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Exploring Mergers and Acquisition Strategic Decision-Making within the Information Technology Sector in South Africa

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Thesis presented in partial fulfilment for the degree of Master of Business Administration to the Faculty of Commerce, Law, and Management, University of the Witwatersrand

28 February 2025

Declaration

I Boitumelo P. Boikhutso declare that this research report entitled 'Exploring Mergers and Acquisition Strategic Decision-Making within the Information Technology Sector in South Africa' is my own unaided work. I have acknowledged, attributed, and referenced all ideas sourced elsewhere. I am hereby submitting it in partial fulfilment of the requirements of the degree of Master of Business Administration at the University of the Witwatersrand, Johannesburg. I have not submitted this report before for any other degree or examination to any other institution.

Journal: *South African Journal of Economic and Management Sciences*

Boitumelo P. Boikhutso
Signed at Johannesburg on 28th February 2025

Abstract

This study explores strategic decision-making in mergers and acquisitions within the South African IT sector, examining key factors that influence deal success. Premised on the Resource-Based View, the author conducted a qualitative study. Qualitative data collected from unstructured question interviews with 15 mergers and acquisitions stakeholders in the IT sector was used to determine valuation accuracy, strategic fit, due diligence, and post-merger integration in successful transactions. Thematic analysis was employed to generate themes often-overlooked elements, including technology scalability, cybersecurity risks, governance burdens, and cultural misalignment, which impact mergers and acquisitions outcomes.

This study shows that beyond financial and operational considerations, behavioural dynamics, such as trust, chemistry, and cultural fit, play a critical role in negotiation processes and post-merger integration. Cultural alignment should be assessed both pre- and post-acquisition to ensure long-term synergy realization. Furthermore, the study emphasizes the importance of a well-defined value proposition, where buyers seek competitive advantages through resource acquisition while sellers aim to maximize long-term value creation. Furthermore, the research emphasizes the importance of a well-defined value proposition, where acquirers seek competitive advantages through resource acquisition, and sellers focus on long-term value creation. The study also refines M&A valuation methods by questioning the effectiveness of industry multiples and advocating for intrinsic models, such as Discounted Cash Flow (DCF), to provide a more accurate valuation.

This study augments the existing body of mergers and acquisitions literature by illustrating how M&A decision-making in the IT sector are conducted in emerging markets. It provides actionable insights for investment professionals, IT business operators, and policymakers, underscoring the need for, strategic alignment through balancing operational and financial consideration, behavioural dynamics, and proactive post-merger cultural management. These findings augment the Resource Based Theory by highlighting the importance of acquiring competent human resources, intangible assets such as IP, technological innovation, alongside tangible elements like customer base, market share, and operational efficiency, in maximizing competitive advantage.

This study contributes uniquely by contextualizing these dynamics within the South African IT industry, a market that remains underrepresented in scholarly M&A research. The combination of behavioural, strategic, and cultural variables, coupled with South Africa's unique regulatory and

economic context, distinguishes this research and expands the academic dialogue around M&A in under-explored regions.

Key words: Mergers and Acquisitions, Valuation, Value Proposition, Strategic Decision-Making, South African IT Sector

Table of Contents

Declaration ii

Abstract iii

List of Tables vii

List of Figures viii

Acknowledgements ix

Definition of Key Terms x

Chapter 1: Introduction 1

1.1 Statement of Purpose 1

1.2 Background of Study 1

1.3 Research Problem 2

1.4 Research Aim 2

1.5 Research Objectives 2

1.6 Research Questions 2

1.7 Significance of the study 3

1.8 Delimitations of the Study 3

1.9 Assumptions 4

1.10 Conclusion 4

1.11 Thesis Outline 4

Chapter 2: Literature Review 5

2.1 Key Concepts 5

2.2 M&A strategic decision-making process within the IT sector 7

2.3 Theoretical Framework 8

2.3.1 Resource-Based View 8

2.4 Empirical literature Review 9

2.4.1 Value Proposition for Acquirers in M&A Transactions 9

2.4.2 Factors Influencing Value Selling Over Profit Maximization 10

2.4.3 Strategic Implications for Both Acquirers and Sellers 10

2.5 Conclusion 11

Chapter 3: Research Methodology 12

3.1. Introduction 12

3.2. Research Strategy 12

3.3. Research Design 12

3.4. Data Collection Instruments 13

3.5. Sampling 13

3.6. Data Analysis Methods 13
3.7. Reliability and Validity 14
3.8. Ethical Considerations 15
3.9. Limitations of the Methodology 16
3.10. Conclusion 16
Chapter 4: Results and Discussion 17
4.1 Introduction 17
4.2 Demographic Information 17
4.3 Presentation and Discussion of Results 18
4.3.1 Value Proposition for Acquires in M&A Transactions in IT Sector 18
4.3.2 Factors Influencing Value Selling over Profit Maximisation 20
4.3.3 Implications for Acquirers and Sellers in IT M&A Transactions 24
4.4 Conclusion 26
Chapter 5: Conclusion and Recommendations 27
5.1 Introduction 27
5.2 Summary of Key Findings from the Literature 27
5.3 Summary of Key Findings from Primary Study 28
5.4 Contributions and Practical Implications 29
5.5 Recommendations for Future Research 29
5.6 Reflective Summary and Author's Perspective 30
5.7 Conclusion 31
References 33
Appendices 39
Interview Schedule 39
Sample of Informed Consent Form 40

List of Tables

Table 1: Demographic Information – Research Participants 17

List of Figures

Figure 1: IT Sector M&A strategic decision-making process..... 7

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With heartfelt appreciation, thank you all.

Definition of Key Terms

Acronym	Description
IP	Intellectual Property
IT	Information Technology
M&A	Mergers and Acquisitions
NDA	Non-Disclosure Agreement
RBV	Resource Base View
DCF	Discounted Cash Flow
EBITDA	Earnings Before Interest Tax Debt Amortization
ARR	Annual Recurring Revenue

Chapter 1: Introduction

1.1 Statement of Purpose

This chapter lays the introduction to M&A strategic decision-making within South African IT sector. Section 1.2 provides background, followed by the research problem (1.3), aim (1.4), objectives (1.5), and questions (1.6). Sections 1.7 to 1.9 cover significance, delimitations, and key assumptions, concluding with Section 1.10, which introduces subsequent chapters.

1.2 Background of Study

Mergers and Acquisitions (M&A) are vital strategies for corporate growth, especially in emerging markets like Africa. The Information Technology (IT) sector has been a major player in global M&A activity, with developed regions such as the US, Europe, and parts of Asia experiencing substantial consolidation. Global deals, such as NVIDIA's attempted acquisition of ARM Holdings Plc, exemplify the transformative impact of strategic M&A on the IT landscape (NVIDIA, 2022). In Africa, the IT sector has seen significant M&A activity, fuelled by the continent's growing digital economy, mobile penetration, and startup culture. Countries like Nigeria, Kenya, and Egypt have emerged as key tech hubs, attracting global investors. A notable example is Stripe's acquisition of the Nigerian fintech firm Paystack in 2020, highlighting the global interest in Africa's burgeoning IT sector.

South African M&A activity has surged, particularly after the COVID-19 pandemic (KPMG, 2024), with the IT sector playing a crucial role in driving economic transformation (Ellis et al., 2015). A key issue in South Africa's IT sector, is the misalignment of valuation expectations between buyers and sellers, driven by uncertain growth projections, limited benchmarks, and competitive bidding which leads to deal breakdowns, such as the failed 2022 negotiations between MTN and Telkom due to high valuation expectations clashes and reluctance in commitment to exclusivity (Lipscombe, 2022). These valuation gaps, often result in M&A failures as parties struggle to agree on a fair price reflecting both current value and future potential (Wnuczak & Osiichuk, 2024). This study aims to explore strategic decision-making in South Africa's IT sector, focusing on the value proposition for acquirers, the preference for value selling over profit maximization, and the strategic implications for both buyers and sellers. The study seeks to enhance understanding of how strategies can be optimized in this evolving sector.

1.3 Research Problem

Managing high valuation multiples is a challenge within M&A in the South African IT sector, which stems from balancing financial gains, strategic direction, and long-term sustainability (Chen & Hsu, 2006).

The core issue for acquirers is identifying value propositions aligned with their strategic goals, while sellers often prioritize profit maximization over value-centric approaches. KPMG's 2024 publication titled "Doing deals in Sub-Saharan Africa" showed that attractive valuations were a top driver of M&A activity. However, 55% of respondents identified valuation and pricing expectations as major barriers to successful deals. This misalignment led to failed negotiations, within the Southern African M&A market recording a 70%-90% failure rate in 2023.

The study explores acceptable value propositions for buyers and argues why sellers should focus on value-centric selling rather than profit alone. Using qualitative methods, the study investigates the motivations and decision-making processes of both buyers and sellers offering practical insights into effective M&A strategies that prioritize long-term value creation and sustainability over short-term financial gains.

Within the South African context focus on empirical research targeting IT sector-specific challenges has been limited especially from an M&A and strategic decision-making lens. Thus, while this study draws upon a robust foundation of existing research it fills a critical gap by applying and testing these theoretical insights within an emerging market IT landscape

1.4 Research Aim

This study aims to evaluate the effectiveness of acquisition and selling strategies in the South African IT market, focusing on the value proposition for value-oriented buyers.

1.5 Research Objectives

1.5.1 To analyse the value proposition for acquirers in M&A transactions.

1.5.2 To examine the factors influencing value selling over profit maximization

1.5.3 To examine the strategic implications for both acquirers and sellers

1.6 Research Questions

1.6.1 What is the value proposition for acquirers in M&A transactions?

1.6.2 What are the factors influencing value selling over profit maximization?

1.6.3 What are the strategic implications for both acquirers and sellers?

1.7 Significance of the study

This study emphasizes the interconnectedness of valuation, governance, technology scalability, and cultural alignment in determining M&A success. While financial and operational factors are important, the findings highlight the increasing impact of non-traditional factors, such as cybersecurity risks and behavioural dynamics (Chen & Hsu, 2006; Orosz, 2024). These factors influence negotiation processes, integration success, and long-term synergy. It also stresses that cultural fit is an ongoing process, revealing how misaligned corporate cultures and employee resistance contribute to M&A failures (Nel, Bruwer, & Le Roux, 2014).

This study contributes to M&A literature by highlighting cultural due diligence alongside financial and operational assessments in IT sector decision-making in emerging markets. It offers insights for investors, IT operators, and policymakers, focusing on strategic alignment, behavioural dynamics, and post-merger cultural management. The findings enhance Resource-Based Theory by emphasizing the role of skilled talent, IP, and market share in competitive advantage. Additionally, it advocates for intrinsic models like DCF to improve M&A valuation and address the limitations of industry multiples

Thus, while this study draws upon a robust foundation of existing research (Schweiger & Goulet, 2005; Sudarsanam, 2010), it fills a critical gap by applying and testing these theoretical insights within an emerging market IT landscape. The combination of behavioural, strategic, and cultural variables, coupled with South Africa's unique regulatory and economic context, distinguishes this research and expands the academic dialogue around M&A in under-explored regions. While not the first to address M&A decision-making holistically, this study is among the few, if not the first, to do so within the South African IT sector, offering both context-specific insights and contributions that build upon and extend international literature.

1.8 Delimitations of the Study

This study focuses on the South African IT sector implying that its findings are primarily applicable within this specific context. This limits the ability to generalize conclusions to other industries or geographic regions with different market dynamics. By concentrating on transactions involving high valuation multiples, the research may exclude insights into M&A activities that

involve lower valuations or alternative deal structures, reducing the comprehensiveness of its findings.

1.9 Assumptions

This study assumes that companies in South Africa's IT sector pursue M&A primarily for long-term value creation and sustainability. It also presumes that the target audience is familiar with M&A-related business concepts. The focus is on long-term value in acquisition and selling decisions, rather than short-term financial gains. It is assumed that most acquisitions involve controlling interests and that both acquirers and sellers have the necessary resources to evaluate M&A opportunities. The research acknowledges the influence of various stakeholders, including management, investors, and employees, whose views on value and profitability may differ, and assumes a stable regulatory environment.

1.10 Conclusion

Chapter 1 has laid the foundation for understanding the strategic complexities of M&A in South Africa's IT sector by identifying the challenges associated with aligning acquisition and selling strategies amidst high valuation multiples. The chapter emphasized the importance of adopting value-centric approaches that focus on long-term goals such as sustainability, market positioning, and innovation. This chapter positions the study to contribute theoretical and practical insights that can enhance strategic decision-making in M&A transactions.

1.11 Thesis Outline

Chapter 2 reviews the relevant literature, while Chapter 3 outlines the research methodology, including data collection and analysis. Chapter 4 presents the findings and discusses them in relation to existing literature. Chapter 5 concludes with a summary and recommendations for future research and practice.

Chapter 2: Literature Review

This chapter reviews literature, integrating theoretical insights and empirical findings to understand strategic decision-making in M&A within South Africa's IT sector. Section 2.1 introduces M&A concepts while Section 2.2 examines the strategic decision-making process in the IT sector. Grounded in the resource-based view, Section 2.3 establishes the study's theoretical framework and reviews empirical studies. Finally, Section 2.4 concludes the chapter.

2.1 Key Concepts

2.1.1 Value Buyer

In South Africa's IT sector, value-oriented buyers look beyond financial metrics, considering factors like customer loyalty, strategic alignment, and cultural fit to ensure long-term growth (Orosz, 2024). These buyers assess acquisition targets based on these nuanced criteria, shaping strategic decision-making (Erel, Liao, & Weisbach, 2012; Orosz, 2024). An essential element of the value proposition is the alignment between the acquirer's goals and the target's competencies, fostering synergies and sustained value generation (Barkema & Schijven, 2008). Given the niche nature of South Africa's IT market, strategic fit and organizational compatibility are crucial to mitigate risks and maintain asset sustainability (Marks & Mirvis, 2001).

2.1.2 *Seller Positioning*

Seller positioning involves preparing a business for potential acquirers by emphasizing its unique value proposition and aligning with buyer objectives. A strong positioning strategy includes financial transparency, showcasing revenue stability, profitability, and growth potential, while addressing risks to build buyer confidence (Sharma, 2023). Cultural compatibility is also vital, as M&A integration challenges arise from differing organizational cultures. Sellers who prioritize cultural alignment present themselves as low-risk targets, appealing to buyers seeking seamless integration (Cartwright & Cooper, 1993). By aligning its narrative with buyer priorities, a company enhances its appeal, facilitating successful transactions and post-acquisition outcomes (Gomes, Angwin, Weber, & Tarba, 2013; Sharma 2023).

2.1.3 Value Proposition

In the IT sector, value propositions often highlight intangible assets like intellectual property (IP), innovation, and human capital, alongside tangible elements such as market share and operational

efficiency (Odonkor, Adewale, & Olorunyomi, 2023). These factors guide strategic decision-making, helping acquirers assess synergies and alignment with long-term goals (Hitt, Harrison, & Ireland, 2001). A "value buy" involves acquiring a company below its intrinsic value to unlock potential through synergies, while a "value sell" focuses on showcasing growth strategies and competitive advantages (Odonkor et al, 2023; Cartwright & Schoenberg, 2006). Transparent, data-driven processes are crucial for both parties to realize synergies and ensure long-term value creation (Sharma, 2023).

2.1.4 Maximum Profit

Profit maximization often overlooks factors like strategic fit, cultural alignment, and long-term growth, focusing instead on immediate financial gain at the expense of sustainable business success (Depamphilis, 2021). While profit-driven strategies may yield short-term returns, they can undermine the long-term viability of the acquired business. Without considering strategic alignment or shared vision, integration challenges, talent retention, and growth sustainability may arise (Depamphilis, 2021). In the IT sector, where technological change and market volatility demand adaptability, a profit-focused approach can limit long-term success for both buyers and sellers. Sellers may find it tempting in the short term, but this approach can have negative long-term effects (Angwin, 2001).

2.2 M&A strategic decision-making process within the IT sector

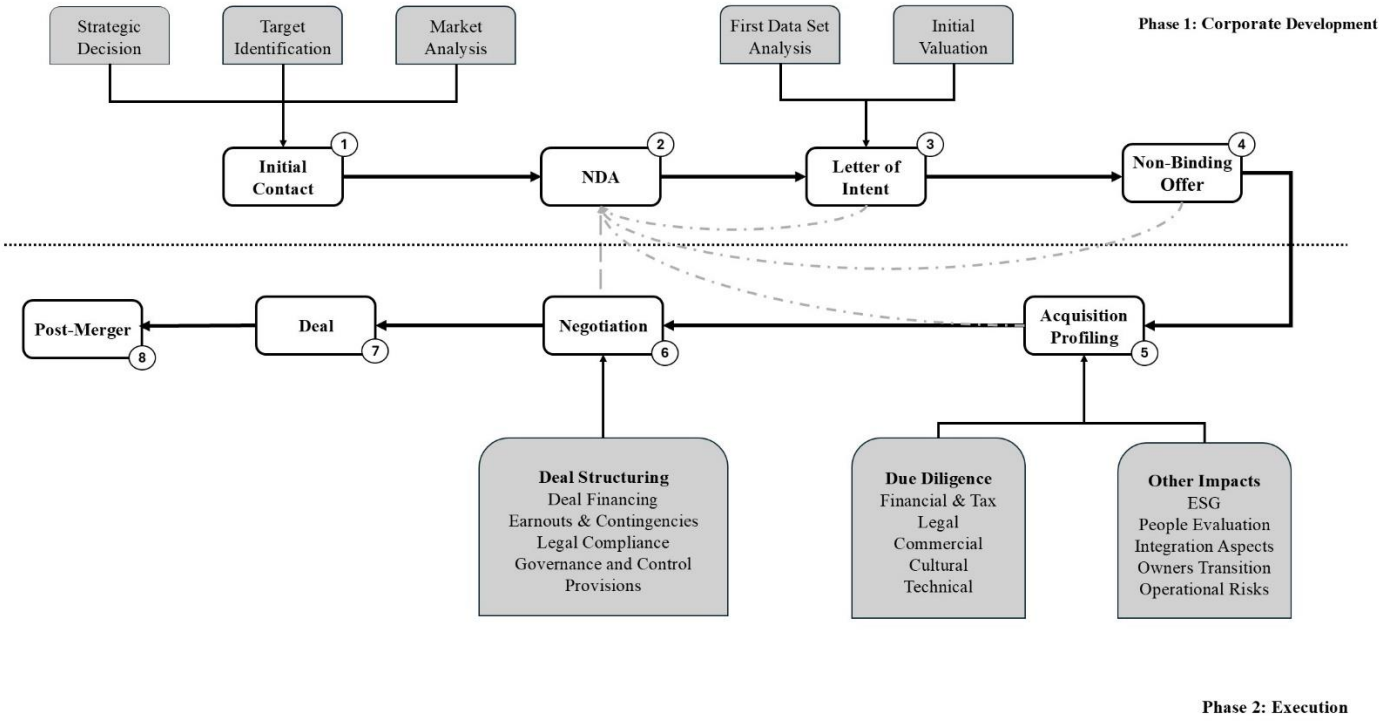


Figure 1: IT Sector M&A Strategic Decision-Making Process, adopted from Kummer & Sliskovic. (2007)

The M&A process follows a sequence of interdependent stages, each requiring planning, analysis, and execution. This discussion examines the foundations of each stage, emphasizing strategic importance, operational complexity, and outcomes.

The initial stage involves strategic decision-making, target identification, and market analysis. Organizations define their rationale, whether market expansion, technological acquisition, competition reduction, or operational efficiency, and identify targets aligned with these goals. Market analysis assesses trends, competition, and regulations, ensuring strategic fit (Kummer & Sliskovic, 2007). Upon initiating discussions, parties sign a non-disclosure agreement (NDA) to protect sensitive information, fostering trust.

A letter of intent follows, outlining preliminary terms and signalling intent to proceed. The acquirer conducts high-level financial and operational analysis. Acceptance of an indicative offer leads to a non-binding agreement granting exclusivity, allowing detailed due diligence (Kummer & Sliskovic, 2007). Up until this point (initial contact to non-binding offer), the functions engaged are within the corporate development phase.

In the execution phase, due diligence assesses financials, legal compliance, cultural alignment, and technical robustness. It validates strategic assumptions and identifies risks, including environmental, social, and governance considerations. The negotiation phase finalizes deal terms, including pricing, payment mechanisms, earn-outs, indemnities, and governance structures.

Once terms are settled, the deal moves to closing, where legal and financial conditions are met, regulatory approvals secured, and ownership transferred. Post-merger integration then ensures operational, cultural, and system alignment (Kummer & Sliskovic, 2007). Regular post-merger assessments measure synergies, addressing challenges and refining future M&A strategies.

2.3 Theoretical Framework

2.3.1 Resource-Based View

The Resource-Based View (RBV) theory provides a framework for understanding strategic motivations in M&A, particularly in sectors like IT, where resources such as technological capabilities, IP, and specialized talent are essential for competitive advantage. RBV suggests that firms gain a competitive edge by acquiring and utilizing resources that are valuable, rare, inimitable, and non-substitutable (Barney, 1991). This perspective shifts the focus from external market factors to the internal resources of firms, suggesting that unique capabilities allow firms to outperform competitors (Lubis, 2022).

From the acquirer's perspective, M&A in South Africa's IT sector focuses on identifying target firms with complementary resources that enhance competitive positioning, (Barney, 1991). These acquisitions provide strategic assets that foster innovation, market expansion, and growth (Grant, 1991; Lubis, 2022). Acquirers also seek synergies from integrating resources, improving efficiency and competitiveness. By acquiring rare, inimitable resources, acquirers can differentiate themselves and achieve sustainable competitive advantages (Lubis, 2022).

Sellers often pursue M&A to integrate their unique resources into larger organizations that can scale these innovations effectively. According to RBV, firms with valuable resources are more likely to sell to acquirers who can maximize these resources (Wernerfelt, 1984). Smaller firms with limited capital benefit from selling to larger acquirers, opening the door to global expansion and resource optimization (Grant, 1991).

Sellers also prioritize strategic alignment with acquirers over immediate financial gain. In the IT sector, ongoing innovation and scaling are essential, so sellers seek acquirers who share a similar

vision for the future and can effectively manage resources. This strategic fit ensures that acquired technologies evolve and create long-term value (Barkema & Schijven, 2008). In emerging markets like South Africa this alignment ensures sustainability post-acquisition, rather than focusing solely on short-term financial rewards (Marks & Mirvis, 2001).

The strategic implications of M&A in the IT sector involve effective integration of acquired resources to realize their full potential. Integration challenges such as cultural differences, technological incompatibilities, and management conflicts can undermine expected synergies (Barney, 1991; Lubis, 2022). In South Africa's IT sector, successfully integrating new resources is crucial to achieving acquisition goals (Lubis, 2022). Both acquirers and sellers must align cultures, harmonize technologies, and manage change to ensure successful integration (Marks & Mirvis, 2001).

For acquirers, the strategic goal is to leverage acquired resources for long-term value, requiring effective integration and management. Cultural misalignment can lead to high turnover, reduced morale, and failure to realize synergies (Barney & Clark, 2007). Sellers must ensure that the resources they sell are managed and integrated effectively to maximize long-term value.

2.4 Empirical literature Review

2.4.1 Value Proposition for Acquirers in M&A Transactions

Huang, Yang, and Yang, (2024) explore the impact of cross-border M&As on organisational resilience in China, using data from publicly listed firms between 2008 and 2020. Similar to Wu, Luo and Tian (2022), they show that M&As increase short-term financial volatility, but enhance long-term sustainability and fosters innovation, especially when targets are in countries with superior human capital and innovation capabilities (Huang et al., 2024; Malinić, 2021). This perspective supports the rationale behind M&As, where acquirers aim to acquire valuable resources that contribute to long-term competitive advantage.

Irwin et al. (2022) explore how U.S. listed companies pursue local acquisitions across industries, leveraging their ability to identify and capitalize on opportunities (dynamic capabilities). They emphasize the role of administrative, operational, and governance functions (ordinary capabilities) in M&As. Their study shows that acquiring ordinary capabilities tend to generate positive short-term market reactions, whereas dynamic capabilities contribute to long-term post-acquisition performance (Irwin et al. 2022). Research has further demonstrated that sustainability practices,

if properly embedded in M&A transactions, become integral to a firm's overall value proposition and contribute to long-term competitive advantages, risk mitigation, and corporate reputation (Vastola & Russo, 2020).

The literature demonstrates that strategic alignment is crucial for maximising value creation in M&A transactions, hence, investment professionals and IT business operators should evaluate the linkages between acquired capabilities and sector-specific uncertainties (Irwin et al., 2022; Vastola & Russo, 2020).

2.4.2 Factors Influencing Value Selling Over Profit Maximization

Shankar et al. (2023) explore the factors that influence sellers' decisions in prioritising long-term strategic goals over short-term profit maximization. Like Moro-Visconti (2024) they highlight that sellers seek buyers who can expand their scalability, market reach, and innovation capabilities. Value selling offers long-term benefits such as enhanced brand equity, greater technological impact, and continuous innovations, outweighing the immediate financial rewards (Shankar et al., 2023; Moro-Visconti, 2024).

Reddy and Sasidharan (2023) examine the influence of advanced digital infrastructure on value selling and global value chain participation. They find that aligning with technologically capable partners helps sellers enhance their position in global markets, maximizing long-term value and positioning the acquired technologies for continued growth and development. Hoffmann, Kanbach, and Kraus, (2025) offer a supporting example, in that smaller firms with niche technologies prefer aligning themselves with acquirers who have a strong digital infrastructure base that enables scaling up their technologies to a global audience. Therefore, sellers in the IT sector, are increasingly selecting acquirers who ensure continued advancement of innovations and access to global markets. Depamphilis (2021) and Orosz (2024) further find that profit-maximization strategies often lead to underutilised resources and missed opportunities for long-term growth, as buyers may not have the expertise to integrate and scale the acquired technologies.

2.4.3 Strategic Implications for Both Acquirers and Sellers

Feldman and Hernandez (2022) studied how M&As contribute to long-term growth and scalability for acquirers in dynamic sectors like IT. They illustrate that acquirers prioritise targets that align with their business models while introducing new capabilities that drive innovation and market expansion (Feldman & Hernandez, 2022; Isic, 2024). Integrating complementary resources reduce

operational costs, enhance efficiency, and facilitates effective entry into new markets (Vastola & Russo, 2020).

Further buyer motivations are often assessed through financial metrics, such as acquisition premiums (Li & Haleblian, 2022; Boone & Mulherin, 2007), with limited exploration of long-term strategic objectives in high-growth sectors like IT. Similarly, research on seller motivations (Edmans, Fang, & Huang, 2022; Brau, Sutton, & Hatch, 2010) tends to focus on financial incentives, neglecting other strategic considerations like cultural fit, and behavioural elements such as trust and chemistry. This financial bias leaves a theoretical and practical void in understanding value-driven M&A decision-making. Although studies highlight digital transformation's role in M&A, empirical evidence on its impact in South Africa is scarce.

The RBV (Barney & Clark, 2007) provides a robust framework for examining how unique, inimitable resources influence M&A strategies. However, its application within the South African IT sector remains underexplored, particularly regarding how acquirers and sellers balance intrinsic resource value with market dynamics.

2.5 Conclusion

This chapter reviewed the literature, integrating theoretical insights and empirical findings to explore strategic decision-making in M&A within South Africa's IT sector. It introduced key M&A concepts and examined the strategic decision-making process specific to the IT industry. Grounded in the resource-based view, the theoretical framework was established, followed by a review of relevant empirical studies. The chapter concludes by summarising the findings and highlighting the study's theoretical and practical contributions.

Chapter 3: Research Methodology

3.1. Introduction

Chapter 3 outlines the research methodology and analytical techniques used to achieve the study's objectives. It covers the research strategy (3.2), design (3.3), and data collection instruments (3.4). The chapter also discusses sampling (3.5), data analysis (3.6), reliability and validity (3.7), ethical considerations (3.8), limitations (3.9), and concludes with 3.10.

3.2. Research Strategy

A research strategy refers to the systematic plan that guides data collection, analysis, and interpretation in a study (Bryman, 2012). The three primary research strategies are qualitative, quantitative, and mixed methods (Bryman, 2012). This study adopts a qualitative research strategy to explore motivations, decision-making processes, and behavioural factors influencing M&A in South Africa's IT sector. Qualitative research enables an in-depth exploration of participants' perspectives, capturing the complexities of strategic decision-making in M&A transactions. Smith (2022) conducted a qualitative study on executive decision-making in business negotiations, highlighting that strategic IT adoption enhances profitability and social change. This study similarly benefits from understanding the experience-based decision-making of acquirers, IT business operators, and advisors involved in M&A transactions.

3.3. Research Design

A research design is a structured framework for collecting, analyzing, and interpreting data to align with research questions (Theyink & Tymstra, 1993). Common designs include cross-sectional, longitudinal, case study, comparative, and experimental (Bryman, 2012). This study adopts a cross-sectional design within the qualitative framework (Bryman, 2012), allowing data collection at a single point to examine relationships in M&A decision-making within South Africa's IT sector. Bauer and Friesl (2024) used a cross-sectional design to explore managerial attention in M&A transactions, offering insights into synergy evaluation. This design similarly helps capture a broad range of strategic perspectives from M&A professionals in the IT sector.

3.4. Data Collection Instruments

A data collection instrument is a tool used by researchers to systematically gather information from participants (Bryman, 2012). Well-designed instruments facilitate meaningful insights, enabling in-depth exploration of the research topic. Bryman (2012) identifies surveys, experiments, interviews, observation, and content analysis as primary instruments for data collection.

For this study, an interview schedule is the most appropriate instrument. Interviews allow deep engagement, capturing complex insights that are difficult to obtain through other methods (Bryman, 2012). This approach balances structure with flexibility, enabling participants to elaborate on their experiences. Raikar (2017) used an interview schedule to examine IT prioritization in M&A due diligence, uncovering key themes related to IT governance, cybersecurity, and scalability. Similarly, this study benefits from this method to explore strategic, financial, and behavioural considerations in South Africa's IT-sector M&A.

3.5. Sampling

Sampling involves selecting a subset of individuals from a target population to ensure representative data (Bryman, 2012). In qualitative research, common methods include purposive, snowball, and convenience sampling (Bryman, 2012).

This study uses purposive sampling (Stratton, 2024). Raikar (2017) similarly used purposive sampling to examine IT prioritization in M&A due diligence, focusing on senior executives with relevant experience. This sampling technique offered Raikar's (2017) with the ability to collect detailed, expert-driven perspectives that would not have been accessible through random sampling techniques (Stratton, 2024). This study employed a sample size of 15 participants guided by the law of saturation. Based on the concept of saturation, Raikar (2017) employed 20 participants to reach a saturation. Therefore, in this study, 15 participants were employed fulfilling the saturation criteria.

3.6. Data Analysis Methods

Data analysis in qualitative studies involves examining non-numerical data to identify patterns and meanings (Braun & Clarke, 2006). Methods such as thematic analysis, content analysis, and grounded theory are commonly used (Creswell & Poth, 2018).

Thematic analysis was chosen for this study as it allows for a structured yet flexible examination of participants' perspectives, ideal for capturing complex decision-making in M&A transactions

(Braun & Clarke, 2006). Raikar (2017) used thematic analysis to uncover themes such as risk mitigation and scalability in IT prioritization during M&A. Similarly, this study will use thematic analysis to explore key themes in South African IT-sector M&A, providing insights into factors influencing success beyond financial metrics.

3.7. Reliability and Validity

Reliability and validity are essential to ensure that findings are consistent and accurately represent the phenomena under study. Reliability refers to the consistency and stability of research methods (Creswell & Poth, 2018). Validity concerns the accuracy of the study's conclusions, ensuring it measures what it intends (Nowell et al., 2017).

In qualitative research, reliability is linked to dependability, which ensures consistency and reproducibility (Patton, 2015). This study achieved reliability through standardized data collection, ensuring comparability and transparency with an audit trail to document decisions, procedures, and analysis processes.

Smith (2022) also used a structured interview protocol and thematic coding for reliability, ensuring consistency across participants. This approach reinforced credibility by achieving consistent findings. Similarly, the current study follows a structured and replicable process for collecting and analysing data, minimizing inconsistencies.

3.7.1 Credibility

Credibility was ensured by data triangulation and member checking, enhancing trust in the findings (Creswell & Poth, 2018). Smith (2022) applied similar credibility measures, cross-validating findings across participants to ensure robustness.

3.7.2 Dependability

Dependability was established by maintaining a detailed audit trail and peer debriefing, as done by Smith (2022). This ensures consistency and reproducibility, allowing future studies to replicate the methodology. Similarly, this study ensures interpretive consistency for future verification.

3.7.3 Transferability

Transferability was enhanced by providing rich descriptions of the research context and participant profiles, similar to Smith (2022). This allows findings to be applied to other settings or industries. Similarly, this study offers contextual depth, making the findings relevant to similar sectors.

Confirmability was ensured through reflexivity, using a research diary to document potential biases (Nowell et al., 2017). Smith (2022) maintained transparent logs to reduce bias. This study also follows the same approach to ensure objectivity and trustworthiness, reflecting participants' true perspectives.

3.8. Ethical Considerations

Ethical considerations will be central to this study to protect participants' rights, dignity, and confidentiality. The research will adhere to Wits Business School's ethical guidelines, influencing the design, data collection, and analysis processes. Key ethical principles include:

3.8.1 Informed Consent and Voluntary Participation

Participants will receive a clear Participant Information Sheet outlining the study's purpose and methods. They will have time to ask questions, and informed consent will be obtained before data collection, with a reminder of their right to withdraw at any time without penalty.

3.8.2 Confidentiality

Participants' identities will be protected, and all data will be anonymized. Personal information will not be disclosed, and data will be stored securely, with access limited to the research team.

3.8.3 Voluntary Participation

Participation will be voluntary, with participants informed of their right to withdraw at any time without consequence.

3.8.4 Non-Harm

Efforts will be made to minimize any distress or harm, ensuring that the research process is respectful and sensitive.

3.8.5 Honesty and Integrity

The study follows principles of transparency, fairness, and objectivity, with participants kept informed about the research progress.

By prioritizing these ethical considerations, the study ensures participants' rights are respected and the research is conducted with integrity, in line with Wits Business School's ethical standards.

3.9. Limitations of the Methodology

The research methodology, presents certain limitations that could affect the findings' scope and applicability. One key concern is the potential for bias in participant selection due to purposive sampling. Although this approach ensures relevant expertise, it may introduce researcher bias. To mitigate this, clear selection criteria will be consistently applied to ensure a diverse representation of M&A professionals. Additionally, the use of thematic analysis may lead to subjective data interpretation. To enhance reliability, multiple rounds of peer review will be conducted. Furthermore, participant bias remains a challenge, as personal perspectives may shape responses. To address this, neutral question framing and confidentiality assurances will be implemented, encouraging honest and unbiased contributions.

3.10. Conclusion

Chapter 3 detailed the research methodology used to address the study's objectives and research questions. A qualitative approach, utilizing open-ended questionnaires, is employed to gather detailed data from experienced stakeholders in M&A and IT. The cross-sectional research design captures value-driven decision-making dynamics at a single point in time, aligning with the study's aim to explore M&A strategies in the South African IT sector. Data will be analyzed using thematic analysis, ensuring comprehensive interpretation of participant perspectives. Reliability and validity are enhanced through piloting, triangulation, and systematic analysis. Ethical considerations, such as informed consent and confidentiality, are prioritized. Methodological limitations, including sample size and bias, are acknowledged, with mitigation strategies discussed. The next chapter will present the findings.

Chapter 4: Results and Discussion

4.1 Introduction

This chapter presents the study's results. Section 4.2 details sample characteristics, while Section 4.3 analyzes findings in relation to existing literature, highlighting consistencies, new insights, and contradictions. Section 4.4 summarizes key findings and their broader implications, leading to the final recommendations in Chapter 5.

4.2 Demographic Information

Table 1 provides detailed information on 15 participants, outlining their roles, qualifications, and experience in M&A transactions within the IT industry.

Table 1: Demographic Information – Research Participants

Participant	Industry Exposure in IT			Position	Qualification	Experience
	Seller	Acquirer	Adviser			(Years)
1	x	x	x	CEO/Founder	LLB	40-50
2	x	x		CEO/Founder	CA(SA)	20-30
3	x	x		CEO/Founder	MBA	10-20
4		x		M&A Executive	CA(SA)	10-20
5	x			Group CFO	CA(SA)	20-30
6			x	Associate Director	LLB/CFA	10-20
7	x			CEO/Founder	LLB	40-50
8	x			CEO/Founder	BSc Hons (Computer Science)	30-40
9	x	x		Group CFO	CA(SA)	20-30
10			x	Managing Partner	Mphil Finance	20-30
11	x	x	x	CEO/Founder	MBA	40-50
12	x			CEO/Founder	BSc Computer Science	30-40
13	x			CEO/Founder	BCom Honours	20-30
14	x			CEO/Founder	BCom Accounting	10-20
15	x			CEO/Founder	BSc Computer Science	30-40

Table 1 shows that participants are categorized as sellers, acquirers, or advisers based on their involvement in M&As and includes details on their industry exposure, job titles, educational qualifications, and years of experience, ranging from 10 to 50 years. Key qualifications include LLB, CA(SA), MBA, CFA, BSc Computer Science, and BCom Accounting, with roles spanning senior leadership positions such as CEOs, founders, CFOs, and M&A executives. The participants' varied levels of experience provide valuable insights into the strategic, financial, and operational aspects of M&As. The mix of sellers, acquirers, and advisers ensures a comprehensive perspective

on the decision-making processes, value propositions, and factors influencing value selling versus profit maximization in M&A deals. Their qualifications reflect expertise in financial, strategic, and legal considerations, which are critical for evaluating M&A strategies in the South African IT market. This information helps identify trends and patterns in the strategic implications for both acquirers and sellers, offering key insights into the long-term impact of M&A strategies on growth and innovation.

4.3 Presentation and Discussion of Results

4.3.1 Value Proposition for Acquires in M&A Transactions in IT Sector

Participants highlighted key factors in assessing strategic fit in M&A, emphasizing the importance of alignment between buyer and seller objectives. Many interviewees noted that firms evaluate compatibility based on their ability to create long-term value.

4.3.1.1 Sustainability and Recuring Revenue

A recurring theme was the sustainability of revenue streams as a primary determinant of success. Several participants stressed that acquisitions reliant on short-term contractual income carry higher risk, while subscription-based models provide stability and recurring revenue. They emphasized the need for thorough due diligence on financials, commercial viability, and the target's unique value proposition to ensure post-transaction revenue expectations are met.

Beyond financial and legal assessments, participants stressed the importance of evaluating technology, cybersecurity, compliance, and customer stability. Customer feedback was frequently mentioned as a valuable source of insight into product quality and retention risks, helping to shape realistic revenue expectations. Neglecting these aspects, some participants warned, could lead to post-transaction value erosion.

4.3.1.2 Strategic Alignment

Strategic alignment was another major factor identified by participants. Many stressed that acquisitions are more successful when the target aligns with the acquirer's corporate strategy, technological ecosystem, and growth objectives. Clear intent from both parties, where sellers are genuinely motivated and buyers are fully committed, was seen as a facilitator of smoother negotiations and integration.

Cultural fit and organizational integration emerged as often underestimated yet crucial considerations. Several participants shared experiences where poor integration planning led to

attrition and inefficiencies, while well-executed change management preserved institutional knowledge and enhanced collaboration. Leadership retention, employee adaptation, and effective communication were highlighted as essential for synergy realization.

Technological and operational compatibility was frequently discussed, particularly in relation to software architecture, scalability, and IT infrastructure integration. In knowledge-intensive industries, participants highlighted talent retention as a key determinant of success, noting that acquisitions often depend on preserving specialized expertise.

4.3.1.3 Valuation and Deal Structuring

Valuation and deal structuring also played a significant role in transaction outcomes. Interviewees emphasized the need to strike a balance between competitive pricing and avoiding overpayment, particularly given operational complexities, market volatility, and technological risks. Overly optimistic valuations were flagged as a common challenge, with some participants advocating for structured incentives to support long-term success.

Post-transaction performance optimization was a shared concern. Participants stressed that the target's ability to meet projected forecasts is a key success measure. Unrealistic expectations, excessive governance, and assumptions about the acquirer's superior efficiency were identified as potential pitfalls, leading to operational misalignment and inefficiencies.

The findings reinforce that financial compatibility alone is insufficient; instead, cultural alignment, strategic coherence, and trust-based negotiations are pivotal in determining transaction success. The findings align with the RBV of the firm (Lubis, 2022; Barney, 1991), which highlights that acquisitions should leverage unique, inimitable resources to establish a competitive advantage. Consistent with Huang et al. (2024), 73% of respondents confirmed that long-term strategic alignment is a critical determinant of M&A success. The study also supports the arguments of Bauer and Friesl (2024), who stress the importance of cultural fit in ensuring seamless integration, with 12 respondents reiterating that cultural misalignment remains a primary cause of post-merger failure.

Synergy realization, particularly in operational efficiency and market expansion, was widely acknowledged, resonating with the literature on related diversification strategies (Shankar, et at., 2023). The findings affirm that while synergies are integral to valuation, they are often conceptual rather than quantifiable before acquisition, aligning with existing research challenges in synergy

estimation. Furthermore, the role of seller retention in ensuring post-acquisition stability corresponds with the knowledge transfer perspective (Shankar, et at., 2023; Zaheer, Castañer, & Souder, 2013), supporting the argument that phased exits facilitate integration.

4.3.1.4 Human Touch

Unexpectedly, while literature primarily focuses on financial, strategic, and operational considerations, one respondent emphasized that trust-building mechanisms underpin negotiation stability. This suggests a potential intersection between M&A strategy and behavioural economics principles, such as reciprocity and fairness (Fehr & Schmidt, 1999). The emphasis on trust indicates that non-financial elements, including ethical negotiations and transparent communication, may be more critical to deal success than previously acknowledged.

Additionally, while 80% of respondents emphasized the importance of seller retention for post-merger integration, one participant provided a counterpoint, arguing that technical expertise from the acquiring party can be a decisive factor in deal acceptance. This challenges the prevailing assumption that financial and operational synergies alone dictate M&A success, suggesting that expertise and human capital considerations require greater emphasis in valuation discussions.

Finally, the notion of "chemistry" between acquiring and target firms emerged as an influential yet underrepresented determinant of strategic fit. While seldom discussed in mainstream M&A literature, this finding aligns with behavioural finance research (Neale & Bazerman, 1992), which highlights the impact of interpersonal relationships on negotiation dynamics. This underscores the need for future studies to examine how subjective, relationship-driven factors influence M&A outcomes.

4.3.2 Factors Influencing Value Selling over Profit Maximisation

4.3.2.1 Valuation and Pricing

Participants highlighted several key factors influencing the valuation process in IT sector M&A, emphasizing revenue stability, industry multiples, and forward-looking valuation methods. In contrast, businesses with short-term contracts or volatile revenue face lower valuations due to perceived instability.

Several interviewees acknowledged the widespread use of industry multiples, particularly earnings-based ratios, as benchmarks in valuation discussions. However, they cautioned against relying solely on these metrics, viewing them as useful for initial market alignment but insufficient

for capturing long-term value. Participants stressed that private company valuations require adjustments based on factors like scale, market position, and business model differences, making multiples more of a validation tool than a definitive measure. The DCF method emerged as a preferred approach among respondents due to its forward-looking nature.

Additionally, participants discussed how transaction structure and strategic rationale influence valuations. Some acquirers are willing to pay a premium for strategic alignment, while others adjust valuations downward based on risk factors or market conditions. Overall, findings suggest that valuation in IT sector M&A is inherently complex, with industry multiples serving as a widely referenced but debated metric, primarily acting as a short-term pricing benchmark rather than an indicator of intrinsic value.

Several respondents (10), emphasize that multiples are useful for market sentiment analysis but lack the forward-looking rigor of DCF models. This aligns with Damodaran's (2012) assertion that multiples should not be relied upon in isolation but rather as part of a triangulated approach incorporating income-based and market-based assessments (van der Horst, 2024).

A recurring theme among respondents is the impact of revenue composition on valuation. A respondent elaborated that IT businesses with subscription-based revenue models command higher multiples due to revenue predictability, a view supported by contemporary literature (Koller, Goedhart, & Wessels, 2020). Similarly, four respondents also advocated for annual recurring revenue (ARR) as a superior benchmark for long-term value, reinforcing insights from academic research on subscription-based business valuations (Koller et al., 2020).

Additionally, seven emphasised the importance of DCF-based valuations due to their ability to capture the time value of money and firm-specific risks. Moreover, the findings recognized the importance of qualitative factors, such as revenue durability and contractual structures, reinforcing the argument that intrinsic valuation methods, such as DCF, provide a more accurate reflection of future earnings potential (Kaplan & Ruback, 1995)

Seven respondents agree that multiples serve as an indicative but imperfect benchmark, whereas eight of the respondents, majority being acquirers, noted that multiples are highly dependent on market conditions,

Findings critiqued the practice of referencing private valuations against listed peers due to adjustments made for scale and liquidity differences. This contradicts traditional valuation

methodologies, which often assume that private companies can be benchmarked against public market comparable with appropriate discounts.

Furthermore, the gathered data introduced a strategic consideration often overlooked in standard valuation models, that is control and buyer synergies. Respondents (2) further noted that the willingness to sell and the ability of the buyer to add strategic value influence pricing beyond financial metrics.

4.3.2.2 Number of Iterations in Negotiations

Participants shared varied perspectives on the number of valuation iterations and negotiation rounds in M&A transactions, with most acknowledging both the necessity and potential drawbacks of extended negotiations.

A common theme is that valuation is critical in assessing deal readiness, with sellers typically setting initial expectations through independent valuations and buyers validating these figures. Respondents noted that negotiations often resemble a "dance," where multiple rounds refine valuations and ensure mutual agreement on enterprise value. However, beyond valuation, negotiations also address key deal elements such as conditions precedent, minority protections, and strategic considerations.

While some participants emphasized that additional iterations enhance understanding of synergies and strategic fit, others cautioned that excessive rounds can lead to inefficiencies and deal fatigue. Early agreement on non-negotiable terms, often at the non-binding offer stage, is seen as essential for maintaining momentum. Others argued for a balanced negotiation process, ensuring productivity without unnecessary delays.

Some respondents also emphasized that synergies and strategic fit should be assessed before detailed negotiations. While negotiation rounds may further clarify cultural and operational aspects, they are primarily aimed at structuring the deal rather than confirming alignment. Increased engagement between buyer and seller management teams is considered valuable for fostering trust and strengthening post-deal relationships.

Notable findings described valuation as an iterative process where buyers and sellers gradually align on a price, aligns with the theory which argues that valuation discrepancies are among the leading causes of deal failures (Attah-Boakye, Guney, Hernandez-Perdomo, & Mun, 2020; Schweiger & Goulet, 2005). Further, the emphasis on early agreement on deal fundamentals to

mitigate "deal fatigue" resonates with prior findings on negotiation efficiency as shown in KPMG's journal. Moreover, findings reinforced this perspective, emphasizing the importance of setting non-negotiable terms early in the process to avoid last-minute surprises that could derail negotiations. This reflects insights from literature which highlight that prolonged negotiations often signal misalignment and increase the likelihood of deal collapse (Attah-Boakye, et al., 2020; Reuer, Tong, & Wu, 2012).

Further, seven respondents provided a nuanced perspective on the optimal number of valuation iterations. One underscored that the complexity of the deal dictates the number of iterations required, balancing thoroughness with efficiency. Findings also conceptualised valuation as both a "science" and an "art" which aligns with the literature on the subjectivity inherent in M&A valuation, where financial models are supplemented by qualitative strategic considerations (Damodaran, 2012). Six responded that multiple iterations improve valuation accuracy and synergy assessment, aligning with the resource-based view of M&A, which suggests that deeper engagement helps firms uncover hidden synergies and refine strategic alignment (Barney, 1991). However, the caution was also that prolonged negotiations can distort valuation aligns with existing research suggesting that overly extended M&A discussions may introduce cognitive biases and overcomplications.

Contrastingly, 53% of the respondents advocated for fewer iterations, citing efficiency and the potential diminishing returns of prolonged negotiations. They argued that if strategic fit is clear, fewer negotiations are preferable, as excessive iterations may indicate an underlying misalignment, an observation supported by Laamanen (2007), who found that firms with a strong strategic rationale for acquisition conduct faster negotiations with higher success rates. Similarly, a respondent further added the importance of non-monetary factors and suggested that if key concerns are addressed early, additional iterations may not add value. While acknowledging the importance of multiple meetings for synergy evaluation, the respondents' stresses that valuation alignment is typically reached quickly. This reflects findings by Angwin (2001), who noted that companies with clear valuation frameworks expedite negotiations, reducing uncertainty and transaction costs.

A common theme among respondents is that initial negotiation rounds serve to establish alignment of interests, with subsequent rounds refining details. One respondent explicitly quantified this,

suggesting an expectation of four to five iterations, with early discussions focused on ballpark valuations and later rounds fine-tuning the deal (Damodaran, 2012).

The responses largely align with theoretical expectations regarding M&A negotiations and valuation dynamics. The importance of early alignment to prevent deal fatigue echoes the literature on negotiation efficiency (Schweiger & Goulet, 2005).

The role of non-monetary factors in shaping negotiation duration, is an aspect that is often underexplored in traditional valuation literature. Another notable perspective is the emphasis on cultural and relational dynamics in later negotiation rounds.

An emergent insight from the responses is the varying emphasis on the role of cultural and relational dynamics in M&A negotiations. Findings also introduced the idea that repeated interactions strengthen the relationship between buyer and seller management teams, enhancing long-term strategic alignment (Gaughan, 2017). This perspective contributes to the growing body of research on the role of trust and interpersonal dynamics in M&A success. Conversely, there is a caution regarding last-minute changes and power dynamics highlights the risks of prolonged negotiations, particularly when strategic intent is misaligned.

Another notable contradiction arises between respondents (six) advocating for multiple valuation rounds and those preferring a streamlined process (eight). This reflects the dual challenges in M&A: balancing thorough due diligence with efficient execution. The literature indicates that while extended negotiations in M&A can help identify risks and enhance strategic alignment, they may also lead to decision paralysis, especially in competitive bidding scenarios. For instance, Boone, deMaseneire, Depreeper, Luypaert, and Thuy-Nguyen (2024) found that higher initial offers are associated with fewer bid revisions, suggesting that protracted negotiations might hinder decisive action.

4.3.3 Implications for Acquirers and Sellers in IT M&A Transactions

During interviews, participants shared insights on key factors influencing M&A success in the IT sector, emphasizing often-overlooked elements critical to value creation.

4.3.3.1 Corporate Development

Participants highlighted the importance of strategic fit, noting that successful acquisitions enable geographic expansion, integration of complementary products, and cultural cohesion. A shared vision, alignment with long-term corporate goals, and value creation beyond financial returns were

considered essential. Several participants stressed that acquisitions thrive when the buyer enhances the target's business through market reach and expertise. In cases where strategic alignment is weak, deals often fail to progress. transaction success. Participants emphasized that professional, open negotiations foster trust and stability.

Interviewees also noted that synergies are commonly assessed conceptually rather than through detailed financial modelling, focusing on operational efficiencies and revenue growth. Many viewed sellers' willingness to remain involved post-acquisition as an indicator of strong alignment and long-term value potential. Cultural compatibility, including leadership style, ethical standards, and transparency, was frequently cited as a determinant of

4.3.3.2 Deal Execution

Additionally, due diligence was seen as critical, with investors assessing past transaction records, revenue sustainability, and key personnel dependencies. Targets were evaluated based on financial performance, synergy potential, and alignment with the acquirer's M&A strategy. Finally, IP, innovation potential, and technological integration were highlighted as vital for strengthening competitive advantage, particularly through research and development.

Findings align with existing research, which highlights the importance of accurate valuations, compatibility between merging entities, and structured integration plans (Schweiger & Goulet, 2005; Sharma, 2023). However, the responses also introduce overlooked elements, including customer experience, technology scalability, and governance challenges.

Valuation emerged as a critical determinant, with respondents stressing the need for comprehensive due diligence to ensure fair pricing. This corresponds with literature suggesting that M&A failures often result from misaligned valuation expectations (Wnuczak & Osiichuk, 2024). Strategic fit was also emphasized, with respondents noting that alignment between acquirer and target is vital for long-term success, echoing the view that successful M&As are driven by strategic goals rather than opportunistic motives (Orosz, 2024; Cartwright & Cooper, 2014).

Technological due diligence and scalability were highlighted as often overlooked factors. The success of IT M&As depends on the scalability of assets and recurring revenue models (Hagedoorn & Duysters, 2002; Shankar et al., 2023). Additionally, cybersecurity vulnerabilities and regulatory compliance risks were identified as key factors affecting post-merger outcomes.

Cultural fit and post-merger integration were significant themes, with 60% of respondents emphasizing the importance of cultural alignment and employee experience in ensuring smooth transitions. This aligns with research showing that cultural mismatches can lead to M&A failures (Malone & Turner, 2010). Furthermore, mismatched operational expectations between buyers and sellers emerged as a challenge, highlighting the potential for post-merger friction (Sudarsanam, 2010).

4.4 Conclusion

This chapter has presented the key findings of the study, providing a comprehensive analysis of the data. The sample characteristics were outlined, offering insight into the demographics and background of the participants involved in the study. The findings were compared with existing literature, revealing both consistencies with previous research and new insights that contribute to the current understanding of the subject. Some contradictions were also identified, which highlight areas for further exploration and refinement in future studies.

The chapter provided a concise summary of the main findings, emphasizing their broader implications for the field. These findings have significant relevance for both academic and practical applications. The chapter concluded by setting the stage for the recommendations to be discussed in the next chapter, aimed at enhancing the effectiveness of the studied processes and guiding future research in this area.

Chapter 5: Conclusion and Recommendations

5.1 Introduction

This chapter synthesizes key research findings and their broader implications. Section 5.1 outlines the chapter's objectives, followed by key literature (5.2) and primary study findings (5.3). Section 5.4 discusses contributions and practical implications, Section 5.5 suggests future research, and Section 5.6 concludes with final remarks 5.6.

5.2 Summary of Key Findings from the Literature

Literature underscores that acquirers pursue M&As to achieve long-term innovation, market resilience, and competitive advantage. Huang et al., (2024) demonstrates that cross-border M&As, contribute to organizational resilience and foster innovation.

Beyond financial considerations, the literature identifies a shift in seller motivations from immediate profit maximization to strategic alignment. Shankar et al. (2023) argue that IT sector sellers increasingly prioritize acquirers who offer scalability, digital infrastructure, and global market access over those simply offering the highest sale price. Reddy and Sasidharan (2023) extend this perspective, demonstrating that value selling enables firms to leverage advanced technological capabilities and enhance their position in global value chains. In contrast, Angwin (2001) and Depamphilis (2021) caution that a profit-maximization approach can lead to post-acquisition inefficiencies and underutilization of acquired assets, as integration challenges often prevent firms from realizing expected synergies.

The strategic implications of M&As extend to operational efficiency, innovation potential, and risk mitigation. Emile and Exequiel (2022) highlight that acquirers seek targets that enhance scalability and provide complementary resources. Sellers, in turn, benefit from access to the acquirer's infrastructure, mitigating risks associated with market volatility and technological disruption (Feldman & Hernandez, 2022).

Despite extensive research on M&As, much of the existing literature remains focused on developed markets, leaving gaps in understanding the strategic decision-making processes in emerging economies. While Irwin at el. (2022) provide valuable insights into value creation through synergies and innovation, their studies do not consider the unique contextual factors that influence M&As in developing regions. Additionally, financial-driven analyses often prioritize acquisition premiums and short-term financial gains, overlooking strategic motivations such as

sustainability and market positioning (Boone & Mulherin, 2007; Brau, Sutton, & Hatch, 2010). The resource-based view (Barney, 1991; Lubis, 2022) provides a strong theoretical framework for examining how firms leverage unique, inimitable assets in M&A transactions, yet its application within the South African IT sector remains underexplored (Sharma & Singh, 2022). Addressing these gaps, this research integrates financial, strategic, and technological insights to enhance the understanding of M&A decision-making in South Africa's IT industry.

5.3 Summary of Key Findings from Primary Study

The study's findings align with existing literature on M&A success factors, emphasizing strategic fit, valuation complexities, negotiation dynamics, and post-merger integration as critical determinants of transaction outcomes.

Strategic fit emerged as a primary driver of M&A success, with respondents highlighting the necessity of aligning acquisitions with long-term corporate objectives (Bauer & Friesl, 2024). While some respondents emphasized cultural integration, others argued it is less critical when acquired leadership is replaced, suggesting its relevance depends on deal structure (Bauer & Friesl, 2024).

Valuation challenges also significantly impact M&A outcomes. Respondents identified pricing disputes as a common cause of deal failures, aligning with research on valuation complexities consistent with KPMG's findings on their 2024 publication "Doing Deals in Southern Africa". Firms with recurring revenue models are often deemed more valuable due to predictable income streams (Krukowski, 2024). However, the study highlights additional concerns, including the capitalization of IP and tech-related salaries, which require rigorous financial scrutiny. Overvaluation of non-recurring revenue can mislead investors, negatively affecting post-merger performance (Lipscombe, 2022).

Negotiation dynamics influence deal success, with respondents noting that prolonged negotiations often indicate misalignment, increasing deal fatigue, a challenge recognized in literature (Boone, et al., 2024). While iterative negotiations refine deal structures, excessive renegotiations may signal governance issues or insufficient integration planning, heightening transaction uncertainty (Grant, 1991).

Post-merger integration remains crucial for value realization, as effective strategies enhance operational efficiency, while poor execution leads to disruptions (Schweiger & Goulet, 2005). The

study reinforces the importance of due diligence beyond financials, incorporating assessments of technology, customer engagement, and compliance risks (Makadok, 2001). Unrealistic buyer expectations regarding operational efficiencies can further complicate integration (Sudarsanam, 2010).

5.4 Contributions and Practical Implications

This study advances both theoretical and practical understanding of M&A dynamics in the IT sector. It integrates qualitative and quantitative factors influencing M&A success. Traditional theories focus on financial metrics and strategic alignment (Barney, 1991; Trautwein, 1990), while this study highlights behavioural elements like trust and customer experience. It suggests complementing resource-based and transaction-cost perspectives with behavioural finance and psychological contract theories.

Practically, the study refines valuation methodologies by addressing industry multiples and reinforcing intrinsic models like DCF. It emphasizes industry-specific adjustments, particularly for subscription-based models and IP. Acquirers need thorough due diligence, strategic fit, and integration in leadership, culture, and technology. Sellers should develop scalable models and align value propositions with acquirer expectations.

The study highlights challenges in valuation and negotiation, where misalignment hinders deal completion. Performance-based earnouts can bridge gaps, and financial transparency is crucial for sellers (Boote & Beile, 2005). Policymakers could introduce clearer pricing guidelines to reduce inflated valuations (Martynova & Renneboog, 2008). Strategic alignment and thoughtful integration are vital for M&A success.

5.5 Recommendations for Future Research

Given the study's limitations, several areas warrant further exploration to enhance understanding of M&A dynamics in the IT sector. A mixed-methods approach, combining qualitative insights with quantitative data, could validate findings and assess M&A success factors. Comparative research across regions, particularly between emerging and developed markets, would provide insights into how macroeconomic conditions and cultural differences influence strategies. Future research could also explore behavioral factors using psychological theories, as well as the role of emerging technologies like AI and blockchain in M&A. Investigating innovative deal structures,

such as earn-outs, could also help bridge valuation gaps and improve success rates. Addressing these gaps would provide a more comprehensive understanding of M&A in the IT sector.

5.6 Reflective Summary and Author's Perspective

This study sought to explore the strategic decision-making dynamics in M&A within the South African IT sector. Through both theoretical and empirical inquiry, the research demonstrates that successful M&A transactions are influenced not only by traditional financial and strategic variables such as valuation, deal structure, and strategic fit, but also by more nuanced, intangible factors such as cultural alignment, trust, and post-acquisition integration.

The findings confirm the multidimensional nature of M&A decision-making, consistent with extant literature (Schweiger & Goulet, 2005; Cartwright & Cooper, 2014; Hagedoorn & Duysters, 2002). While valuation remains a cornerstone of M&A activity, particularly from the buyer's perspective, it is often approached through highly technical and methodical frameworks, such as DCF models, market comparables, and precedent transaction analyses. However, the study found that sellers frequently perceive value through the lens of brand equity and organizational identity, elements that are challenging to quantify but crucial to long-term value creation. These intangible assets, often rooted in a firm's culture, IP, and talent, resonate with the Resource-Based View (Lubis, 2022), which asserts that sustainable competitive advantage stems from the ownership of valuable, rare, inimitable, and non-substitutable resources.

The research further supports the notion that post-merger success is closely linked to alignment beyond financials. Trust, interpersonal chemistry, and cultural compatibility emerged as decisive factors influencing the negotiation process and long-term synergy realization. Notably, 60% of respondents highlighted cultural fit as a fundamental determinant of post-acquisition success, which aligns with existing evidence that cultural misalignment has historically undermined integration efforts (Malone & Turner, 2010). Therefore, cultural assessment should not be confined to the pre-acquisition phase, but rather institutionalized throughout the integration journey.

Additionally, while sellers may anticipate enhanced efficiency and structure post-acquisition, the assumption that acquiring firms are inherently well-organized can lead to post-transaction disillusionment. This challenges traditional narratives in M&A discourse, indicating that buyers too must be introspective about their operational readiness and cultural compatibility. The inclusion of payout mechanisms such as earn-outs and partial ownership structures was identified

as a pragmatic strategy for managing such expectations, fostering talent retention, and aligning interests over time (Sudarsanam, 2010)

From an academic and practical standpoint, the research fulfils its objective by providing a comprehensive understanding of strategic decision-making in South African IT sector M&A. It draws upon theoretical constructs while offering empirical evidence that enriches the existing body of knowledge. Furthermore, the study contributes to a growing recognition within M&A literature that behavioural elements, such as trust and leadership alignment, are not outlier considerations but central pillars of transaction success.

Reflecting on the study, I believe that value creation in M&A must transcend numerical valuation and consider the holistic composition of the business being acquired. Sellers must remain aware in practice of their alignment with prospective buyers' mandates and maintain operational performance to support credible valuations. However, it is incumbent upon buyers to acknowledge the less tangible, yet equally important, elements of a target's value proposition namely, its people, culture, and vision. Additionally, I would reinforce the importance of a hands-on, deliberate post-acquisition approach that balances strategic alignment with cultural preservation, ultimately enabling long-term value creation rather than short-term investor gains. A successful M&A transaction is not defined by a "perfect deal," but by a mutually beneficial alignment of expectations, values, and strategic intent. A win-win scenario materializes when both parties acknowledge and integrate their respective definitions of value technical, operational, and human into a shared future.

5.7 Conclusion

This study contributes to M&A literature by highlighting critical, often overlooked factors such as customer experience, technology scalability, governance challenges, and cybersecurity risks. It also emphasizes the significance of behavioral elements like trust and cultural alignment in negotiations and synergy realization. The study situates M&A strategies within South Africa's evolving regulatory landscape, focusing on resource acquisition as a driver of innovation. By applying the RBV, it underscores the need for valuable, rare resources and effective integration. The study challenges assumptions about post-merger efficiency, revealing operational misalignments. Future research could refine strategic decision-making models, especially in emerging markets.

In conclusion, this chapter synthesized the research findings, highlighting their broader implications for M&A strategy. It discussed key contributions, practical insights, and suggested directions for future research. Ultimately, the study provided a solid foundation for both academic and practical advancements in M&A strategy.

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Appendices

Interview Schedule

Section A: Demographic Information

To begin, please provide the following details about your background and professional experience:

1. Participant Identification: (Confidential – for research purposes only)
2. Industry Exposure and Capacity in IT: (Please select where applicable)
    - *Seller*
    - *Acquirer*
    - *Advisor*
3. Current Position/Title:
4. Academic and Professional Qualifications:
5. Total Years of Experience in M&A within the IT Sector:

Section B: Core Themes

Strategic Implications for Both Acquirers and Sellers

1. What do you believe are the key factors that determine the success or failure of an M&A transaction in the IT sector?
2. Are there elements that are often overlooked but critical to achieving a successful outcome?

Factors Influencing Value Selling Over Profit Maximization

3. How do you approach the valuation process in transactions, and how important are industry multiples in determining a fair price? Do you believe multiples reflect long-term value or serve primarily as a short-term pricing benchmark?
4. How do you view the number of valuation iterations or negotiation rounds in M&A transactions? Do you believe more iterations improve the confirmation and evaluation of synergies and strategic fit? Why or why not?

Value Proposition for Acquirers in M&A Transactions

7. How do you evaluate strategic fit and synergies during discussions, and what factors signal a strong alignment between buyer and seller objectives?

Sample of Informed Consent Form

Exploring Mergers and Acquisition Strategic Decision-Making within the Information Technology Sector in South Africa

Researcher: Mr. Boitumelo P. Boikhutso

1. I agree to take part in the research project entitled "*Exploring Mergers and Acquisition Strategic Decision-Making within the Information Technology Sector in South Africa".*

2. I understand that my participation is voluntary and that I am able to withdraw my participation at any time.

3. I have read, or had explained to me, the Information Sheet and have been given a copy to keep.

4. I had the opportunity to discuss the research project with at least one of the researchers listed above.

5. I have been given the opportunity to ask questions about the research and have received satisfactory answers.

6. I agree to take part, and:
    i. I know that I don't have to answer any question I don't want to.
    ii. I know that I may change my mind and that I may withdraw from the interview at any time.

7. I understand that I am free to withdraw from the research at any time by asking the researcher to stop during the interview and/or by having my data deleted up to one month following the interview.

8. I understand that my refusal to participate or my withdrawal of consent will not affect my relationship with (employer) and the University of Wollongong.

9. I understand that the interview will take around 60 minutes.

10. I understand that topics discussed in this interview may be sensitive and personal and I was advised of the potential risks, inconveniences and discomforts associated with this research.

11. I understand that this study was reviewed and approved by the University of Witwatersrand Human Research Ethics Committee (Non-Medical).

12. I understand that this interview will be recorded.

13. I understand that this interview may be documented.

14. I understand that the data collected from my participation could be used for conference presentations, journal articles, or other academic works, and the findings by the researchers, and I consent for it to be used in that manner.

15. I understand that my participation is confidential and that my confidentiality and privacy are guaranteed by the researchers according to the best practices as determined by the University of Witwatersrand Human Research Ethics Committee (Non Medical).

16. I agree that the information gathered for this project may be published as long as I can't be identified. Any personalised quotations, that may enable identification will be only included within any reports or publications, with the express permission of the participant.

17. I understand that I will not receive any compensation for participating in this interview.

18. I understand that if I have any questions about the project I can contact Boitumelo Boikhutso via phone on +27 83 362 7067 or via email on 0710515H@students.wits.ac.za or Dr Bongani Munkuli via phone on +27 79 433 0141 or via email bongani.munkuli@wits.ac.za

19. I understand I have been provided information on the complaints process in contacting the WBS Ethics Chairperson Officer on +27 11 717 3884 or via email on ayanda.magida@wits.ac.za if I am unhappy with the research process.

Participant Signature: Date

_____ ___/___/___

Participant Name (please print): _____

This study has been reviewed and approved by University of Witwatersrand Human Research Ethics Committee (Non-Medial).

If you have any concerns or complaints regarding the way this research has been conducted, you can contact the University of Wits Business School Ethics Committee Chairperson on:

+27 11 717 2884 or email ayanda.magida@wits.ac.za

Complaints will be treated in confidence.

Thank you for participating in this research.