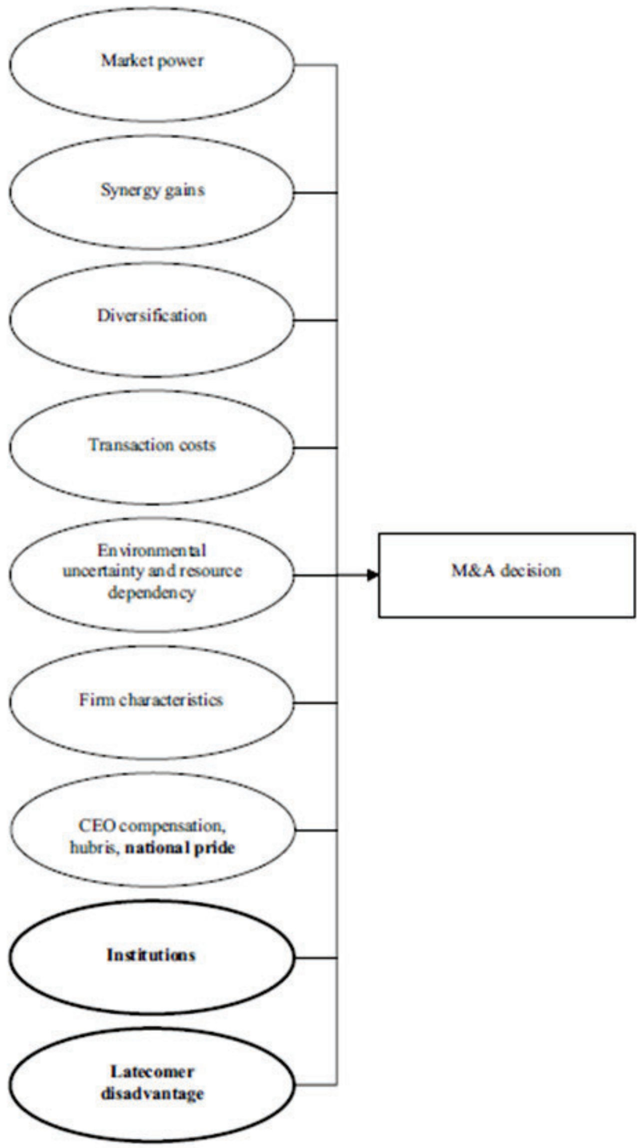
APPENDIX D: SHAREHOLDER VALUE CREATION IN A CASH FLOW CONTEXT

Below extract from Helfert and Helfert (2001, p. 395) depicts how value is generated by a firm, and how that performance combined with cost of capital leads to shareholder value. It indicates how dividends and capital gains can be used as measure for shareholder value creation.



APPENDIX E: ANTECEDENTS OF MERGERS AND ACQUISITIONS

Bold image was created by Lebedev et al., (2015, p. 656), showcasing the characteristics of antecedents to mergers and acquisitions. It does so by calling out which characteristics are unique to the emerging markets, by bolding these words.



APPENDIX F: DRAFT DISCUSSION GUIDE/ QUESTIONNAIRE

The initial introductory conversation, which is estimated to take maximum 10 minutes of the total questionnaire, will re-establish the purpose of the engagement and scope, the agreement made during interview scheduling regarding confidentiality as well as time commitment of the interviews. Interviewee's will be asked to approve of the recording and to voice any concerns they have should they feel discomfort at any point of the interview.

Topic	Opening question	Follow-up question
Orientation: Understanding role players	**Question 1:** Explain the firm's internal structure and external partners, as it relates to mergers and acquisitions. What is your role within merger and acquisition environment, relative to the firm and/or transaction?	Explore for clarification regarding responsibilities.
General: Understanding the firm motivator/s for mergers and acquisitions	**Question 2:** Why does this firm engage in merger and acquisition activities?	Allow space to elaborate in detail. Test for alignment to strategy. Explore how motivators could be drawn back to core objectives (and what these are). *Ensure no reference to or hints from interviewer lead to an answer that includes value creation.
General: Value creation and capture	**Question 3:** How does the firm measure value creation, as it related to mergers and acquisitions? How does the measurement of current versus future value differ?	Test for differences in estimation of value compared to validation of delivered value.
General: Understanding antecedents of the merger and acquisition decision	**Question 4:** Explain the process of how a merger and acquisition opportunity can be identified. What determines whether an opportunity which has been identified, will be explored further? How is the decision made?	Probe for a clear understanding of various routes through which opportunities are identified. Clarify the scope of previously identified individuals in the internal structures and external partners during the decision phase.

Case specific: Explore this merger or acquisition decision *(Specific opportunity for identification of dynamic capabilities)	**Question 5:** Explain the process of how this opportunity was identified. How was it determined that this opportunity would be entertained? How is the decision made to pursue this opportunity?	Test for similarities and differences to generalised approach to the merger and acquisition decision.
Case specific: Value impact	**Question 6:** What was the identified versus realised value created by this transaction?	Probe for delivery timeline. How does value creation differ from value creation?
Orientation: Identification of dynamic capabilities	**Question 7:** Within the merger and acquisition identification process, how dynamic would you say the firm is? Explain the agility that you have identified as it differs between individuals in the process comparative to the process itself.	Validate answer by referring to the case specific decision question. Ask for examples. *Bolster questions using previous dynamic capability frameworks
General: Creation of dynamic capabilities	**Question 8:** How was this ability (as per Question 7) created? Has it changed as the firm was exposed to more transactions?	Probe for any linkages between the development of capabilities as it pertains to previous transactions
Case specific: Impact of dynamic capabilities on the transaction decision	**Question 9:** How does the capability elaborated on in Question 7, influence the transaction decision?	
Case specific: Impact on value creation	**Question 10:** How has this ability influenced the value opportunity created through this specific transaction?	Probe to understand relational impact as well as size of the impact.

APPENDIX G: LIST OF ANALYSES CODES, GROUPS AND THEMES

Themes. Case: Category: Code

Case 1

Sensing

Case 1: 1. Active pursuit of knowledge (research evaluation and analysis)

Deliberating future estimations and planning as foresight
Evaluating the M&A opportunity
Importance of getting to know the business before acquiring control
Measuring country demographic as decision criteria
Measuring internal capability building is difficult
Measuring macroeconomics as decision criteria
Value of analyses work

Case 1: 1. Identification of opportunities

Complementarity of M&A opportunity
First mover advantage to other multinationals
Leveraging collective networks and relationships
Limited opportunities in competitive industry
Moving from strategy to target identification
Sensing complementarity
Sensing/ gut feel in opportunity identification

Case 1: 1. Interpreting environment and utilising experience, perception, gutfeel, and attention

Complexity of sensing softer non-quantifiable
Gutfeel for location advantage in emerging market
Leveraging on board expertise and gut sense
Sensing/ gut feel in identification comes with experience
Transforming from previous decisions leading to ability to sense
Trusting sensing and discomfort from corporate management was risk signs

Case 1: 1. Shaping and filtering opportunities

Comparing alternative routes to growth
Identification to evaluation
Influencing and managing stakeholders as a core M&A skill
Leveraging capabilities competencies and complementarity to increase acquisition performance improvement
Leveraging unique internal capabilities and complementarity to increase growth

Case 1: 1. Strategy creation as foresight

Foresight in setting and sticking to a strategy
Function of strategy to focus resources in pursuit of M&A
Great quote: M&A for scale to grow
Importance of strategy
M&A as part of growth strategy

Seizing

Case 1: 2. Agility and creativity in problem solving & execution speed

Agility in seizing M&A opportunity
Agility/ flexibility in evaluation
Being agile as each transaction is unique
Challenge - using perseverance more than agility in influencing
Deciding on capital application given country risk
Evidence of creativity needed agility in capabilities
Adjusting approach to unique transaction

Great quote: Understanding necessity for agility in approach and importance shared value
Identifying agility in process
Identifying agility in teams evaluation approach
Need and existence of speed and agility in decision making
Seizing and influencing the opportunity with agility
Seizing opportunity with speed
Transaction funding

Case 1: 2. Governance and decision-making protocols

Acquiring mandate to pursue from investcom
Approval from Investcom to proceed
Approval from investment subcommittee of board as final governance
Balancing governance and agility
Conviction and belief in transaction and strategic alignment and growth opportunity
Decision making process
Evidence of strong technical fitness in governance processes
Governance process and role of invest com, board and exco
Governing and sense checking role of the board
Governing the M&A process through investment committee
Governing the process within evaluation
Process/ Governance in place for safeguarding resources and ensure strategic alignment
Role of Board and Investment Com Governance

Case 1: 2. Maintaining strong relationships & Collaboration

Applying agile skill set across widespread responsibility
Building relationship and trust with target firms' partners
Leveraging and learning from collective internal expertise
Leveraging board expertise
Leveraging collective internal expertise
Leveraging support and experience of majority shareholder
Long term journey and investment to get to controlling share
Operationalising determines M&A success
Role of business specialists
Seizing opportunity increases with comfort of relationships and familiarity

Case 1: 2. Reasoning and decision making

Ability to operationalise as decision criteria
Aligning decision to corporate strategy as decision criteria
Balancing strategic alignment with financial shareholder metrics
Decision led by strategy and conviction
Evaluating industry as decision criteria
Extracting value as decision criteria
Factors of M&A decision
Financial return as decision criteria
Growth and complementarity as drivers for M&A
Importance of alignment on decision
Importance of operationalising M&A through complementarity against target
Influencing stakeholders’ decision with agility
Local presence as reason for M&A
M&A as means of acquiring resources
M&A decision support return in 50-year time horizons
M&A only when you can add value to acquisition

	Necessity of complementarity to add value to acquisition
	Reason for growth through M&A
	Shareholder value growth as deciding factor
	Using strategy and complementarity as evaluation criteria
	Utilising evaluation and facts to influence the decision
	Utilising strategy as M&A decision criteria
	Case 1: 2. Strategic path alignment
	Aligning decision to corporate strategy of Africa growth
	Aligning decision to corporate strategy of growth through shared value
	Aligning M&A to strategy and capabilities
	Minority share to move to controlling over time
	Strategy as choice for value
	Triangulating opportunity back to strategy
	Well defined strategy as M&A direction
Transforming	**Case 1: 3. Best practice application**
	Culture beyond compliance
	Learning from industry best practice
	Learning from other multi-nationals' approach
	Leveraging expertise brought in-house
	Learning from other multi-nationals' approach
	Case 1: 3. Continuous realignment of resources and structure
	Adapting M&A team structure to suite strategy requirement
	Agility in M&A team structure and resourcing
	Utilising in-house expertise end-to-end
	Case 1: 3. Knowledge integration
	Hire for technical fitness with capacity for becoming THE CORPORATE-IFIED
	Improving ability and speed, trust and buy-in through experience
	Increasing team confidence and trust increases speed
	Shaping capabilities through technical fitness + learning from collective
	Case 1: 3. Learning through experience
	Institutionalising capabilities through experience
	Limited experience and footprint in Africa
	Shaping team capabilities through previous transactions
	Technical fitness + Experience/ learning improves capabilities
	Transforming approach and capability through experience
	Transforming from previous decisions leading to ability to sense (2)
	Transforming from previous experience, exposure and maturing
	Transforming from previous transactions assisted in clear view of what the CORPORATE is looking for
	Transforming governance process through experience
	Transforming through experience creating increased competencies
	With experience comes maturing of team and increased competence
	Young and new M&A team
	Case 1: 3. Recruit expertise and skills
	Hiring in technical skills for M&A strategy
	M&A team capabilities
	M&A team hired for more than technical skills
Value creation	**Case 1: 4. Business case performance**
	Ability to measure target firm performance against business plan
	Challenge - initial and case transaction are linked
	Challenge - Missing the importance of integration and actual operationalising

Challenge - no post-merger analyses of performance
Evidence of transaction performance
Great quote: Size of transaction means measuring in isolation
Inability to measure value creation portion of M&A team versus integration success
Measuring performance through volume
Measuring target performance against business plan
Profit or bottom line as financial measure of value
Time horizon of M&A performance
Transaction size means small impact
Triangulation of financial measures
Value delivery does not have a timeline
Warning against reactive decisions when measuring M&A on short time horizon
Case 1: 4. Value creation as firm growth
Adding Premium for control as measuring cost of transaction
Corporate finance measures as cost determinant
Cost of capital as financial measure
DCF as measure of business value
Financial measure of target firm value
How transaction cost was estimated
Identifying growth for existing brands on M&A platform as value creation measure
Improving multiples as value creation measure
Increasing value to THE CORPORATE due to transaction
Leveraging acquisition as a platform for growth
M&A as a tool for financial value creation
Measuring shared value
Multiple as cost determinant
Multiple as cost valuation
NPV as measure of financial value
Share price as firm value
Transaction negotiation and structure as value creation
Using synergies as value creation measure
Case 1: 4. Value creation as shared value and other non-financials
Acquiring required local production capability through M&A
Acquiring talent and firm capabilities through M&A
Applying good processes and systems aren't enough to create value
Benefit to society as measure for shared value creation
Challenge - unawareness of transferrable skills being built up
Creating shared value
Creating shared value through transaction
Difficulty of measuring shared value creation
Doing the right things as creating shared value
Economic impact as measure of shared value creation
Employee benefits as measure of shared value creation
ESG as non-financial M&A consideration
Financial measure of external value creation
Government Tax as measure for shared value creation
Great quote: Acquiring the firm made us a target firm for another
Improved customer experience and pricing as shared value creation
M&A best for ease and cost for expansion
Moving from shareholder value to shared value creation
Reputation consideration as non-financial decision criteria

	Supplier benefits as measure of shared value creation
	Transaction value as foothold for strategic African expansion
	Value creation includes capability building
	Value of analyses work
	Value of upfront M&A work
Value capture	**Case 1: 5. Profit growth as shareholder value**
	Defining shareholder value
	EBITDA as financial measure of M&A
	EPS as shareholder value creation
	Evidence of financial value created through transaction
	Increasing margin as financial measure
	M&A for shareholder and shared value creation
	Proving value extraction
	Shareholder value creation as financial value measure
	Value creation is relative based on shareholder perspective
	Case 1: 5. Shareholder returns
	Increasing shareholder returns as reason for M&A
	Influencing target firm performance to increase returns
	Internal rate of return as value creation measure
	M&A must be value accretive for shareholders
	Paying dividends as financial imperative
	Return on investment as financial measure of performance
	Return on investment as measure for value creation
	Returns as measure for value creation
	ROIC as financial measure of shareholder value
	RONA as measure for financial value
	Shareholder returns or dividends as measure of shareholder value creation
EM context	**Case 1: Unique emerging market context**
	Adjusting to unique African country dynamics in transaction decisions
	Agility needed for emerging country transactions
	Complementarity of acquisition
	M&A risk in emerging market lower than USA
	Sensing risks of doing M&A in emerging markets
Case 2	
Sensing	**Case 2: 1. Active pursuit of knowledge (research, evaluation, and analysis)**
	Agility/ flexibility in evaluation
	Analysing and validating as tool for foresight
	Creating scenarios and analyses to stimulate foresight
	Evaluating industry as decision criteria
	Identifying agility in teams evaluation approach
	Case 2: 1. Active pursuit of knowledge (research, evaluation, and analysis): Investigating and executing unique deals with agility
	Measuring country demographic as decision criteria
	Measuring country macro-economy as deciding factor
	Case 2: 1. Identification of opportunities
	Being approached to acquire the brand
	Complementarity of acquisition
	M&A team identification and evaluation of opportunities against strategy
	Seizing an unforeseen opportunity with agility
	Utilising existing competencies and capabilities to grow target brand
	Case 2: 1. Interpreting environment and utilising experience, perception, gutfeel, and attention

Importance of understanding why the target is willing to sell
Sensing and/ or interpreting soft factors from analyses
Sensing complementarity
Sensing opportunity reality
Understanding why the brand is being sold
Case 2: 1. Shaping and filtering opportunities
Acquiring and growing capability for the CORPORATE
Complementarity of THE CORPORATE skills to grow the brand
Controlling share through M&A allows influencing return
Creating agility in deal structure to create maximum shared benefit
Evidence of complementarity in execution and performance
Foresight to see past superficial arrogance to opportunity
Importance of buying the controlling share
Influencing opportunity decisions with agility
Unlocking more value through agility in approach

Seizing

Case 2: 2. Agility and creativity in problem solving and executing with speed
Agility in approach, special skills needed for conflict resolution
Agility in approach: unique M&A
Being agile as each transaction is unique
Evidence of creativity needed, agility in capabilities
Focusing in strategy alone causes rigidity
Identifying agility in process
Increasing team confidence and trust increases speed
Influencing transaction decisions non-hierarchically
Need and existence of speed and agility in decision making
Seizing opportunity hastens with comfort of familiarity
Seizing opportunity with speed
Speed of seizing and confidence
Unlocking more value through agility in approach
Case 2: 2. Governance and decision-making protocols
Approval from CEO and CFO and exco as first buy-in
Approval from investment subcommittee of board as final governance
Balancing governance and agility
Governance process and role of board
Governing and sense checking role of the board
Internal process takes long
Process/ Governance in place for safeguarding resources
Case 2: 2. Maintaining strong relationships and collaboration
Benefit of collective buy-in
Building and retaining industry relationships are valuable
Building industry relationships as foresight
Building internal relationships and trust
Challenge - Concerns due to weak business specialist prioritising
Importance of building trust with target brand owner
Involving corporate management team
Leveraging collective internal expertise
Leveraging collective internal expertise to determine operationalisation and increase buy-in
Utilising business specialists in evaluation
Case 2: 2. Reasoning and decision making
Balancing opportunity and capability to operationalise
Balancing strategy and financial considerations

	Challenge - Concerns created by fine print of deal
	Conviction and belief in transaction as deciding factor
	DCF largest determinant
	Debating organic versus inorganic growth
	Decision making
	Importance of ability to extract value
	M&A only when you can add value to acquisition
	Necessity of complementarity to add value to acquisition
	Operationalising determines M&A success
	Operationalising determines M&A success
	Operationalising transaction determines value delivery
	Return on investment as deciding metric
	Risks of M&A
	Transaction support from key individuals leads to speed
	Trusting sensing and discomfort from corporate management was risk signs
	Utilising evaluation and reasoning to influence the decision
	Case 2: 2. Strategic path alignment
	Aligning M&A with strategic objectives
	Challenge - Strategic alignment could limit agility and creative opportunities
	Closeness to strategy allows focused decision making
	Decision aligned to corporate strategy
	Identifying the purpose of the corporate
	Importance of strategic fit
	M&A as lower cost lower risk brand expansion
	M&A part of, but not only focus of strategy
	Strategy as choice for value
	Utilising strategy as M&A decision criteria
Transforming	**Case 2: 3. Continuous realignment of resources and structure**
	Agility in M&A team structure and resourcing
	Allowing freedom to build capabilities
	Capability created through structure and freedom over time
	Detailing M&A team structure
	Function of strategy to focus resources in pursuit of M&A
	Transforming capabilities through structure
	Utilising in-house expertise end-to-end
	Case 2: 3. Impact of experience
	Experience creates capabilities
	Increasing confidence and capability of M&A team
	Institutionalising capabilities through experience
	Maturing of team, increased competence with experience
	Opportunities create experience leading to capabilities
	Seizing opportunity hastens with comfort of familiarity
	Sensing/ gut feel in identification comes with experience
	Technical fitness developed into superior capabilities through experience
	Transforming due to consistency and increased maturity
	Transforming from previous decisions leading to ability to sense
	Transforming from previous decisions leading to ability to sense
	Case 2: 3. Knowledge integration
	Hiring M&A team for technical fitness and capabilities later transformed through internal experience and culture
	Involving corporate management team

	Leveraging collective internal expertise
	Maturing team, increased confidence, and capabilities through M&A
	Transforming through experience creating increased competencies
	Transforming through increased corporate understanding due to previous transaction experience
	Understanding the importance of retaining acquisition capabilities
	Value of analyses work
	Value of upfront M&A work
	Case 2: 3. Recruit expertise and skills
	Complexity of sensing softer non-quantifiable
	Investing in capability for M&A strategy
	Link to theory
	M&A team's maverick characteristics
	Managing transaction in-house
	Requiring more than technical skills from M&A team
	Young team
Value creation	**Case 2: 4. Brand value growth**
	Ability to measure target firm performance against business plan
	Challenge - no post-merger analyses of performance
	Concerns about the purchase price
	DCF as measure of business value
	Differentiating between the business case with actuals
	Difficulty of measuring aspiration of transformation through M&A
	Difficulty of measuring M&A performance once integrated
	Disregard for macro challenges against target performance measurement
	EBITDA and multiple as cost
	EVA as financial measure of value creation
	Evidence of transaction performance
	Explaining DCF
	Explaining DCF measurement
	Explaining EBITDA, multiple and getting to DCF
	Financial measure of value
	Financial measure of value creation
	Great quote: Size of transaction means measuring in isolation
	How cost was determined
	Importance of separating out value growth from cost
	Improving brand performance as value creation
	Investment payback in 2 to 3 years
	M&A as a tool for financial value creation
	M&A transaction value low threshold
	Measure of transaction success
	Measuring performance against business case
	Measuring performance through volume
	Negotiation and structuring of deal
	NPV as measure of financial value
	Transaction negotiation and structure as value creation
	Transaction size means small impact
	Triangulation of financial measures
	Understanding the role of the multiple
	Using multiple as financial value measure
	Using triangulation to determine transaction value

Case 2: 4. Business case performance
Benefit of transaction was skills and capability growth
Challenge - Might it have been too soon in the M&A journey to test for capabilities? Do they need time to develop
Creating shared value
ESG as non-financial M&A consideration
M&A for shareholder and shared value creation
M&A must be value accretive for shareholders
Measuring performance through profitability
Measuring performance through revenue growth
Measuring value through complementarity synergies
Time horizon of M&A performance
Transaction value delivery timeline 3-5 years
Understanding the importance of retaining acquisition capabilities
Warning against reactive decisions when measuring M&A on short time horizon

Value capture

Case 2: 5. Profit growth as shareholder value
EPS as shareholder value creation
Profit or bottom line as financial measure of value
Protecting shareholder value as decider for M&A
Share price growth as measure of value creation
Shareholder value growth as deciding factor
Case 2: 5. Shareholder returns
Financial measure for return
Internal rate of return as value creation measure
Profitability improves shareholder returns as financial measure
Return on investment as financial measure of performance
ROIC as financial measure of shareholder value
RONA as measure for financial value
RONA as measure for financial value
Transaction measure of success ROI (against WACC)

APPENDIX H: PRO-FORMA INTERVIEWEE CONSENT FORM

PRO FORMA CONSENT FORM

Informed consent for interviews

I am conducting research on two of your firm's historic merger and acquisition transactions. Our interview is expected to last 65 or 90 minutes and will help us understand how South African firms use dynamic capabilities to create value through mergers and acquisitions.

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;
- The recording to be transcribed by an automated transcription service;
- Verbatim quotations from the interview may be used in the report, provided they are not identified with your name or that of your organisation;
- The data to be used as part of a report that will be publicly available once the examination process has been completed; and
- All data to be reported without identifiers.

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

Researcher name [redacted]
Email: 21845167@mygibs.co.za
Phone: +27 72 202 4033

Research Supervisor name: Prof. J.L. Olivier
Email: Olivierjo@gibs.co.za
Phone: +27 83 452 5539

Signature of participant: [redacted]

Date: 4 August 2022

Signature of researcher: ______________________________

Date: ______________

APPENDIX I: CONSISTENCY MATRIX

Research Question	Sections in literature review	Data collection tools	Analysis technique
How do South African firms use dynamic capabilities to create value through mergers and acquisitions?	• Dyduch et al., 2021 • Eisenhardt & Martin, 2000 • Karna et al., 2016 • Teece et al., 2020	• Interview guide: Question 3, 9 & 10 • Direct observation by the researcher • Documents	• Thematic analysis • Interview scripts analysis • Document analysis
How does merger and acquisition activity develop a firm's dynamic capability?	• Čirjevskis, 2019 • Kapoor and Aggarwal, 2020 • Tang & Gudergan, 2018	• Interview guide: Question 7 & 8 • Direct observation by the researcher • Documents	• Thematic analysis • Interview scripts analysis • Document analysis
How are dynamic capability used to make merger and acquisition decisions?	• Ambrosini and Bowman, 2009 • Lebedev et al., 2015 • Karim and Mitchell (2000)	• Interview guide: Question 4, 5 & 9 • Direct observation by the researcher • Documents	• Thematic analysis • Interview scripts analysis • Document analysis
How is value measured, as created and captured through the use of dynamic capabilities in mergers and acquisitions?	• Dyduch et al., 2021 • Eisenhardt and Martin, 2000 • Karna et al., 2016	• Interview guide: Question 3, 6 & 10 • Direct observation by the researcher • Documents	• Thematic analysis • Interview scripts analysis • Document analysis

APPENDIX J: TRANSCRIPTION IDENTIFYER REPLACEMENT TABLE

Identifier	⟶	Replaced with	Identifier	⟶	Replaced with
Firm name		THE CORPORATE	Interviewee: Firm Employee 1		PARTICIPANT 1
THE CORPORATES parent company		THE HOLDING COMPANY	Interviewee: Firm Employee 2		PARTICIPANT 2
Firm's UK-based subsidiary		THE CORPORATE'S MAIN INTERNATIONAL SUBSIDIARY	Interviewee: Firm Employee 3		PARTICIPANT 3
Firm's US-based subsidiary		THE CORPORATE'S DIVESTED INTERNATIONAL SUBSIDIARY	Interviewee: Firm Employee 4		PARTICIPANT 4
Firm's wine-segment subsidiary		THE CORPORATE'S WINE SUBSIDIARY	Interviewee: Firm Employee 5		PARTICIPANT 5
Competitor Firm A	⟶	COMPETITOR FIRM A	Interviewee: Firm Employee 6	⟶	PARTICIPANT 6
Competitor Firm B		COMPETITOR FIRM B	Interviewee: Firm Employee 7		PARTICIPANT 7
Competitor Firm C		COMPETITOR FIRM C	Interviewee: External Board Member 1		PARTICIPANT 8
Competitor Firm D		COMPETITOR FIRM D	Interviewee: External Board Member 2		PARTICIPANT 9
Case 1: Acquired/ target firm		TARGET FIRM A	Brand 1 owned by THE CORPORATE		BRAND 1
Target firm acquired not used as a case		TARGET FIRM C N/A	Brand 2 owned by THE CORPORATE		BRAND 2
Partner firm not used as a case		PARTNER FIRM D N/A	Brand 3 owned by THE CORPORATE		BRAND 3
Case 2: Acquired/ target brand		TARGET BRAND C	Brand 4 owned by THE CORPORATE		BRAND 4
Brand acquired and divested		DIVESTED BRAND D	Brand 5 owned by THE CORPORATE		BRAND 5
Firm acquiring THE CORPORATE		CURRENT ACQUIRING FIRM	Brand 6 owned by THE CORPORATE		BRAND 6

APPENDIX K: FIRMS GOVERNANCE FRAMEWORK FOR INVESTMENTS

Add extract here ->

Dealing limits regarding funding and investments
[as governed by the approved Treasury Management Framework]

Activity	Group Treasurer / Group Accountant	Treasury Management Committee CFO member of the committee	CEO	[redacted] Group Holdings Limited [Board of Directors]
NEW long-term funding	-	Up to R500 million with a maturity shorter than 5 years	Up to R500 million with a maturity longer than 5 years	• Above R500 million for any maturity. • Any funding that would result in SADW Group breaching its financial covenants at the following measurement period
Re-financing of debt maturing	-	Up to R500 million with a maturity shorter than 5 years	Up to R500 million with a maturity longer than 5 years	• Above R500 million for any maturity • Any funding that would result in SADW Group breaching its financial covenants at the following measurement period
Interest rate derivatives	-	Up to R500 million with a maturity shorter than 5 years (per month)	Up to R500 million with a maturity longer than 5 years (per month)	Above R500 million for any maturity
Foreign exchange derivatives – Transactional [excludes Spot transactions as well as early terminations or extensions]	Up to R65 million per day and/or R100 million per month	Up to R150 million per day and/or R250 million per month	Up to R250 million per day and/or R500 million per month	Above R250 million per day and/or above R500 million per month
Foreign exchange derivatives - Acquisition	-	Up to R300 million (per acquisition event)	Up to R500 million (per acquisition event)	Above R500 million (per acquisition event)
Commodity price management	Up to R50 million (per day) and/or R75 million per month	Up to R100 million (per day) and/or R150 million per month	Up to R150 million (per day) and/or R200 million per month	Above R150 million (per day) and/or above R200 million per month
Investment Transactions [excludes overnight investments]	Up to R 150 million to a maximum of 180 days (per month per Participant)	Up to R 250 million for a maximum of 365 days (per month per Participant)	Up to R 350 million for a maximum of 365 days (per month per Participant)	Above R350 million for any maturity (per month per Participant)
Subscription by Group in shares of subsidiaries	-	-	ALL	ALL
Short term funding for any subscription to shares or acquisition in subsidiaries below the listed entity (Group not subscribing)	For any amount: - CFO / CEO - Directors of the subsidiary that are granting the short term funding or subscribing in the shares			

APPENDIX L: CERTIFICATE OF ADDITIONAL SUPPORT

I hereby certify that I received additional/outside assistance (that is, statistical, transcriptional, thematic, coding, and/or editorial services) on my research report.

Additional services retained include:

- ✓ Transcriber
- ✓ Editor

Please provide the name(s) and contact details of all retained:

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TYPE OF SERVICE:	Transcribing

I hereby declare that all interpretations (statistical and/or thematic) arising from the analysis and write-up of the results for my study were completed by myself without outside assistance.

STUDENT NUMBER: 21845167