



UNIVERSITA' DEGLI STUDI DI PADOVA

**DIPARTIMENTO DI SCIENZE ECONOMICHE ED AZIENDALI
"M. FANNO"**

**CORSO DI LAUREA MAGISTRALE IN
BUSINESS ADMINISTRATION**

TESI DI LAUREA

**"Do SMEs learn from Acquisition?
A D.C. perspective in the Zordan 1965 case"**

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ANNO ACCADEMICO 2016-2017

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ABSTRACT

Zordan 1965, one of the leading Italian companies in the industry of high-end luxury furniture, was challenged in the application of Dynamic Capabilities during its acquisitions series. Since 2008 the company, guided by the three brothers Maurizio, Marta and Alfredo, has performed three acquisitions and started an internationalization process in America with Woodways International. The work is intended to study if the evolution of Dynamic Capabilities happened at an organizational level or at individual level in a SME as is Zordan 1965. The capability to perform infrequent, heterogeneous, and of high causal ambiguity process such as those in mergers & acquisitions, allow to explore with an in-depth qualitative case study the development of Managerial Dynamic Capabilities as theorized by Adner and Helfat. The microfoundations of Dynamic Capabilities have started a new research branch for findings factors that facilitate strategic change in companies throughout the actions of people inside organizations.

In this work, will be discussed how heterogeneity of these capabilities among Maurizio, Marta and Alfredo have produced heterogeneity of Dynamic Managerial Capabilities, which have contributed to strategic changes and differential performance under dynamic conditions.

CHAPTER 1

MERGERS AND ACQUISITIONS

'Acquisition is like a marriage, sometimes went good and sometimes went bad'.

- Every professor talking about M&A

1.1. Introduction

In this chapter, will be analyzed the literature of Mergers and Acquisitions (from now on M&A) in order to clarify the broad and extensive field of the theory. Starting from an overview of the M&A activity in the past years and depicting what is happening in the recent ones, dwill be tried to give a whole picture of the past and present situation of the M&A landscape. Then it will be presented a comprehensive structure of the most important research's streams, trying to study the M&A processes from a more holistic view.

In this chapter, the aspects of the M&A's processes are considered as an interaction among all the different stages that drive the acquisition performance as suggested in different works (Bauer and Matzler, 2014; Larsson and Finkelstein, 1999); this allow to have a better comprehension of the entire effort done by the acquirer, and clarify the steps that guide the company to acquisition success.

Starting from this point of view, the literature has been divided in four main branches: financial economic school (Zollo and Singh, 2004; Haspeslagh and Jemison, 1991; Hitt et al., 2001), strategic management school (Haspeslagh and Jemison, 1991; Bauer and Matzler, 2014; Larsson and Finkelstein, 1999; Kim and Finkelstein, 2009), organizational behavioral school (King et al., 2004; Kim and Finkelstein, 2009; Zollo, 2009; Trichterborn et al. 2016; Homburg and Bucerius, 2005) and process or perspective school (Jamison, 1986; Chatterjee, 2009; Wang and Kunda, 2016; Trichteborn et al., 2016; Haspeslagh and Jemison, 1991).

Dividing the field, helped to understand the process of M&A and contextualize this work to the reality of the case that will be analyzed.

1.2. M&A activity

Mergers and acquisitions are widely-used vehicles for implementing corporate strategy. **Merger** can be defined as the joining of two independent companies to form a combined entity; while with **acquisition** it will be referred to the purchase or takeover of one company by another (Campagnolo, 2015).

Historically, mergers and acquisitions occur in waves and guide the market of business combination starting from public company, that usually generate the majority of the M&A activity as a result of greater access to financing and more liquid stock, “ending” with private company, where the access to capital is limited and, in general, the acquisitions size is smaller in value.

In the past years, M&A waves were classified in six clusters from 1890 until 2008. There are three main factors contributing to merger waves:

- Industry “shocks” e.g. deregulations in the market, disruption from new technologies, new substitute products ...,
- Ample liquidity and low cost of capital,
- Overvaluation of acquirer share prices relative to target share prices.

In the recent years (from 1965 to 2008) there were four waves of mergers and acquisitions, each of them with a specific causal effect and a guiding principle.

The wave from 1965-1969 is defined as The Conglomerate Era, this wave was purely determined by the stock value of the firms. In this wave, overvaluated firms acquired undervaluated high growth firms. Gradually, the number of high-growth undervaluated firms declined as conglomerates bid up their prices. Hence, the higher prices paid for the targets, and tied with the high leverage of the conglomerates, cause the system to collapse.

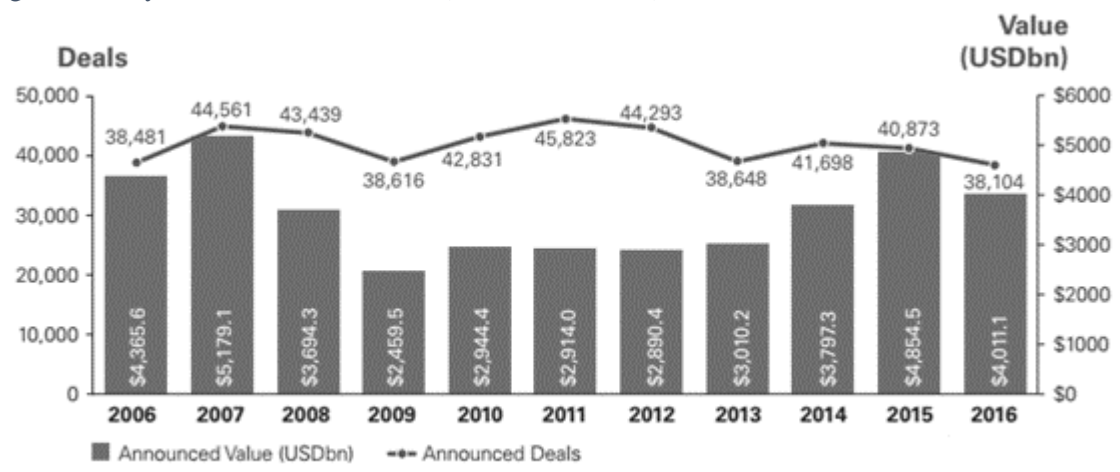
The subsequent wave was from 1981-1989 and is The Retrenchment Era; in this period, the conglomerated formed in the previous mergers wave broke up by so-called corporate raiders through hostile takeovers and leveraged buyouts (LBOs). This LBO were often financed by junk bonds that cause the market downfall; the stage ended with the bankruptcy of several large LBOs and demise of Drexel Burnham, one of the major Wall Street investment bank.

At the beginning of the Internet era, the wave from 1992-2000 is considered as The Age of strategic Mega-Merger, it was pushed by the increased volume of dollar transaction and this allow the company to push purchase prices to record highs. The high volume of dollar transactions was not the only reasons, the high level of purchase prices was guided by the technological innovation, an increased consolidation in many industries, and a general deregulation of antitrust policies. This era ended when the Internet Bubble hit the U.S. in 2001, and the global growth weakened.

The last wave was from 2003-2008 and is called The Rebirth of Leverage, it was characterized by highly leveraged buyouts and complex securities collateralized. The acquisitions were spurred by ongoing deregulations, low interest rates, the increase in equity prices, and the expectations of continued high commodity prices. This period ended with global credit market meltdown and 2008-2009 recession.

After the crisis in 2008 the M&A market and the countries growth in general had a significant stoppage until the renewal of the economy in 2014 with a high increase in deal numbers and value. In the last year, despite a series of political breakdown, global M&A activity endure with 38.104 deals for a value of US\$4.01tn despite a decline of 17% in respect to 2015 as depicted in Figure 1 (data from KPMG report, 2017).

Figure 1– 10-year Global Deal Trends (Volume & Value)



Source: KPMG 2017 M&A Predictor

A walkout in respect to the high record of 2015, most of the deals were driven by the technology sector in the U.S. and China, with a total deals value of US\$604 million. The most active month

in 2016 was October in which the Brexit and the U.S. election driven the market for an acquisition rally.

For what concern cross-border M&As (Figure 2), or acquisition that involved two companies in different countries, they have become increasingly important in recent years. The 2016 signed a high record level since 2007 at US\$1.4tn, moreover the overall size of cross-border deals increased around US\$149 million and it is the second highest level in ten years.

Figure 2– 10-year Cross-Border Deal Trend (Volume & Value)



Source: KPMG 2017 M&A Predictor

1.3. Theory in Merger and Acquisition

Literature in the merger and acquisition (M&A) field has been broad and vastly covered. During the last 20 years, the researches in this topic has grown consistently, but the results are diverging and sometimes contrasting (King et al., 2004; Hitt et al., 2004). M&As remain an important external growing path for companies:

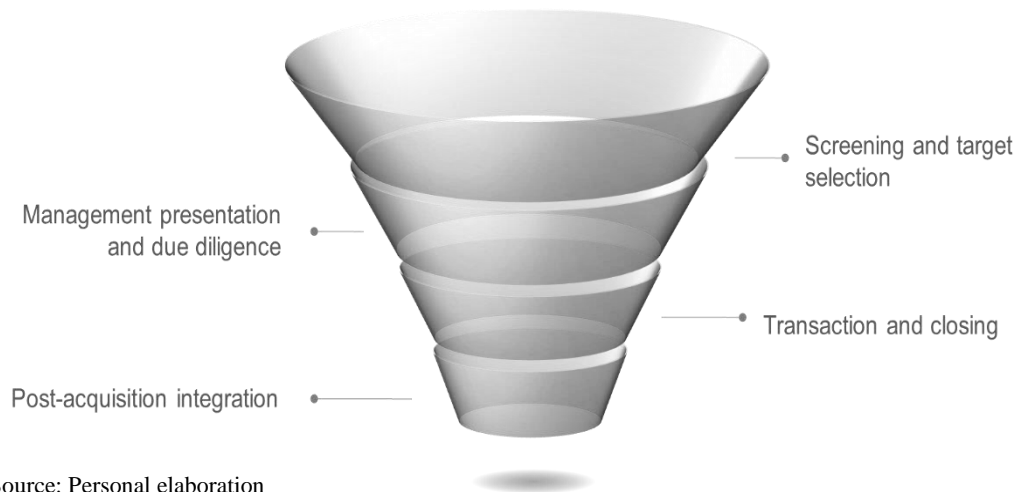
- they can enhance the position of the firm in a specific market otherwise impossible through internal development e.g. reduce the competitive intensity in the industry,
- they can help the firm to reach complementary resources that are not tradeable in the market and, as so, are fundamental for exploiting cospecialized assets (*Teece, 2007*),
- or introduce new ways of thinking and develop new capabilities for growth and renewal (*Haspeslagh and Jemison, 1991*).

More and more managers are attracted by the possibilities to generate value, even if the processes of an M&A deal, hide pitfalls that may be detrimental for the operation's result (Hitt et al., 2004; Chatterjee, 2009).

As highlighted in Hitt et al. (2004) and King et al. (2004), on average, the value created by M&A are little positive or close to zero.

Since the economics outcome of the acquisition performance are barely positive or negative in most of the case, and because managers usually put much more attention in the definition of the acquisition terms or the Due Diligence process, we believe that executives must devote concentration to the entire process, dedicating as much attention for the pre-acquisition activities, as the post-acquisition ones (Figure 3).

Figure 3- Acquisition phases



Source: Personal elaboration

Given these premises, it comes clear why academics and practitioners analyzed the M&A topic from very different points of view, originating a fast-growing literature and body of research. The reasons why M&A occurs were studied through different lens leaving a fragmentation of the result that slow down a more integrative approach (Larsson and Finkelstein, 1999). Generally, M&A research field focus their attention to big corporation and large deals dedicating little space for the small and medium enterprise (henceforth SME) (Bauer and Matzler, 2014).

SMEs can be defined as 'the category of micro, small and medium-sized enterprises (SMEs) that is made up of enterprises which employ fewer than 250 persons, and which have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million' (European Union). Commonly, they have a smaller board of directors, facilitating the process of realizing projects, a simpler organizational structure that allow major flexibility in the decision-making process, and often the shareholders' figure overlap with the operational managers, reducing the principal-agent problems. Besides these facilitating aspects, SMEs are loaded with criticality and impeding elements in M&A transactions.

Whereas this case is about one of these companies, it has been researched specific sources that have analyzed the frame of M&A in SMEs field and the theoretical implications behind it.

Typically, SMEs are unlikely able to exploit economies of scale or market power through acquisitions due to their relative small size and most of time their less experience in M&A transactions.

A more common problem is the lack of financial resources, slowing down the acquisition possibilities and the target acquisition size (Arvanitis and Stucki, 2014).

In order to reduce the complexity of the field, it will be divided in four main schools of thought that relate with different M&A's aspects (it has been taken in consideration only three characteristics, pre-merger phase, post-merger phase and acquisition success):

- Financial economic school,
- Strategic management school,
- Organizational behavioral school, and
- Process (Perspective) school.

Figure 4- Main schools of thought

Pre-acquisition Phase	Post-acquisition Phase	Acquisition Success
Strategic management: <ul style="list-style-type: none"> • Resources Relatedness • Resources Complementarity • Dynamic Capability framework 	Organizational Behavior: <ul style="list-style-type: none"> • Organizational learning • Degree of integration • Cultural integration 	Financial Economic: <ul style="list-style-type: none"> • Performance measures • Stock-market based • Accounting based
Organizational Behavior: <ul style="list-style-type: none"> • Cultural fit 	Process or Perspective: <ul style="list-style-type: none"> • Speed of integration • Acquisition program • M&A Functions 	

Source: Personal elaboration

Firstly, the Financial economic school is the oldest and most noticeable stream in the literature, it has examined returns to targets and acquirers' shareholders. Generally, it assesses acquisitions as transactions that represent the market for corporate control, in which management teams compete for the control of firms' productive assets (Zollo and Singh, 2004). Secondly, the Strategic management school have studied the pre-merger compatibility through resource relatedness, the complementarity among the firms' resources, and the strategic fit of Dynamic Capabilities involved (King et al., 2004; Kim and Finkelstein, 2009; Bauer and Matzler, 2014, Hoon, 2013). Thirdly, the Organizational behavioral school have focalized its studies on organizations, cultural distance, degree of integration and learning processes (Haspeslagh and Jemison, 1991; King et al., 2004; Larsson and Finkelstein, 1999; Zollo, 2009). Finally, the Process or Perspective school have considered the acquisition practice under the sight of post-

integration issues and the development of acquisitions programs to foster M&A success (Chatterjee, 2009; Wang and Kunda, 2016; Haspeslagh and Jemison, 1991; Jamison and Sitkin, 1986).

As a result of the acquisitions' nature in the case, it has been decided to concentrate the work on 3 main schools of thought: Strategic Management, Organizational Behavior and Process literature.

It has been chosen not to study the Financial Economic school since all the companies acquired are private and have different valuation's rules from public companies since are subject to less rigorous financial disclosures and transparency report, and will be presented some of the main theories in the following paragraphs.

1.3.1. Strategic Management school

Strategic management has developed different branches of research regarding acquisitions, from resource relatedness to complementarity to acquisitions program to organizational issues. The crucial aspect in theory research is to craft Strategic Assets, defined as the bundle of Resources and Capabilities that management develop for creating and defining Competitive Advantage, related to market strategic factors (Amit and Schoemaker, 1993) to exploit competitors and obtaining market power.

From the literature, managers have to consider 3 main things before investing in strategic assets:

- Anticipating possible future events, and so managers have to sense the future possibilities and develop the necessary abilities to deed opportunities in advance regarding competitors,
- Assessing competitive interactions through the complementarity of future resources,
- Overcoming organizational inertia and internal disagreement to build a new perspective for future strategic assets.

Authors analyzing strategic management subjects concerning acquisitions, posit their attention to the pre-acquisition phase (King, 2004), examining resources complementarity and relatedness among merging firms in a horizontal, vertical or conglomerate acquisition. The attention of the school was directed to differentiating the company business or consolidate the current ones, it has been analyzed the branch of external development, reaching outside resources that mostly cannot be generate internally, or that are difficult to turn out.

1.3.1.1. Resource Relatedness

The theory stream of strategic management has recognized that relatedness among the two firms in an acquisition is fundamental for positive performance outcomes and have a mediating role in facilitating the M&A process (King et al., 2004). Generally, relatedness has been analyzed amid resources and product or market through SIC codes, driving to inconclusive research stream (Chatterjee, 2009); only recently, relatedness was analyzed within managerial and organizational resemblances (Larsson and Finkelstein, 2009; Bauer and Matzler, 2014). In different studies, related acquisitions are perceived as helping the exploitation of synergistic benefits from economies of scale and scope (Datta, 1991). Relatedness has also been studied in horizontal and vertical acquisitions (Lubatkin, 1987), showing that business combination among competitors or among companies in different market did not demonstrate any significant differences (Seth, 1990). In respect to shareholders' value, acquiring firms involved in related mergers are expected to capture some of that added value for their shareholders. This is because acquirers of related firms should be more familiar with the value of the sellers' businesses than other potential bidders and therefore be less likely to overpay, that will eliminate possible merger gains (Porter, 1980). From a post-acquisition phase view, the previous studies highlighted that strategic similarity among the target and the acquirer is considered smoothing the integration process, where the organizational differences and the accumulation of sundry resources can misdirect managers' attention from realizing synergies. The wide-ranging field of "economies of sameness" did not have produced the expected results (Zollo and Singh, 2004); as demonstrated in Zollo and Singh, (2004) managers must put more attention to the quality of the resources than to their relatedness. In their study, they have found negative correlation among the quality of the resources and acquisition performance because of the resistance to change from the two different organizations (low knowledge sharing due to employees' resistance or acquirer's managers overconfidence in the superiority of the firm operations). Within other results in the field, there are no significant empirical demonstration that sameness fosters the acquisitions performance, but turn out that it is positively correlated with it (Kim and Finkelstein, 2009). Notwithstanding the productive literature in the field of relatedness since 1999, the results were dull and contrasting generating new tendencies for future research stream in strategic management.

1.3.1.2. Resource Complementarity

In contrast with the theory of relatedness, the work of Larsson and Finkelstein, (1999) posits a new prospective in the literature stating that “economy of sameness” is not enough to explain how a firm can realize synergies. The findings from their study demonstrate how “economies of fitness” can better explain what makes an acquisition works.

Economies of fitness are taken into account when ‘combining different, but complementary, operations’ (Larsson and Finkelstein, 1999) allowed a company to create value that otherwise will not be realized. Economies of fitness have been studied in different relations, for example in the meta-analysis of King et al. (2004), wherein their results on relatedness failed to show connections of resources similarity along with post-acquisition performance. As a conclusion for their work, they suggest a more complete investigation for the relationship between resources complementarity and post-acquisition success in future researches.

Furthermore, as a proof of the starring role of assets complementarity, in Bauer and Matzler, (2014) the authors shown how strategic fit influences M&A performance in a survey based analysis. The construct of complementarity was studied throughout the seminal work of Pehrsson, (2006) in which the main determinants for strategic fit are product-market issues, resources related issues and value chains issues, all of those aspects founded relevant in the pre-acquisition analysis for economies of fitness between the two companies involved. From their framework, the authors originate also other interesting conclusions, one of those regarding the influence of strategic complementarity and cultural fit. As expressed in previous studies, their work leveraged on the aspect that if two companies share the same strategic direction and can exploit assets complementarity, they are mutually supportive by a cultural and organizational perspectives (Bauer and Matzler, 2014). Moreover, Bauer and Matzler found a positive relation between strategic complementarity and the degree of integration, suggesting that the complementarity among the resources of the two firms influence how will be performed the integration, precisely how to redeploy and exploit better resources (King et al., 2004).

In a different subject of research, the work of Kim and Finkelstein, (2009) unveils in what manner complementarity can enhance synergies realization. Their work analyzed product and market complementarity through qualitative investigation for developing a deductive framework of acquisitions performance. Testing their hypothesis, comes out that acquirers with diversified business can extract more benefits from resources that are complementary and dissimilar from companies that pursue a focalized strategy in a specific industry.

The paper also shed light on the beneficial effects of strategic complementarity among the lines of products of the merged firm that, with the right managerial capabilities, can be reconfigured

or combined to create and extract new value from resources improperly used. In contrast with their initial hypothesis, market complementarity did not increase the acquisition performance, instead it is negatively related, originating interesting questions for future research.

From a managerial point of view Teece, (2007) stressed the importance of resource complementarity and specifically in terms of cospecialization. In his work Teece emphasized the benefit that underutilized or low value creating assets in blend with other specific resources of the acquiring firm can be seized on by entrepreneurial managers that are able to identify opportunities, and so creating special value from that combination. The awareness of this potentials is embedded in the dynamic capabilities of sensing new opportunities in the ever-changing environment through abilities of scanning, discovering, and learning from the external possibilities and ability to seize the chances brought to light (Teece, 2007). The theme of the entrepreneurial managers was firstly introduced by Adner and Helfat (2003), whom defined Dynamic managerial capabilities, intending to the work of Teece et al. (1997), as the role of “capabilities with which managers create, extend, and modify the ways in which firms make a living”. Following this definition, those dynamic managerial capabilities can be seen as determinant for reaching complementarity, by mean highlighted also in the work of Augier and Teece, (2009). The last, outlined managers as leaders that must play a decisive role in the game of recollecting and developing resources transversely with the abilities of creating trust, cultivating culture and take part in key strategic decisions to achieve strategic fit. Ensuing these judgements, the managers should nurture an atmosphere in which the ideas come across different organizational levels, with complete honesty, that allow a board to avoid group thinking (Teece, 2007).

1.3.1.3. SMEs in strategic management school

Taking into consideration the different aspects of the literature, it has been explored how the managerial side of the acquisition influenced the processes of the acquisition and how assets complementarity is sensed and built up in small and medium enterprises, where there may be low vertical expertise about notion in what way acquisition should be carried out (Bauer and Matzler, 2014). Managerial practices are aimed at reconfiguring and harmonizing resources that shape the business environment in which firms operates as well as market do (Helfat, 2007), as a result from this preposition, the skills of executives and their abilities to sense the opportunities lead to acquisition success.

Following this theory, will be analyzed how Zordan has performed the pre-acquisition scanning analysis and has chosen the target among the selected companies. Since the literature on how

managers develop the ability to sense opportunities and which capabilities are implied in these activities is not complete (Trichterborn et al., 2016), the work focusses the attention towards learning process that involved managers during the different pre-acquisition process and the managerial ability to change their personal mindset to react to external threats.

Additionally, managers ability to select the right target is crucial for acquisition success (Larsson and Finkelstein, 1999; Kim and Finkelstein, 2009).

Hence, dynamic managerial capability (will be discussed completely in the next chapter) plays a fundamental role in the ability to sense and exploit new opportunities in a dynamic environment. From a managerial perspective, the cognitive capabilities of managers can be trained and improved over time if are applied regularly to perceive opportunities and threats in the environments (Helfat et al., 2015).

1.3.2. Organizational Behavioral school

By now, we repeatedly say that Financial economic school and Strategic management school have failed to find a consistent relationship among the acquisition's performance and resource relatedness of the merged firms. In this perspective, it is obvious that there are other variables that influence how economies of fitness and acquisition's performance fit together; organizational behavior inspires a new forthcoming research of these extra aspects. Organizational behavior postulate that "organization fit" and organizational learning are the keys determinant for M&A performance success.

The different studies analyzed employee motivation and retention (Larsson and Finkelstein, 1999; Datta, 1991; Homburg and Bucerius, 2006), cultural and organizational fit (Chatterjee, Lubatkin et al., 1992; Bauer and Matzler, 2014; Kim and Finkelstein, 2009; Datta, 1991), and organizational learning (Zollo and Singh, 2004; Zollo, 2009; Cording et al., 2008) seeking for new explanations and linkages on M&A performance and organizational behavior theories. Most of the authors believe that a critical part in achieving positive acquisition performance, is the ability to correctly manage the post-acquisition integration process. In this paragraph, it has been addressed this field studying the degree of integration and the mode of integration, presenting a briefly analysis of the previous literature (Cording et al., 2008; Haspeslagh and Jemison, 1991; Singh and Zollo, 1998; Gomes, Angwin and Tarba, 2013; Angwin and Meadows, 2015).

1.3.2.1. Organizational and cultural fit

Since the difficulties of strategic management in finding relations between relatedness and acquisitions performance, the literature start developing new models around the field of organizational issues as proposed by different academics (Datta, 1991; Larsson and Finkelstein, 1999; Cartwright and Schoenberg, 2006).

With the term organizational fit, literature designates those cultural and organizational dimensions that allow firms to be better assimilated after a business combination (Datta, 1991). It involves two principal areas of interests: *differences in management styles* and *organizational systems*, the last intended *as reward and evaluation* procedures (Datta, 1991).

Management styles issues can derive in business combination towards different aspects of the behavior to 'how the work should be done'. During an acquisition, managers deal with the problem of decision-making diversity, generally the acquiring firm imposes its view over the target, that may be detrimental for the acquired firm culture and day-by-day processes stability (Datta, 1991). The different level of cognition due to different experiences between the management of the acquiring firm and the acquired one (Adner and Helfat, 2003; Helfat and Martin, 2014) may induce managers to be more risk-averse than the 'other side', precluding potential investments and creating hostility between the organizations; likewise, communication styles could be completely different, limiting the manager ability to lead employees towards a common goal, in this case a positive acquisition integration (Datta, 1991). The issues of organizational fit might include differences in knowledge identification and knowledge acquisition. Firms with similar experiences may generate different knowledge and also be really different in the management styles for codifying that knowledge (Datta, 1991; Haspeslagh and Jemison, 1992; Zollo and Singh, 2004), resulting more productive than firms with similar management styles (Zollo and Singh, 2004).

Datta, (1991) suggests also that different management styles will influence post-acquisition processes, and in particular, the integration phase, depicted as one of the most important part of the acquisition activity (Haspeslagh and Jemison, 1991). In his work, the author posits that very dissimilar management styles result more productive if the relations among the two organizational teams are limited with a subsequent low integration phase, leaving more flexibility and autonomy to the acquired team (Datta, 1991; Larsson and Finkelstein, 1999) and vice versa. In any case, substituting the acquiring management team will produce negative effects for the target's organization and the acquisition performance (Singh and Zollo, 1998; Winter and Zollo, 2002; Zollo and Singh, 2004; Hitt et al., 2012).

M&A activities generate antagonism, distrust and tension in the two organizations (Larsson and Finkelstein, 1999) pushing the respective management teams to different directions. Among other dimensions, normally considered as a possible structural clash in the organizational studies, is the problem of evaluation and reward system.

From these dissimilarities could arise *employee resistance* to the acquisition, defined as employee's opposition towards the business combination and the consecutive integration process (Larsson and Finkelstein, 1999). Employee resistance is negatively associated with M&A performance, it arises from the opposite views of acquired managers and employees regarding compensation, career plans and advancements, performance bonus and reward system (Datta, 1991; Larsson and Finkelstein, 1999; Gomes, Angwin and Tarba, 2013). As a solution to avoid these dysfunctional problems, the acquiring management team should estimate at the beginning the impact of the target evaluation system and discuss it during the pre-acquisition process. Moreover, it should be evaluated, under a strategic lens, if those differences in compensations may be reduced when the two firms remain autonomous, implying less integration activities (Datta, 1991).

So forth, we believe that the organizational aspects to be analyzed are those of culture, identified as belief and common shared values by the employees of an organization (Bauer and Matzler, 2014). In line with this, cultural fit should be studied as key feature for the realization of synergies. Misalignment in management teams can generate new knowledge and have a positive impact in the synergies' exploitation only if there are no overwhelming limitations in organizational cultural differences and a propensity of the organization to favor cultural heterogeneity in the firm (Bauer and Matzler, 2014; Cartwright et al., 2006).

1.3.2.2. Degree of Integration

As stated above the post-acquisition integration phase is one of the most critical stages that determines the acquisition success (Haspeslagh and Jemison, 1991; Singh and Zollo, 1998; Cording et al., 2008; Hitt et al.; 2012; Heimeriks et al., 2012), without integration process it will be impossible to redeploy and exploit resources (Cording et al., 2008; Bauer and Matzler, 2014).

Starting from the most cited book of post-acquisition strategy in M&A, *Managing Acquisition* (Haspeslagh and Jemison, 1991) the attention will be turn on how to achieve and realize synergies. They defined two dimensions for integration strategy:

- *Strategic interdependence* designates how firms should define their position in transferring and sharing resources and capabilities. They described two value producing

activities, one stated as *value capturing* activities that are realized throughout one time activities, related to transferring value from previous shareholders to the acquiring firm's one, or *value creating* activity that have a longer term oriented approach, based on the abilities of managers to transfer the knowledge and the processes along the organizations. To connect these activities, Haspeslagh and Jemison focus the integration perspective on the organizational side, and

- *Organizational Autonomy* indicating in which extent an organization should be autonomous and maintain its culture after the acquisition. A loss in cultural autonomy and acquisition decision, may drive future disruption in the organizations and generate low performance outcomes.

Building on these two integration necessities, the authors delineated a framework for post-acquisition strategies: *Preservation* intended as high level of autonomy for the target firm and low needed for strategic interdependence; *Absorption* is necessary when firms need a high level of strategic interdependence and a low level of autonomy, combining the firms' culture and processes in a unique organization, dissolving the companies boundaries; and *Symbiotic* acquisition in which both firms require an high level of strategic interdependence together with an high level of organizational autonomy.

All the three aspects of integration degree imply different costs structure in their application, however, if we control for the quality of the target, the replacement of the acquired management team, and for relatedness of the resources, the acquisition will generate positive performance outcomes that overcome the hidden and sunk costs of the integration process (Singh and Zollo, 1998).

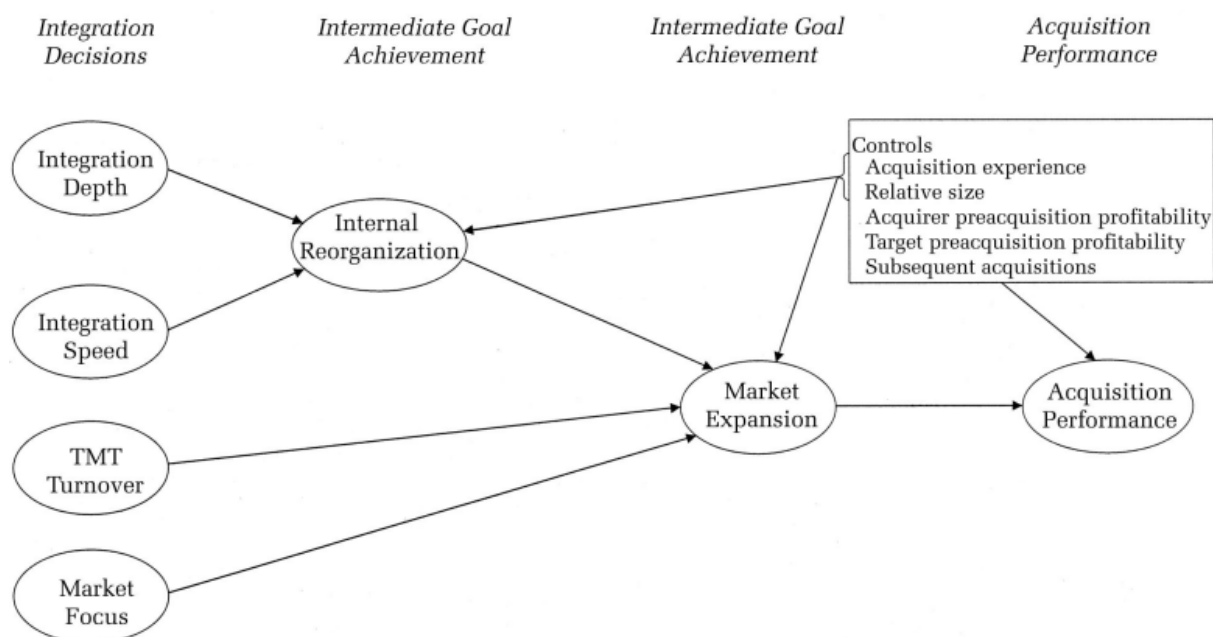
Successively to Haspeslagh and Jemison theorization, Zollo and Singh, (2004) defined two critical dimensions of the integration process: one is the *level of organizational integration* and the other one is the *replacement of the target's specific resources*. Now focusing on organizational integration, the authors described a deep integration process as disruptive for the pre-existing resources and routines of both firms, increasing the decisions at the corporate management level and the interactions among the two different organizations. In these circumstances, managers ability to identify performance outcome is nearly impossible without a well-established knowledge codification process (Winter and Zollo, 2002; Zollo and Singh, 2004). At the end of their work, they find out that the two post-acquisition decisions about the level of integration and the replacement of the target's specific resources influence the acquisition performance more than any other variables analyzed.

Another interesting model of integration decisions was proposed by Cording, Christmann and King, (2008).

Their work, try to decouple the post-acquisition integration process to remove causal ambiguity in managerial decision-making process, linking determined outcome to specific actions. They defined integration process as an ‘organizational transformation’ that imply broad intrafirm linkage ambiguity due to critic and complex decisions made by higher level managers and the time gap between their application and the visible effects on the organizational performance (Cording et al., 2008). What the authors suggest for removing causal ambiguity was the predetermination of specific intermediate goals in the ongoing integration process; these goals should help managers of the acquiring firm in linking decisions with specific outcome towards the desired goal. Removing causal ambiguity will help the organization management to put attention to its acts, pushing efforts in knowledge articulation and codification (Zollo and Winter, 2002). The model presupposes that different strategies towards integration will imply different intermediate goals.

Prevalently used in horizontal acquisitions, the goals are *internal reorganization* and *market expansion* (Cording et al., 2008).

Figure 5 – Model of Integration decisions, Goal achievement, and Acquisition Performance CV



Source - Cording et al., 2008

As depicted in Figure 5, Internal organization goal is mediated by the effect of *integration depth*, interpret as the degree of change in structural relationship and interaction and coordination between the two firms involved in a M&A (Larsson and Finkelstein, 1999; Cording et al., 2008), and *integration speed*, defined as how fast an integration process will be completed. While for

Market expansion, the determinants are *top management team turnover*, already explained in the previous paragraph, and *market focus*, outlined as the extent to which managers remain attentive to customer needs during the integration phase (Homburg and Bucerius, 2006) to be better focused on serving customer, seeking to improve value delivered and services; this should help managers in getting new market shares expanding into new customer and geographic segments (Cording et al., 2008).

Their results were supportive for the importance of integration depth and integration speed in achieving internal organization, both are statistically significant.

What was more important is the low explanation of internal reorganization in acquisition performance. For what concern market expansion, top management team turnover is negatively associated with it, while market focus is positively and significantly related.

1.3.2.3. SMEs in Organizational behavioral school

Interesting in the studies is the importance dedicated to managerial decisions in achieving superior performance during the integration process, delineating different paths toward different actions. More important is the relation that may arise between SMEs managers and their specific dynamic managerial capabilities in the post-acquisition integration phase.

As expressed in different studies (Zollo and Singh, 2004; Cording et al., 2008; Heimericks et al., 2012) the substitutions of the TMT imply a negative relationship in the acquisition performance.

The post-acquisition phase is detrimental for the two organizations, especially when there are different managerial styles involved and cultural clashes due to the common way of thinking about integration: “us and them” (quote from the interview with Maurizio Zordan).

In these situations, the aspects of a strong managerial presence with the aim of building a cohesive organization will help management in dealing with the integration phase.

A help in these situations may come from the previous experience of the manager in dealing with internal reorganization activities and market expansion ones.

Setting intermediate goals to follow during the acquisition will help management to create positive performance and overcome outcome ambiguity, relating determined actions to specific outcomes (Zollo, 2009). Since in SMEs top management members may have very different roles inside the organizations dropping the degree of responsiveness, setting pre-established goals will reduce the level of attention of managers to operative issues, increasing the future quality of their decisions.

Following the work of Cording et al., (2008), they find out that a fast integration process is poorly related to the internal reorganization goal, assuming that more variables are needed to find a better explanation for the importance of speed of integration.

1.3.3. Process or Perspective school

Process school in acquisition management was born because of the necessity to find an alternative way to the strategic and organizational fit acquisition analysis.

Process perspective theory, recognize the importance of both strategic and organizational fit as determinant for acquisition performance, but, at the same time, want to propose the acquisition process itself as a potentially factor for positive acquisition outcome (Jemison and Sitkin, 1986; Bauer and Matzler, 2014).

In this paragraph, will be discussed the main theory of Jemison and what are the impediment for acquisition success in the process perspective school. Following this introduction, will be presented the *speed of integration* stem of literature (Homburg and Bucerius, 2006; Bauer and Matzler, 2014), moreover, will be presented a brief review of acquisition program as in Chatterjee, (2009) and Wang and Kunda, (2016), and the development of a M&A function insides organizations (Trichterborn et al., 2016).

In their work, Jemison and Sitkin, (1986) described four impediments in performing the acquisition process:

1. *Activity segmentation* is described as the division of the acquisition processes among different sources, generating a lack of integration and a focus toward strategic fit rather than organizational fit,
2. *Escalating momentum* referred to the forces that stimulate the closing of an acquisition than forcing preventing it. The authors suggest that for whatever reason an anticipated closed of the deal is negative. Amid the cause of premature closing and escalating momentum there are decision making problems in conditions of ambiguity, secrecy, resistance of the target firm in the acquisition process, etc.
3. *Expectational ambiguity*, stated that the amount of ambiguity during negotiation process, even if could be considered positive in that phase, during the post-acquisition process, the same ambiguity becomes a source of conflicts, and
4. *Management system misappropriation* intended to underline the problem of overconfidence in the acquiring management team, the team's willingness to help the acquired management team in 'how to do things' could lead to the failure of the acquisition.

These problems revealed will lead to a more concrete view of the acquisition process issues, leaving theoretical explanations aside and providing experiential insights for managers on major failure in M&A.

In the next paragraphs will be illustrated the influence of acquisition program in M&A processes from a serial acquirer perspective and a brief analysis of speed of integration effects.

1.3.3.1. Acquisition program

From Chatterjee, (2009) an acquisitions program is defined as a series of acquisitions driven by ‘a core business logic’, the program will help managers to better identify shareholders value from individual and collective acquisitions. Two differentiations emerge from the acquisitions program construct, one is commonly described as *strategic planning*, guiding organizations on the road to decide when a firm should seek for an acquisition and for which reasons (Ansoff, 1971; Wang and Kuada, 2017). The other one is *operational planning*, it states the process and the mechanism for acquiring a company, given that the firm has already decided to acquire (Ansoff, 1971; Wang and Kunda, 2017). This classification is fundamental because the acquisition success or failure depends on the managers’ ability to understand and manage the entire process of decision making during acquisitions and during the integration phase (Colombo, Conca, Buongiorno and Gnan, 2007).

Chatterjee identified three broad imperatives that guide acquisitions programs: identification, negotiation and integration. For each of these phases the author underlines different abilities to improve the acquisitions performance. These are: the ability to exploit and identify market inefficiencies, the ability to achieve and reach a win-win deal, and the perseverance in maintaining the acquisition logic established before starting the business combination (Chatterjee, 2009: 141).

In the first paragraph, identification of targets, the author recognized the importance of exploiting inefficient markets to improve and increase the deal flow, or in another way the importance to become more aware of the chosen target’s quality and the quality of future ones. Distinctively, from the interviews of five serial acquirers’ CEOs, he showed up some critical aspects in exploiting markets inefficiency such as keeping a low profile by targeting small/private firms to not attract the interest of competitors, moreover from targeting small/private firms will less likely suffer from the overconfidence problem of owners; the importance of a long courting period to learn better the specifics of the target and help the acquirer’s managers to make informed decisions in the acquisition process; and interestingly in the analysis, is the importance gave to becoming your own investment bankers.

Doing so firms can retain major information in terms of identification and evaluation of companies and can maintain an advantage over the competitors when they will enter in the market.

Going forward, the author explained the negotiation phase from the eyes of these serial acquirers and underlined the importance of working towards win-win deals. This is notable when the acquirers' targets are small/private firms, in this way, acquirers may be able to pay a lower premium and increase the possibilities to close a 'good acquisition'; another critical aspect is the possibilities to make a pre-empt auction, this allows managers to dedicate more time to the analysis of the target given the previous experiences accumulated. What is also interesting in the paragraph, is the attention reserved at 'the ability to pay a higher price because of program-specific capabilities', and the positive value of a detailed planning routes about each aspect of the pre-and post-acquisition process.

At the end, Chatterjee delineated the integration capability as a continuum from the reason behind the acquisition.

Concluding, the author made some suggestions around maintaining the acquisitions program criteria and try to not violate them for reaching positive outcome from the business combination. Furthermore, the managers have to avoid the error of transferring the business logic throughout different acquisitions program that have different acquisition reasons at their basis. Planning is not a magic wand but helps managers to forecast complaints and to find ex-ante solutions to make processes smoother (Colombo et al., 2007: 205).

1.3.3.2. Speed of Integration

Across academics and researchers, the topic of speed of integration is a discussed and ambiguous subject. In recent years, the literature about the effects of integration speed on acquisition performance is divergent and split. Some authors believe that a fast integration will be positive for integration process, reducing cultural clash and giving a strong boost to the target operations avoiding uncertainty, and others believe that a long integration could be better for integration success, especially if the target cultural or institutional situation is distance from the acquirers' one (Chatterjee, 2009; Homburg and Bucerius, 2008; Bauer and Matzler, 2014). An important study conducted on speed of integration is the one of Homburg and Bucerius, (2008) that identify the influential effects of speed of integration in the acquisition performance outcome. Their work tackles the conventional thought that speed of integration is beneficial for M&A performances and analyzed in depth the effect of internal and external resource relatedness upon the decisions on how fast to integrate.

The authors defined speed of integration as the minimum time frame necessary to integrate what are believed the main functions of the two companies (Homburg and Bucerius, 2008). They tested the speed of integration towards customer uncertainty reduction, implying that a fast integration can reassure customers avoiding dissatisfaction and restraint.

In Chatterjee, (2009) we found a major integration approach toward back office activities as suggested by the CEO of Banc One and RPM, while treat the integration of customers related activities kindly.

Homburg and Bucerius hypothesize that speed of integration is beneficial when the external relatedness between the two companies is low while the effects are detrimental in the case of high external relatedness. In the same fashion, they analyze the internal relatedness and the effects of speed of integration, reaching the final assumption that harmful effects of speed of integration are higher when there is low internal relatedness and weak when the two companies have a high internal relatedness.

The results of the study demonstrate that speed of integration does not have a direct effect on performance, but testing for internal and external relatedness they find out that it exhibits a negative impact on M&A success when high external/low internal relatedness and vice versa. At the end, they clearly state that there is need for further developments in the area and that there are no simple answers to the question whether or not, the integration phase should be completed quickly, a different declaration from the well-known rule of the '100 days' (Haspeslagh and Jemison, 1991).

1.3.3.3. SMEs in Process or Perspective school

It was only in the last few years that the attention shift towards SMEs as subject of analysis for M&A. Because of their size and their lower level of economic resources, the attention of academics and researchers was directed to big acquisition, with complex levels of analysis.

Only recently, the literature start profiling a more comprehensive theory around SMEs acquisitions, examining different aspects from the previously ones studied in business combination among big corporations. In this view, a more holistic approach towards all the M&A process was advanced both for big and small acquisitions size.

The Process approach analyzes the speed of integration and the acquisition program; due to the fact that M&A are rare, heterogeneous episodes, expert believes that an acquisitions program is useful for exploiting previous experiences and usually lead companies towards acquisition success.

Different is the situation if we talk about SMEs that does not have the resources to dedicate for specific M&A functions, in these cases the ability to create a specific program for M&A is in the hands of capable managers that guide the company and their ability to understand the importance of knowledge codification activities. In the chapter with the analysis of the Zordan case, will be analyzed the entire process of the acquisitions performed, to better identify the whole process as driver of performance.

1.4. Final evaluations

In the chapter has been presented the major literature stream in the M&A research landscape, focusing on the strategic management school, the organizational behavior school and the process, or perspective school.

Moreover, in this chapter has been analyzed each source through different lens that have characterized the development of the specific school take in consideration.

The aim of this complex analysis is to evaluate the acquisition process in each element of the process, focusing the attention on the strategic importance of managerial decision-making, the importance of the post-acquisition integration phase and the critical aspect of removing causal ambiguity in the acquisition process through the development of specific tools.

In the next chapter will be presented the Dynamic Capabilities literature with the purpose to describe the evolution of the dynamic capabilities construct and the new theories from the dynamic managerial capabilities to the microfoundation. The dynamic capabilities framework will be presented together with the theory on M&A, relating sensing, seizing and transforming capabilities to the acquisitions processes highlighted in the case Zordan 1965.

CHAPTER 2

DYNAMIC CAPABILITIES

'Big ideas often take a long time to take on definition'.

-Williamson 1990

2.1. Introduction

Dynamic Capabilities (herein DCs) construct has been long debated in the management schools and literature field since its first theorization by Teece, Pisano and Shuen (1997).

In their work, DCs were depicted as the main source of Competitive Advantage for firms in fast moving environments. It was from their intriguing relationship with competitive advantage that the researchers analyzed deeply how DCs affect the performance and how they originate inside organizations. The structure of DCs has been seen as a Black Box, a sort of Pandora's Jar capable of explaining the receipt for sustainable competitive advantage and a solution for firms' long-lasting success in fast-changing industries.

In this chapter, will be discussed DCs as major construct for achieving Competitive Advantage and create strategic edge over competitors in a high-velocity business environment.

Trying to make up a clearer field, will be discussed about the origins of the DCs, from the seminal work of Teece et al. (1997) to the ones of Eisenhardt and Martin (2000), describing the dichotomy at the base of their different thoughts. These opposite views raise a continuous growth in academics' works that investigate one or other literature stem, trying to explore the DCs origins.

Successively, will be presented the major researches that influence the construct of DCs (Zollo and Winter, 2002; Zott, 2003; Salvato, 2003; Helfat and Peteraf, 2009), specifically, will be briefly presented the revisited Dynamic Capabilities Framework of Teece (2007), where he

introduces the classification of the DCs in the abilities to sense, seize and reconfigure and transform the business resources.

Hence, the literature will be divided in: organizational routines, knowledge codification and articulation approach (Zollo and Winter, 2002; Zollo and Singh, 2004). This theory described how to enhance DCs formation and reduce causal ambiguity in the management's decisions. Then, will be presented the microfoundation of DCs approach, following the recent streams of research, the microfoundation aimed at explaining the formation of DCs through individual actions or teams' actions intended to change organizational routines for forming higher level ones (Teece, 2007; Salvato, 2009; Eisenhardt, Furr and Bingham, 2010; Salvato, 2011; Winter, 2013; Teece, 2014).

Finally, the new literature of Dynamic managerial capabilities will be reviewed, pushing toward the study of the decisions taken by the top management team and how those choices affect corporate performances and strategic change (Adner and Helfat, 2003; Salvato, 2011; Helfat and Martin, 2014; Helfat and Peteraf, 2015).

On the heels of this puzzlement from DCs literature's development, the chapter will be concluded with the paper of Di Stefano, Peteraf and Verona (2014) that gave a convincing definition of DCs using the metaphoric bicycle drivetrain to explain how DCs works in an organization. At the end, will be described the analysis proposed for the chapter 3 and the specification of the framework used in the analysis of the case-study Zordan 1965.

2.2. Origins of Dynamic Capabilities

As posited in the introduction, the DCs field is very fragmented and divided in its core definition. The main developed theories since now are based on two critical and opposite papers about the articulation and conceptualization of DCs.

The papers that drive the formulation of all the DCs' literature field are the starting one of Teece, Pisano and Shuen (1997) and the "antagonist" work of Eisenhardt and Martin (2000).

The two opposite papers refer to the construction concept of DCs, operating from two different field bases: Teece et al. (1997) viewed the topic oriented to a point of view based on the Resource-Based view approach, while Eisenhardt and Martin (2000) from a more Organizational Behavior oriented approach.

Figure 6- Differences between the works of Teece et al. and Eisenhardt and Martin

		TPS	EM
Dynamic Capabilities and the Question of:	Boundary Conditions	The framework applies to environments of rapid technological change <i>The 'approach is especially relevant in a Schumpeterian world' (TPS: 509)</i>	The framework encounters a boundary condition in such environments <i>The TPS logic 'encounters a boundary condition in high-velocity markets' (EM: 1118)</i>
	Sustainable Advantage	Dynamic capabilities can be a source of sustainable advantage under certain conditions <i>Sustainability depends on 'how readily a [dynamic] capability can be cloned by competitors' (TPS: 518)</i>	Dynamic capabilities cannot be a source of sustainable advantage under any conditions <i>As simple rules, dynamic capabilities 'are themselves unstable' (EM: 1118); As best practices, 'dynamic capabilities are substitutable' (EM: 1110), thus violating a key VRIN condition</i>
	Competitive Advantage	Dynamic capabilities can be a source of competitive advantage <i>'Dynamic capabilities ... reflect an organization's ability to achieve new and innovative forms of competitive advantage' (TPS: 516)</i>	Dynamic capabilities can be a source of only limited competitive advantage <i>Dynamic capabilities are 'more homogeneous [...] than is usually assumed' (EM: 1116)</i>

Source – Peteraf, Di Stefano and Verona (2014)

In Figure 6 are represented the differences between the work of Teece, Pisano and Shuen (1997) (in figure as TPS) and the work of Eisenhardt and Martin (2000) (in figure as EM) as analyzed in Peteraf, Di Stefano and Verona, (2014).

The major dilemma came from the Sustainability of the Competitive Advantage and how DCs influence this condition of benefits over competitors in the long run. For Teece et al., DCs are fundamentals in the ability to exploit strategic advantages under certain environmental conditions, while for Eisenhardt and Martin DCs are considered as Best Practices and, as so, substitutable and imitable from other companies.

The two opposite views are better exposed in the following paragraphs, clearing up the main theories behind each works and explaining their theoretical roots.

2.2.1. Dynamic capabilities in Teece, Pisano and Shuen (1997)

Teece et al. (1997) depicted what was the first completed definition of DCs; a simply Google Scholar search showed that their work receives around 18,600 citations annually (since 2010), generating a total of about 29,000 citations on August 2017, a literature field that has exploded producing around 100 papers per year. Their initial work was created to help scholar and academics to figure out the basis for competitive advantage and the realization of sustainable enterprise value creation through the DCs framework (Teece, 2014).

They grounded their work on an extension of the Resource-Based view (RBV) of the firm (Barreto, 2010), involving a more strategic and theoretical oriented research. The RBV theorized the conditions that allow firms to achieve and sustain competitive advantage based

on their bundles of resources and capabilities that are valuable, rare, imperfectly imitable and non-sustainable or not able to be replaced by some other easy accessible resources (VRIN condition): more are difficult to buy and to obtain more are valuable for generating strategic advantages (Amit and Schoemaker, 1993). Resources can be defined as ‘stocks of available factors that are owned or controlled by the firm’, whereas capabilities ‘refer to a firm’s capacity to deploy resources, usually in combination, using organizational processes, to affect a desired end’ and ‘are based on developing, carrying, and exchanging information through the firm’s human capital’ (Amit and Schoemaker, 1993). Resources are the strategic assets that firms owned and to be defined as so must be valuable. Thus, a capability could be defined as strategic if it is developed to serve a user need, it has to be unique and it has to be difficult to imitate (Teece, 2007). Going further, in Amit and Schoemaker (1993) resources and capabilities are described as difficult to imitate and to trade, scarce and specialized, intangible and tangible assets, that bundled together form Strategic Assets that confer to the firm a Competitive Advantage.

Starting from the RBV theoretical background, Teece, Pisano and Shuen, figured out that the main literature of RBV, and also the strategic management field, was based on a static approach (referring in its works to the static approach of Porter five forces’ framework), neglecting the sources of economic rent advantages in a fast-moving environment.

As a result, the main goal of their work was to describe how a firm:

- (1) can achieve a competitive advantage,
- (2) can sustain competitive advantage in the face of competition, and
- (3) how can achieve this objective in a rapid changing environment (Peteraf, Di Stefano and Verona, 2013).

Teece et al. (1997: 516) described the DCs as ‘the firm’s ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments’. DCs thus reflect an organization’s ability to achieve and innovate forms of Competitive Advantage, given path dependencies and market positions. Two critical aspects come into sight: the dynamic aspects of capabilities in ‘rapidly changing environment’ and the noteworthy aspect of DC in the building process of Competitive advantage.

Teece et al. referred to these critical aspects as “Dynamic” by means of the firm’s capacity to re-adapt and change its abilities in dynamic business environment; while for “capabilities”, differently from Amit and Schoemaker, the authors underline the role of strategic management in transforming, adapting, scouting, exploiting and taking advantage of the firm’s resource to fit the necessities of a mutating environment.

Teece et al. described DCs as high-order level routines that can enhance the performance of the firms inside the industry; implicating that those DCs have to be “cultivated” inside companies, across different paths and towards the ability to sense new technological opportunities, constantly evolving the firms’ Competitive Advantage, in view of the fact that distinctive competencies cannot be bought in the marketplace.

Then, they advance the ways to achieve the competitive advantage: it could be reached through ‘managerial and organizational process’, formed by the firm’s specific asset position, and the paths available to it (Teece et al., 1997).

Three main steps are involved for getting the Competitive Advantage:

- Managerial and organizational processes, measured as zero-level routines (Winter, 2003) by way of repetitive patterns of current practice,
- Specific position, or the exclusive set of resources and assets of the firm, and
- Paths available are depicted as the strategic options that a firm has to achieve a settled goal.

Consequently, the authors suggest a road to discover where lies the Competitive Advantage of the firms. Their work however lacks a clear specification of the role of managers and how they act to develop the DCs, how technology innovation influences outcome performance and affects DCs, how the boundaries of firms are shaped through the intervention of DCs, and how learning acts as accelerating factor for DCs.

2.2.2. Dynamic Capabilities in Eisenhardt and Martin (2000)

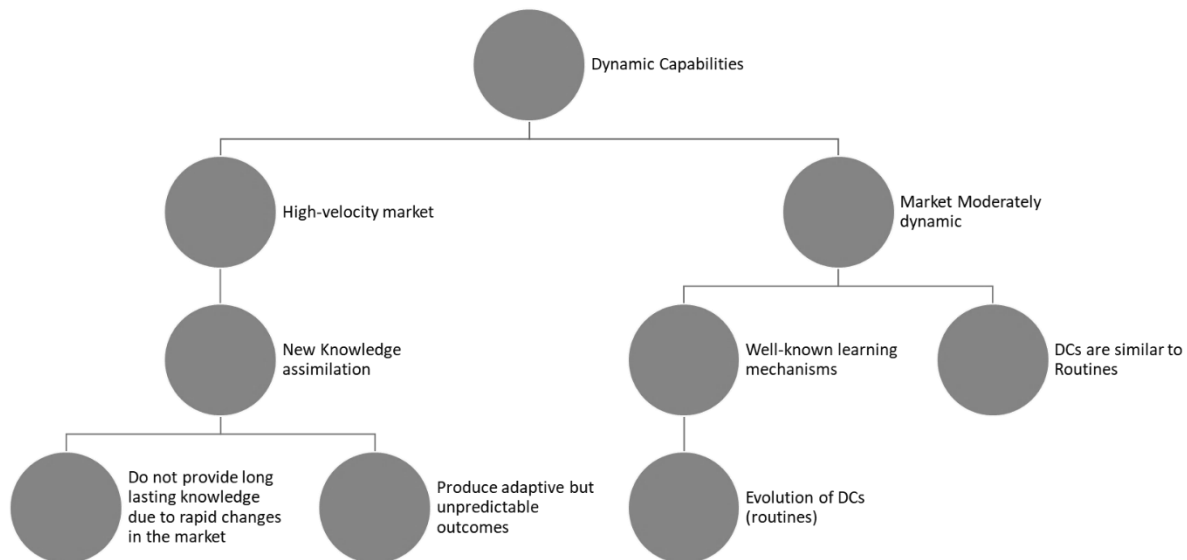
It’s from the role of DCs in attaining Sustainable Competitive Advantage in fast changing markets that arises the opposite and contrasting literature stepping out from Eisenhardt and Martin (2000).

The Google Scholar search revealed that the work of Eisenhardt and Martin (2000) was cited 13.889 times from 2000, far from the total citation of Teece et al. (1997); what’s more, it was cited 9.098 times since 2010, underling the relevance that the paper has achieved in recent years. They presented the construct with a more empirical orientation in respect of Teece et al., avoiding the tautological and vague conceptualization of the previous scholars, leveraging on the effects of the environment in the DCs formation (Peteraf, Di Stefano and Verona, 2013).

The authors defined DCs as ‘the firm’s processes that use resources-specifically to integrate, reconfigure, gain and release resources to match and even create market change.

Dynamic capabilities thus are the organizational and strategic routines by which firms achieve new resource configurations as markets emerge, collide, split, evolve, and die' (Eisenhardt and Martin, 2000: 1107).

Figure 7 – DCs' nature, how are influenced by markets and their evolution over time



Source – Personal elaboration on the work of Eisenhardt and Martin (2000)

In Figure 7 is explained how DCs are conceived and what outcomes are they intended to build. In the paper, DCs are seen as ‘specific and strategic organizational processes’ inside **each firm**, thus implying commonalities of the DCs availability among different companies, withdrawing the uniqueness that other authors have assigned to them.

These commonalities suggest a different formulation of the DCs construct:

1. First, the implication of common aspects between DCs in firms, advocate for equifinality in reaching DCs. Managers may follow different paths to reach the same outcome (in this case the same DCs),
2. Commonalities in DCs as low order level routines in moderately dynamic market, are more substitutable and interchangeable in functions and context than the current theory thinks, and
3. Commonalities infer that DCs, since they are substitutable and replicable, are not able to generate sustainable competitive advantage as exposed in Teece et al.

Commonalities among DCs in firms’ processes leave outside the exclusivity feature that generates the Sustainable Competitive Advantage in previous works. To address this principle, the main argumentation of Eisenhardt and Martin (2000) refers to the appropriation of these

capabilities by other managers following different pathways. This implication is also present in Teece et al., specifically when they talk about DCs' paths. The authors suggest that the evolution of a DCs is unique due to previous investment strategies and two similar paths are rare and thus allow firms to generate sustainable competitive advantage over time. Teece et al., stated also that entrepreneurial activity cannot generate immediately replication of the DCs inside the firm, replication takes time and high-skilled managers to intercept the right best practices from the market and adapt those to the internal organizational processes.

But Eisenhardt and Martin go beyond the commonalities among firms, and also mitigate the effects of DCs in high-velocity markets, pushing on the unfeasible sustainability of DCs in this type of environments.

In their work, the authors divided between two types of markets: *moderately dynamic markets* in which changes occur frequently but are predictable and follow stable patterns, and *high-velocity markets* in which changes are rapid and not predictable. The distinction of the markets implies also different paths for DCs formulation: in moderately dynamic markets the DCs rely upon existing knowledge and already established learning mechanism for their development. Instead, in high-velocity markets, DCs are based on the prerequisite that due to the unpredictable industry's changes, learning processes are shifting fast inside the organization and managers cannot depend on pre-existing knowledge, adopting new ad hoc solution every time. This constant change involves the capabilities of managers to adjust their knowledge in each situation, adopting situation-specific solutions that encompass causal ambiguity, where causal ambiguity is the uncertainty related to the execution of a task or a specific decision with the outcome expected (Zollo, 2009).

For what concern DCs evolution, an anticipation was depicted in Figure 2, Eisenhardt and Martin theorized different DCs development; their view of RBV embedded in an Organizational Behavior traditions focus the attention to the learning processes and how these procedures influence DCs' construct.

DCs evolution is influenced by markets' velocity, mistakes, pacing of experience and the order in which DCs are assimilated.

Markets impact on DCs depending on the velocity of the industry changes: in moderately dynamic markets, DCs evolution happen through repeated practice and routines development as stated also in previous works (Zollo and Singh, 2004). While, in high-velocity markets the development of DCs is related to the circumstances in which firms are involved and management has to use ad-hoc solution for each situation, developing simple rules and routines creating a difficult atmosphere for DCs growth.

Mistakes also help firms to develop DCs, in the specific, small mistakes push managers to adjust and re-adapt the strategies contributing to effective learning and eliminating causal ambiguity; this is not possibly in high-velocity markets since the managers cannot easily find solutions for problems and, given the constant changes in the firm, they are not able to eliminate the causal ambiguity inside the decision-making process; big mistakes, instead, block the firms learning ability, probably due to the refusal of management to accept further failures and preserve the firm wealth.

Another DCs fueling is the pace of experience in which firms are entangled. Eisenhardt and Martin (2000) sustain that managers have difficulties in assimilating experience that come too fast due to the impossibility to codified or at least elaborate the knowledge accumulated. Whereas for experience that is frequent but related, as in moderately dynamic markets, the managers are keener to assimilate knowledge and develop new capabilities related to the previous events.

One more relevant part in explaining DCs evolution is posit in dynamic environment and how managers should act to make the best decision in this type of markets. Given the doubtfulness of the authors in the possibility to create sustainable advantage in dynamic market, Eisenhardt and Martin drive the attention of the managers in the selection of the right experiences, to analyze which ones should be generalized and which not.

In the end, the works analyzed different aspects of the DCs construct, notwithstanding the distinctions with the previous theory, Eisenhardt and Martin give new perspectives on the development of routines and the DCs evolution in different markets environment.

2.2.3. Final evaluations

Nevertheless the similarities among the two definitions, Teece criticized the work of Eisenhardt and firmly believe that DCs are the main source for obtaining a sustainable competitive advantage in the long-term (Teece, 2007). In the Figure 1 is represented the critical differences between Teece et al. (1997) and Eisenhardt and Martin (2000) focusing on Boundary conditions, Sustainable Advantage and Competitive advantage (Peteraf, Di Stefano and Verona, 2013). The main field of differences remain what concern the competitive advantage that the DCs are able to obtain. Here, the point of view of the authors, Teece et al. and Eisenhardt and Martin, is completely off tune. For Teece et al., DCs are fundamental in attaining sustainable competitive advantage through managerial and organizational processes, the specific asset position of the firm and the path of past and future investments. The DCs framework conception drives the development of internal abilities through high-level routines that are formed and defined inside the company, these capabilities are shaped by the previous investments path, nonetheless from

the future investments and technological opportunities. A central point remains the RBV, even if the DCs framework is embedded in dynamic environment, the authors stated that their framework is an extension of the RBV, underlying the importance of the firms' set of assets and resources. In the specific, they have indicated DCs as factors that cannot be traded in the markets and more often than not are strictly related with organizational values and belief, managerial capabilities, culture or previous experiences. These 'soft' skills are distinctive firm-specific competencies that **must be built inside the company**.

As an alternative, Eisenhardt and Martin suggest a completely different approach to DCs and in particular in the relevance of the RBV in high-velocity markets, where the fast changing environment does not allow firms to obtain VRIN resources.

What they suggest in their work, is that DCs are no more specific resources and processes that can help firms to achieve sustainable competitive advantage, but rather are well-known processes that exist among firms, implying commonalities and equifinality.

In the end, DCs are seen as 'best practices' that enhance the firm value through the development of such capabilities. Another important distinction arises in the role played by the environment; Eisenhardt and Martin divided it in two macro-categories: moderate dynamic and high-velocity markets. In the first situation, firms can develop DCs through pre-existing knowledge, while in the second, the formation of DCs is rare and difficult due to the fast changes in the industry. Hence, in high-velocity markets, DCs are only simple rule and ad-hoc problem-solving decisions for organizational issues.

The paper seems to exclude the possibility of a RBV theory in high velocity market as a result of its static original theorization, asserting that the literature, at their moment, was not advanced enough to explain such dynamism.

The two papers here depicted, leave behind more questions than answers generating a fast-growing literature in the year hereafter. What they uncover are the tendencies of DCs in shaping the organizational process to reach internal and external value. Both the essays push the abilities of DCs to create new knowledge inside the firms that help managers adopting more accurate decisions for investments and resource recombination.

The real question behind this work, however, remains:

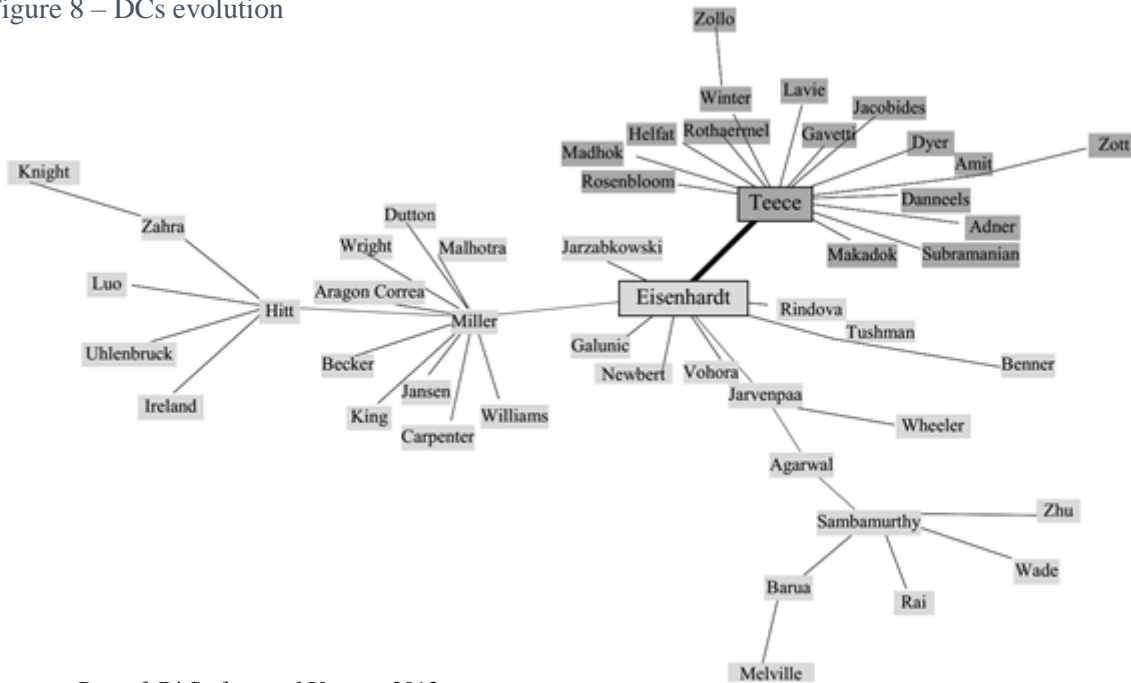
How firms in the same industry can obtain a Sustainable Competitive Advantage over the competitors?

The interrogation remains without an answer, but lead the future scholars and academics for finding an appropriate response.

2.3. The evolution of DCs theory

Starting from the high expectations on the role played by DCs as source of Competitive Advantage, researchers and academics commenced the development of the theory around the two different constructs previously examined.

Figure 8 – DCs evolution



Source – Peteraf, Di Stefano and Verona, 2013

In Figure 8 is depicted the literature originated from Teece et al. and Eisenhardt and Martin and the relative authors related to one or the other school of thought.

In the figure is clear how the two works drives the DCs evolution and its definition.

We can identify different tendency in the evolutionary pattern of the DCs construct:

- Organizational and knowledge/learning oriented (Zollo and Winter, 2002; Winter, 2003; Zott, 2003; Zollo and Singh, 2004; Zahra et al., 2006; Helfat and Winter, 2011),
- The micro-foundation of the DCs (Teece, 2007; Salvato, 2009; Eisenhardt, Furr and Bingham, 2010; Salvato and Rerup, 2011; Winter, 2013), and
- The formation of the Managerial Dynamic Capabilities (Adner and Helfat, 2003; Augier and Teece, 2009; Salvato and Rerup, 2011; Helfat and Martin, 2014; Helfat and Peteraf, 2015).

These different ramifications of the DCs literature shed light on different aspects from the formation to the characterization of these capabilities: the organizational and knowledge “school” focus its attention on how learning mechanism such as knowledge codification, articulation, and knowledge assimilation, may influence the evolution of DCs and their relationship with organizational tasks and routines formation (Zollo and Winter, 2002).

From another perspective, the micro-foundation of the DCs construct put more attention on how a specific outcome and the collective capabilities can be influenced by the internal structure of the human and social relations among all employees' levels (Barney and Felin, 2013).

The last perspective, or the Dynamic Managerial Capabilities, push towards the analyses of the different choices made by corporate level manager in the same industry that lead to dissimilar results (Adner and Helfat, 2003).

With these evidence is natural that the confusion around the DCs construct can only be high, to show how different the ideas could be around the topic, in the source are illustrated the main classification of DCs.

In figure 9 is reported a list of some of the most important definition from Teece et al. (1994) (that is the original formulation of the DCs framework, adapted and completed in the following years) to the "conclusive" one of Di Stefano et al. (2014).

In the details, Di Stefano et al. (2014) analyzed the different definitions proposed by the major 59 papers that cite the DCs construct, what they find out is that 17 papers provided an original definition of DCs; from the remaining, 10 quotes a previous definition and the other did not explicitly cite a preceding work (Appendix B).

Once illustrated the main theories behind these definition, will be presented the final assumption that, in our opinion, summarize at best all the previous one, providing an all-rounded characterization to DCs construct.

Figure 9 – List of some DCs definitions

Authors	Paper	Dynamic Capabilities definition	Theoretical Roots
Leonard-Barton D.	'Core Capabilities and core rigidities: A paradox in managing new product development'; <i>Strategic Management Journal</i> , 1992	Dynamic Capabilities as the firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments. DCs thus reflect an organization's ability to achieve new and innovative forms of competitive advantage given path dependencies and market positions.	Knowledge-based view
D.J.Teece and G.Pisano	The dynamic Capabilities of Firms: An introduction; <i>Industrial and Corporate Change</i> , 1994	The source of Competitive Advantage are Dynamic capabilities, where the term «dynamic» refers to the shifting character of the environment, and the term «capabilities» emphasizes the key role of strategic management in appropriately adapting, integrating, and reconfiguring internal and external organizational skills, resources, and functional competences toward changing environment.	Resource-Based view
K.M.Eisenhardt and J.A.Martin	Dynamic Capabilities: What are they?; <i>Strategic Management Journal</i> , 2000	The firm's processes that use resources—specifically the processes to integrate, reconfigure, gain and release resources—to match and even create market change. Dynamic capabilities thus are the organizational and strategic routines by which firms achieve new resource configurations as markets emerge, collide, split, evolve, and die.	Organizational Theory
M.Zollo and S.G.Winter	Deliberate Learning and the evolution of Dynamic Capabilities; <i>Organization Science</i> , 2002	A dynamic capability is a learned and stable pattern of collective activity through which the organization systematically generates and modifies its operating routines in pursuit of improved effectiveness.	Knowledge Based View
S.G.Winter	Understanding Dynamic Capabilities; <i>Strategic Management Journal</i> , 2003	Those capabilities that operate to extend, modify, or create ordinary capabilities.	
S.A. Zahra et al.	Entrepreneurship and Dynamic Capabilities: A review, Model and research agenda; <i>Journal of Management Studies</i> , 2006	The ability to reconfigure firm's resources and routines in the manner envisioned and deemed appropriate by its principal decision-maker(s).	
C.Helfat et al.	Dynamic Capabilities: Understanding strategic change in organizations; <i>London: Blackwell</i> , 2007	The capacity of an organization to purposefully create, extend, or modify its resource base.	Resource Based View
D.J.Teece	Explicating dynamic capabilities: The nature and microfoundations of (sustainable) enterprise performance; <i>Strategic Management Journal</i> , 2007	Dynamic Capabilities can be disaggregated into the capacity (a) To sense and shape opportunities and threats, (b) to seize opportunities, and (c) to maintain competitiveness through enhancing, combining, protecting, and, when necessary, reconfiguring the business enterprise's intangible and tangible assets.	
I.Barreto	Dynamic Capabilities: A Review of Past Research and an Agenda for the Future; <i>Journal of Management</i> , 2010	A dynamic capabilities is the firm's potential to systematically solve problems, formed by its propensity to sense opportunities and threats, to make timely and market-oriented decisions, and to change its resource base.	
C.Salvato and C.Rerup	Beyond Collective Entities: Multilevel Research on Organizational Routines and Capabilities; <i>Journal of Management</i> , 2011	Dynamic capabilities are higher-level routines for adapting operational routines and capabilities to dynamic environment. They evolve through explicit managerial intervention.	
G.D.Stefano, M.A.Peteraf and G.Verona	The organizational drivetrain: a road to integration of dynamic capabilities research; <i>Academy of management Executive</i> , 2014	DC involve both individual and organizational levels of analysis, since individuals set the context in the form of simple rules, which then enable and constrain a set of complex routines at the organizational level. This same dynamic system is involved in both changing existing capabilities and developing new ones, implying that it acts upon the existing resource base as well as the new opportunities arising in the ever-changing landscape.	

Source – Personal Elaboration

2.3.1. Organizational routines and knowledge approach

The organizational routines and knowledge “school of thought” believes that the foundations of DCs are inside organizations and reside in the capability of the firms, in particular of their top management, to fit the previous experiences with new knowledge and new processes in line with the internal and external environment. Different field studies have supported the importance of knowledge codification and routines formation in company's performance (Zollo and Singh, 2004; Zott, 2003; Heimeriks et al. 2012). Routines could be thought of as the skills of the organization and the firm as an entity, with a limited range of capabilities based on its available routines, other intangibles, and of course its tangible assets (Teece, 2014).

Instead taking from Winter, (2003), operational routines are the base that drives organizational capabilities and have a two-way definition: *behavioral regularities*, which refers to specific recurring actions and processes rooted in firms taken by group of individuals, and *cognitive regularities*, which denote intangible patterns or understandings that agents inside the organization use to guide and refer outcomes of a routines (Salvato and Rerup, 2011).

As organizational routines are the superior construct of operational routines, the definition for organizational capabilities is slightly different with a more dynamic approach. Hence, organizational capabilities can be defined as a ‘high level routine’ or as a ‘collection of routines’ that shape over an organization’s management decision paths different possibilities to achieve a certain desired outcome (Winter, 2003).

Deriving from this definition of organizational capabilities, is possible to infer a differentiation among two types of routines inside the companies:

- Ordinary or ‘zero-level’ capabilities (or also operating routines as in Zollo and Winter, 2002), intended as those capabilities that enable firms to ‘make a living’ in the short term (Winter, 2003) and allow firms to securely perform basic functional activities (Salvato and Rerup, 2011), and
- High-level or Dynamic capabilities that affect zero-level capability when there is the necessity to change and adapt those capabilities that make the firm a living in a dynamic environment (Zahra et al., 2006; Salvato and Rerup, 2011).

The distinction here proposed, anyways, leave the definition of DCs incomplete, since in the previous works, there is an absence of ‘where’ these capabilities can be found and in which directions are pointing those DCs: forward strategic aspects or backward (Gavetti et al., 2007; Salvato and Rerup, 2011). A partial solution is present in the work of Zollo and Winter, 2002 in which they described the link between organizational learning and the development of DCs. Their framework conceptualizes the learning mechanisms through which the firms can develop DCs to modify and evolve operating routines. The instruments presented in their work are developed to explain how firms can accumulate and assimilate knowledge in dynamic environments to generate DCs that needs to be update and adapted frequently.

Those are:

- *Experience accumulation* through tacit knowledge, generated when there is learning by doing activities. Experience may also be accumulated through the repetition usage of some internal organizational routines and the small adaptation performed throughout day-by-day activities.

- *Knowledge articulation* is the first step for the accumulation and creation of organizational knowledge. It is intended to create new information from the shared vision of past experiences among the different organizational members to craft original understandings and eliminate the outcome ambiguity (Zollo, 2009), finding the correlated results for a specific action taken (Zollo and Winter, 2002).
- *Knowledge Codification* is a higher level cognitive effort that derives from the application of knowledge articulation. It is intended to create codified learning from the shared experienced of the organizational members (Zollo and Winter, 2002); this codified knowledge is embedded in the form of strategic tools aimed at unveiling the connections between actions and outcomes through the evaluation of why some activities produce determined results (Heimeriks et al., 2012). Following this approach, after having articulated and codified the knowledge accumulated, firms can develop DCs (Zollo and Winter, 2003).

Different is the outcome of codified knowledge in Heimericks et al., (2012) where they defined high-order routines as tools that mitigate the risk of negative (risk management practices) experience, helping managers identifying the deviant features of a routinized process and applying ad-hoc solutions.

In Zahra and George, (2001) the DCs are ‘produced’ through absorptive capacity defined as a series of organizational routines and processes through which firm transform and reconfigure knowledge.

Since now, it has been described the process to create DCs and what are their scope, what was further taken in consideration is the trade-off between knowledge articulation and codification and the costs associated.

The main costs implicated in DCs development are the *learning investments* towards the creation of tools directed to decrease outcome ambiguity in the decision-making process (Zollo and Winter, 2002). Furthermore, from the previous literature, step out other costs associated with changes related to valuable resources inside the organization and the sunk costs associated with learning codification (Zott, 2003; Zahra and George, 2001). Articulation and codification learning are the most time-consuming activities in developing DCs, and needed to be traded off with the resources available in the organization as a consequence of an *opportunity costs*’ analysis (Zollo and Winter, 2002).

The organizational routines and knowledge approach released different notions on DCs formulation and constructs, but lack a precise sense of where it is possible to find those capabilities and where they reside: in the hand of managers or employees or organizations? (Salvato, 2011; Heimericks et al., 2012).

2.3.2. Microfoundation of DCs approach

Originally introduced by Teece, (2007), the microfoundation of DCs has become an important field in the explanation of the DCs construct especially in the recent years. The term microfoundation is referred to the possibilities to generate DCs and superior performance outcome through the set of individual-level and group-level actions that shape the organizational processes, strategy, and investment decisions (Eisenhardt, Furr and Birgham, 2010).

In the first proposal, Teece used microfoundation to explain how organization's management, more precisely the top management team, should act and put attention to for the formation of DCs. Teece, (2007) updated his previous framework on DCs with three more characterization of the DCs construct and a new definition. He defined DCs as *the capability to sense and shape opportunities and threats, to seize opportunities and to reconfigure, protect and manage the firms' assets to maintain or develop competitiveness* (Teece, 2007: 1319).

After the presentation of his new framework, the author specified the microfoundation activities for each of the three steps proposed in building DCs:

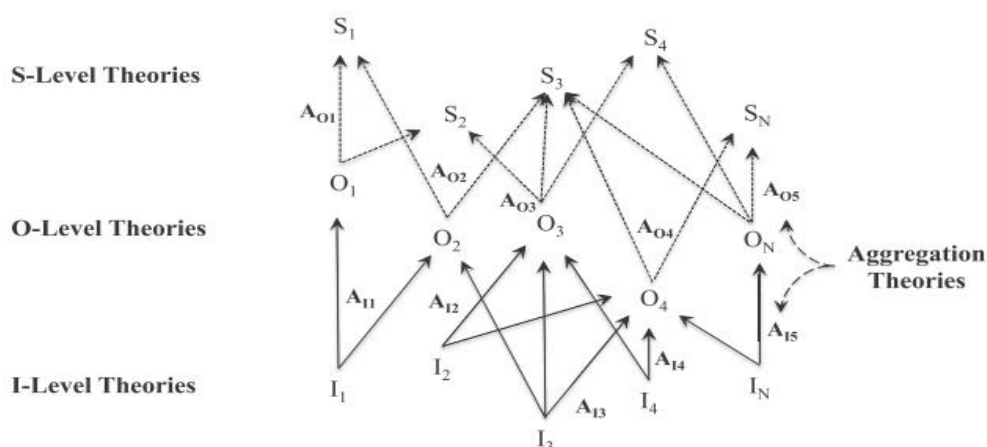
- The microfoundation aspect of *sensing* opportunities and threats focus on the managers' abilities to recognize opportunities and interpreting available information (scanning internal and external environment as customer needs, technological shifts, legislation changes etc.),
- The microfoundation aspect of *seizing* opportunities resides on the managers' capabilities of selecting the right business model to match the future opportunities and to select the right product architectures. Moreover, Teece stressed the importance of setting corporate boundaries in dynamic environments in order to get the business model right with the opportunities to increase firms' performance towards the ability to manage appropriately complementary resources.
- The microfoundation aspect of *managing threats and reconfigure the business' resources* focalized the managers attention on the ability to decentralize decision making processes, to obtain different information and to be able to make better choices at the corporate level. More than that, the author emphasized the importance of new knowledge formation and the integration of know-how from internal and external sources; nevertheless, he underlined the importance of 'governance' issues as the firm expand, pointing out at managers' ability to adapt and change the internal processes to meet desired outcomes.

What Teece exposed in his work, was a call to action for the future agenda of the DCs' microfoundation, since he did not explain the origins and formations of those, but he illustrated only the action that managers should take to achieve DCs.

Seeking to answer this question, Salvato and Rerup, (2011) disentangled routines into set of individual actions, findings that internal capabilities are modified through the day-by-day actions perpetrated by individuals, and, as so, changed by all the level of the organization, and not only the top management. Additionally, the authors highlighted the importance of managers in experimenting new promising changes into high-level organizational capabilities even if at the beginning may be detrimental for the company in respect to the previous capability, they assert that the encoding of these experiments results in long term beneficial consequences for the firms.

In the same topic, Eisenhardt et al. (2010) analyzed the construct of ambidexterity in management views and the subsequent trade-off between *efficiency* and *flexibility* at the organizational processes. What they find out, is a necessary unbalanced behavior of managers towards flexibility in their decision-making processes. This was explained due to the relationship between firms age and research of efficiency, or said in another way, as firms became older, the organization push towards a more efficient approach. Endorsing this explanation, managers should pursue flexibility in adopting organizational routines with respect to processes and adjusting methods to achieve a balance between the necessity of efficiency by the firm and the right amount of flexibility in achieving strategic changes and competitive advantage. The topic of microfoundation is in continuous development and by now there is no a complete theory in explaining the evolution of DCs and their formation inside companies. An appropriate way of studying the microfoundation inside firms is proposed by Devinney (2013).

Figure 10 – Microfoundation at different level of analysis



Source – Devinney, 2013

In his study, the authors proposed a new research method to explain the formation and the internal correlation of microfoundation amid the different levels of organizations.

Devinney analyzed previous theories of microfoundation, finding that the earlier level of analysis was focused only on Strategic level (S-level in Figure 10), or Organizational level (O-level), or Individual level (I-level), missing a unification structure of the theory field which bridge all the research levels. Hence, the author suggests the progress of Aggregation Theories (A-Theories in figure 5) with the purpose of linking lower-level to higher-level concepts to explain high superior performances in firms within the same industry.

2.3.3. Dynamic Managerial Capabilities approach

The literature field of Dynamic Managerial Capabilities was developed around the concept of corporate decisions effect on performance. It was firstly introduced by Adner and Helfat, (2003) trying to explicate how corporate performance change throughout managerial strategic decision over time. To address this problem, the authors developed the definition of Dynamic Managerial Capabilities with the aim of explaining the heterogeneity among firms in the same industry. The authors defined *Dynamic Managerial Capabilities as the capabilities with which managers build, integrate, and reconfigure organizational resources and competences* (Adner and Helfat, 2003: 1012).

The definition proposed above is similar to the definition of transforming and reconfiguring DCs in the framework of Teece, (2007), and was further develop in a new construct proposed in Helfat and Peteraf (2015) gathering two mains formulation of Managerial Dynamic Capabilities and DCs as in Adner and Helfat (2003) and Teece (2007).

The original construct of Managerial Dynamic Capabilities (Adner and Helfat, 2003) is still used as the foundation of the literature topic, and is divided in three main managerial competencies:

- *Managerial human capital* is addressed as the managers' ability to mature and grow up as a result of past experiences, new gathered knowledge and learning-by-doing actions in different environments. The managerial human capital depends on the learning path of the managers and the educational background, allowing managers to synthetize previous experience and adapt those in firm-specific context.

What turns out from the influence of managerial human capital capability in the firm performance is a positive relation with it (Helfat and Martin, 2014),

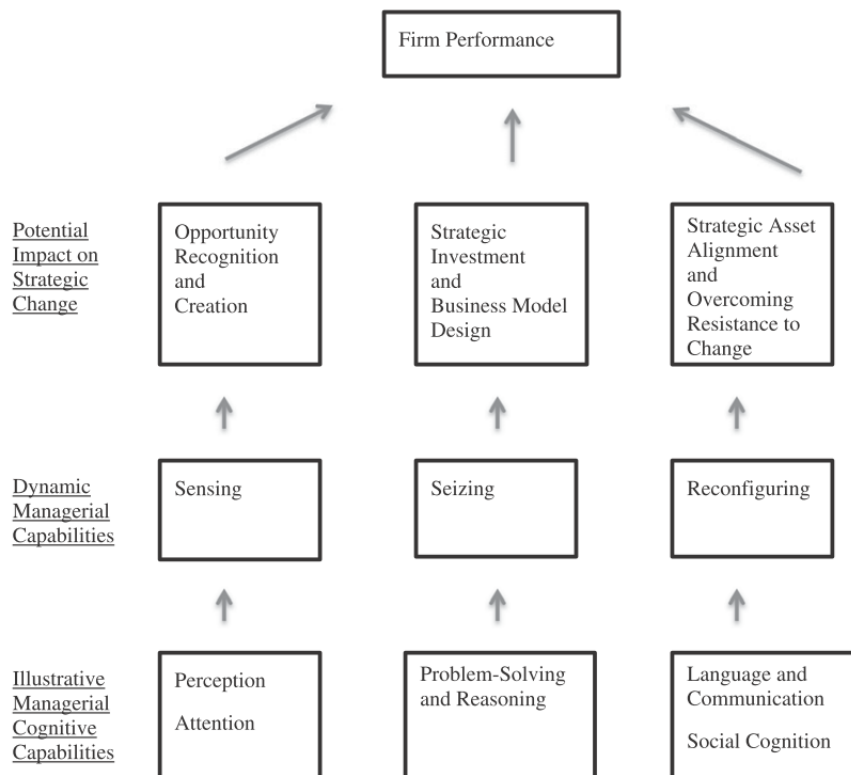
- *Managerial social capital* is a managers' ability that confer influence, power, and control from social relationships, helping the executives in collecting and transferring information in different contexts. Since corporate managers depend on lower level

managers' information to make decisions, formal and informal ties are necessary to obtain more evidence and make good decisions. In the analysis of Helfat and Martin, (2014) they found that external social ties improve the firm performance, in particular in the form of acquisitions and diversification.

- *Managerial cognition* represents the managers' beliefs and mental models that are at the root for decision-making. Helfat and Peteraf, (2015: 835) gave a more specific definition of managerial cognitive capability as 'the capacity of an individual to perform one or more mental activities that comprise cognition'. In Helfat and Martin, (2014), managerial cognition is shaped by managerial emotions and mental processes of interpretation, suggesting that managers attention determine which resource to develop inside organizations. Helfat and Peteraf, (2015) go beyond the definition of managerial cognition and add two different levels: mental activities and mental structures that bundled together guide managers towards different strategic paths and different performance outcome.

Regarding managerial cognition, the work of Helfat and Peteraf, (2015) associate the DCs framework and the cognitive processes of managers for sensing, seizing, and recombining or transforming the firms' resources.

Figure 11 – Managerial cognitive capabilities, dynamic managerial capabilities and strategic change



Source- Helfat and Peteraf, 2015

In figure 11 is represented the framework linking dynamic managerial capabilities to dynamic capabilities as intended by Teece's framework.

The authors associate sensing activities with two managerial cognitive capabilities of *perception* and *attention*. Perception is defined as the ability to build meaningful and useful information about a particular environment (Gazzaniga, Heatherton, and Halpern, 2012). New perception is shaped by previous experience and the ability to interpret data from emerging patterns. This new perception will become the base for future decisions and shape the manager ability to sense forward opportunity and threats.

Attention is decisive for perception, since determine the focus of managers in which stimuli to recognize and identify. It can be trained through practice, as for memory, and it is path dependencies (Helfat and Peteraf, 2015); the trade-off arises between internal attention and external attention, involving accurate decisions from the corporate managers and from the decentralize decisions-make approach (Helfat and Martin, 2014).

For seizing, the authors allocate the managerial cognitive capabilities of *problem solving* and *reasoning*; concluding that the managers with higher capabilities of problem solving and reasoning will make ‘more astute investment decisions’ (Helfat and Peteraf, 2015: 841). Problem solving was defined as the ability to reach a pre-determined goal through mental reasoning and processes starting from a specific problem (Gazzaniga et al., 2012; Helfat and Peteraf, 2015). While for reasoning the authors indicate the mental activity of solving a problem using formal rules or determined rational procedure (Helfat and Peteraf, 2015).

The last DC, the ability to orchestrate and reconfigure the assets of a firm (Teece, 2007), is related to the cognitive ability of *language and communication*, and *social cognition*.

Language and communication are depicted as fundamental for managers in creating a leading role inside companies, in the specific, the art of communication (in the paper also as storytelling) was perceived as relevant for information sharing among the different levels of the organization, and in motivating and gathering together employees around new strategic plan.

Social cognition, instead, was illustrated as a complex observable fact that group together different types of mental activity such as memory and attention or emotion and affective perceptions. This capability is expressively useful in fostering coordination among the top executives of the organization and to overcome organizational inertia, pushing towards organizational changes.

Concluding, the literature field of Managerial Dynamic Capabilities is still in expansion and the nature of the construct need to be tested with empirical works. What comes out from the analysis of the previous works is too much attention with respect to top management team, leaving behind the intermediate connections amid the middle and lower level managers of organizations.

2.4. A conclusive definition?

In light of all the different theories around the DCs construct, it could be impossible to think about an aggregate definition of all the dissimilar attribute. Perhaps a possible solution may be to completely dismiss the study of DCs if does not produce a quick theoretical foundation as suggested by Arend and Broomiley, less drastic was the reflection of Barreto (2010) stating that the missing theory of DCs should be developed constantly, recommending some guidance for the future. Notwithstanding all the discrepancies, Di Stefano, Peteraf and Verona (2014) depicted a new way to conceptualize how DCs operate using the metaphor of an ‘organizational drivetrain’, linking simple and complex routine inside organizations.

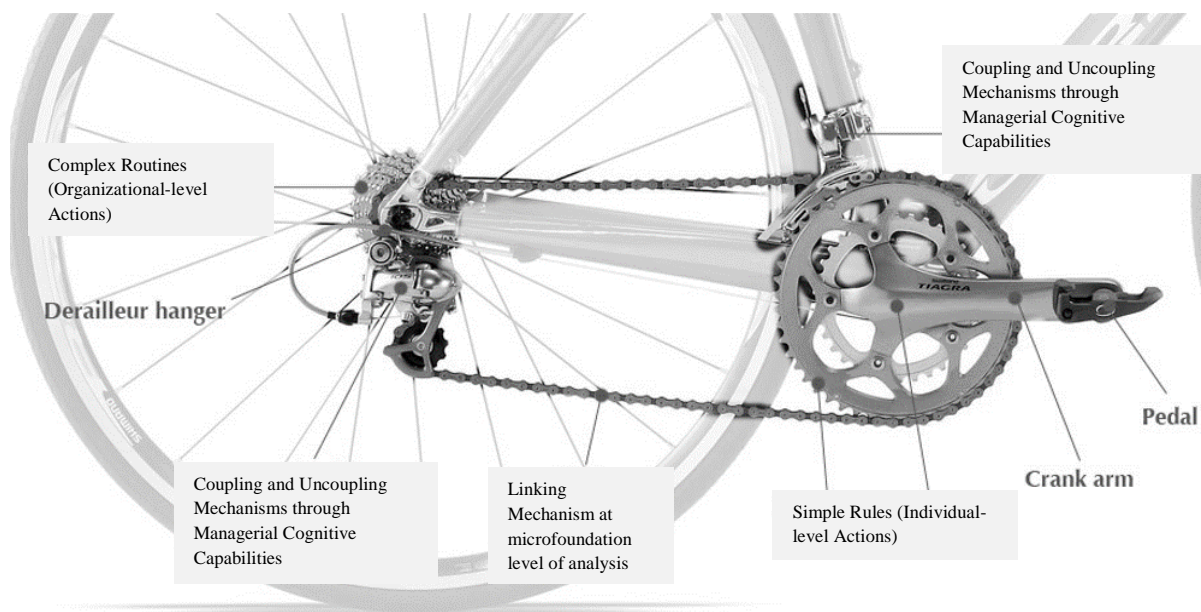
In Figure 13 is represented the bicycle drivetrain, the front chainring can be thought of as simple rules in the organizational and learning approach, the gears present here are lower in number in respect to the back ones, and are selected and controlled by the top management of the organization. Due to the dynamic environment, managers, that are the rider of this bicycle, can change and adapt the organizational processes through the work of the two derailleurs, the front one as movement for the simple rules, and the rear one, used for adapting and adjusting decisions, depending on the different challenges posit by the environment.

The derailleurs can be seen as the Managerial Cognitive Capabilities that allow management to practice and develop their cognitive, human and social capabilities with the aim of making the right decisions and creating organizational flexibility, shifting amid the different combination between simple routines and higher-level routines.

The chain is the linkage among the simple rules and the complex ones, relating the different organizational levels. The chain could be seen as the microfoundation relation in DCs, explicating the different aspects in decision making processes at low, middle and top management source.

In the drivetrain represented in Figure 13, all the aspects and factors of the DCs are respected, moving inside the environmental adjustments through the dynamic approach of the model. Individual set the context in the shape of simple rules, that are modified and adapted by the managerial capabilities to meet the desired outcome and develop higher set of routines. All the mechanism is linked by the shared effort of day-by-day operations from the lower-level of employees to all the managers at different organizational levels, working together toward shared goals.

Figure 13 – Revisited Organizational drivetrain



Source–Personal elaboration from the work of Di Stefano, Peteraf and Verona, 2014

2.5. Conclusions

In the chapter just described above, were presented the major theories about DCs and a possible rounded explanation for future analyses. The field will continue to grow due to the broad spectrum of possibilities that arise from cognitive and emotional perspective in the DCs approach (Di Stefano, Peteraf and Verona, 2014; Eisenhardt et al., 2010) and many others.

Avoiding studying the DCs effects on organization and firms' performance would be a regret in both Strategic and Organizational research field (Helfat and Peteraf, 2009), limiting the possibilities to find the Holy Grail that so many have looked for.

In this view, we believe that organizational dynamic capabilities are started through the interactions between managers actions and organizations, the managers ability to start a process of changing operative routines will help the organization to evolve and create new organizational routines through dynamic capabilities.

Simultaneously of the development of DCs, the research of cognitive drivers of managerial capability dynamics (Gavetti, 2005; Gavetti, 2012; Helfat and Peteraf, 2015). The relationship between managers ability and organizations is strictly linked by the entrepreneurial nature of manager in pursuing new paths and pushing towards constant company evolution.

In the next chapter will be analyzed the importance of cognitive capabilities in deploying DCs inside the firm, the analysis of the managerial capabilities aimed at exploring the competitive advantage deriving from “CEO effect” (Quigley and Hambrick, 2015).

Using the framework of Helfat and Peteraf, (2015), will be proposed an analysis of the managerial capabilities that put together the framework of Teece, (2007) and the evolution of

DCs and Managerial cognitive capabilities, in particular the mental models of the family members when they have to take decisions.

Those mental models are simplified knowledge structures or cognitive representations about how the business environment works (Gary and Wood, 2011:569).

Managerial cognitive representations are heterogeneous among people, affecting the strategic choices of the company in different ways (Tripsas and Gavetti, 2000; Gavetti, 2005; Gary et al., 2011). Throughout, the next chapter will be presented the cognitive managerial representations adopted in the Zordan case during the acquisitions' processes. Doing so, will be explored how Maurizio, Marta and Alfredo intervene to deal with complex external solicitations basing their actions on pre-existing mental models that guide the expectations about the possible outcomes that will result from their decisions.

CHAPTER 3

THE ZORDAN 1965 CASE

*'It is not logic or facts but our hopes and dreams, our hearts
and our guts, that drive us to try new things'.*

Simon Sinek – Start with Why

3.1. Introduction

Harkening back to the previous theories, we want to demonstrate how DCs can be applied in the M&A process and how acquisition performance is affected by DCs through an in depth qualitative case-study.

Notwithstanding the problems relate to identification of DCs in qualitative case studies, this method can investigate the roots and growth of organizational capabilities (Grant and Verona, 2015). As suggested by the authors, the identification of organizational capabilities should be driven by three types of analysis: *performance* of the capability, *cognition* towards the application of the specific capability, and *action* visible of the application in the day-by-day routines.

In this chapter, will be presented the case of Zordan 1965 and the acquisitions of Delta Arredamenti (hereon DA) in 2013, the acquisition of Marzorati-Ronchetti (from now on MR) in 2014, and the cross-border acquisition in USA of WoodWays (hereafter WW) completed at the end of 2016.

We will try to apply different framework to the different phases of the acquisition process and analyse how the previous experiences from the acquisitions will influence the future decisions of the managers. In the end, we will try to identify if the organization have learned towards the acquisitions processes or if the ability to perpetrate corporate actions, in this case the ability to conduct M&A, reside only in those managers that have lead the specific process.

3.2. Choice and methods

The main purpose of this study is to present an ambitious analysis of the DCs framework applied to the acquisitions that involved the Zordan 1965 firm in order to understand how evolved the ability of the company in making acquisitions and, most important, if the company learned during the process. With this object in mind, it has been proposed a qualitative case study to better understand the relationship among the decision made by the top management team and the possible outcome performance. Since DCs are the ability of the company in learning to learn (Winter, 2003), we will individuate the main actions developed by Zordan in the acquisition process from DA to WW and how changed towards the years, with the hope to find some learning improvement in the organizational processes (Zollo and Winter, 2002) and managerial abilities (Helfat and Peteraf, 2015). In order to generalize our finding, we become familiar with each separate case and study it as a stand-alone entity letting unique patterns to emerge and then analyse those patterns from each case as a possibility to generalize them across cases (Eisenhardt, 1989). It has been decided to examine the case through the framework of Helfat and Peteraf, (2015) in order to discover the evolution of the managerial cognitive capabilities of *Attention* and *Perception*, that will help managers in driving the development of Sensing DC; *Problem Solving* and *Reasoning*, will be investigated in the development of Seizing activities; and *Language and Communication* and *Social Cognition* that will be presented as fostering element for the growth of Reconfiguring DC. In this qualitative case study, the continual interplay between emerging concepts and data, makes difficult to separate clearly analysis, data collection, construct development, and conceptualization. The work vacillated between inductively building concepts from data and deductively searching for the data that would support and further refine the nascent notions.

The company Zordan 1965 is an attractive company for the analysis, due to the fast acquisitions project executed in the recent five years and the presence of a strong entrepreneurial spirit in the top management team and because of Zordan made many attempts to alter its resource base. The analysis of this specific case, help us in analysing the evolution of managerial cognitive capabilities thanks to the important role played by the values and the beliefs of the family, that guide the decisions toward a shared goal.

To investigate more deeply the case, we use multiple data collected throughout different methods, this will help us enhancing the creative potential of the study and, if the data are similar from the different investigations, those data could enhance confidence in the findings (Eisenhardt, 1989).

These sources can be reassumed as:

- Personal interviews with the people involved in the operations, we have collected for the analysis 6.34 hours of discussions, of which 2 hours were collect from the interview with Maurizio Zordan, 1.22 hours were collected from the interview with Marta Zordan, and the last 1.12 hours were pull together from the interview with Alfredo Zordan.
- Business newspaper articles,
- In depth analysis of the Zordan 1965 website and the relative papers published in it,
- Institutional and corporate internal data kindly offered by Zordan 1965, such as business plan, marketing plan, valuation of the company, interviews from other researchers.

During the data collection phase, important were the semi-structural interview with the members of the company Zordan 1965 that helps individuating the main important aspects that guide the decisions behind the scenes.

3.3. Zordan 1965 company outline

In the following paragraph will be presented the company, the main geographic area in which operates and a brief description of its business model, trying to depict a clearer image of the whole organization.

Those aspects will be analysed through different data gathered from the sources listed before, at the end will be presented a final focus on the current and future strategy of the company with critical attention to the future possibilities as explained by its top management.

3.3.1. Historical background

In 1965 the former craftsmanship Attilio Zordan and his father Alfredo decided to found its own business, buying some initial assets from a small cooperative, to serve one of the biggest companies in the North of Italy: Marzotto. Attilio, from a big intuition, viewed in advance the possibility to supply the necessities that a big firm as Marzotto could have had at that time.

It is from the awareness of working towards the developing of an area, the Valdagno valley, that allow the Zordan family to exploit and improve its presence in the community and in the economic landscape of the region.

Since the foundation of Zordan in 1965, the company worked as supplier for Marzotto and some other smaller companies in the area. The ties with Marzotto group, led at first to the specialization of the production of trade fair display, and then to an idea of complete “turnkey” production about furnished facilities for the points of sale associated with the brands.

The production continues to grow and the business opportunities arose around the partnership with the Marzotto Group, until when the crisis hit Marzotto in 1992-1993 (first Iraq war) entailing a slackening of the production for the firm Zordan, forcing the management to find new business opportunities that could have balanced the working loss.

In this period of crisis, the entrepreneur nature of the founder Attilio, came out and push the firm in the direction of a new possible area of business: the 'Arte povera' furniture.

It was from the tenacity and capacity of Zordan, and the experienced craftsmanship ability related to its attention towards details and quality that drove Marzotto in 1994 to hire again Zordan for the equipment of new shops for the novel brand Marlboro Classic.

Given the superiority of the furniture proposed by Zordan and due to the fast-growing market segment, Marzotto asked Attilio for a commitment to follow the brand and the company in the future, it was the 1995. At that time, the company was proportionally divided among Attilio and his brothers, Giuseppe e Vittorio, with different business visions on how to guide the company. Different family members were involved in running the company, also Marta, the daughter of Attilio, as administrative employee. Was in the period between 1995 and 1996, when the company was growing through the orders of Marlboro Classic, that Attilio proposed to his son Maurizio to enter in the company.

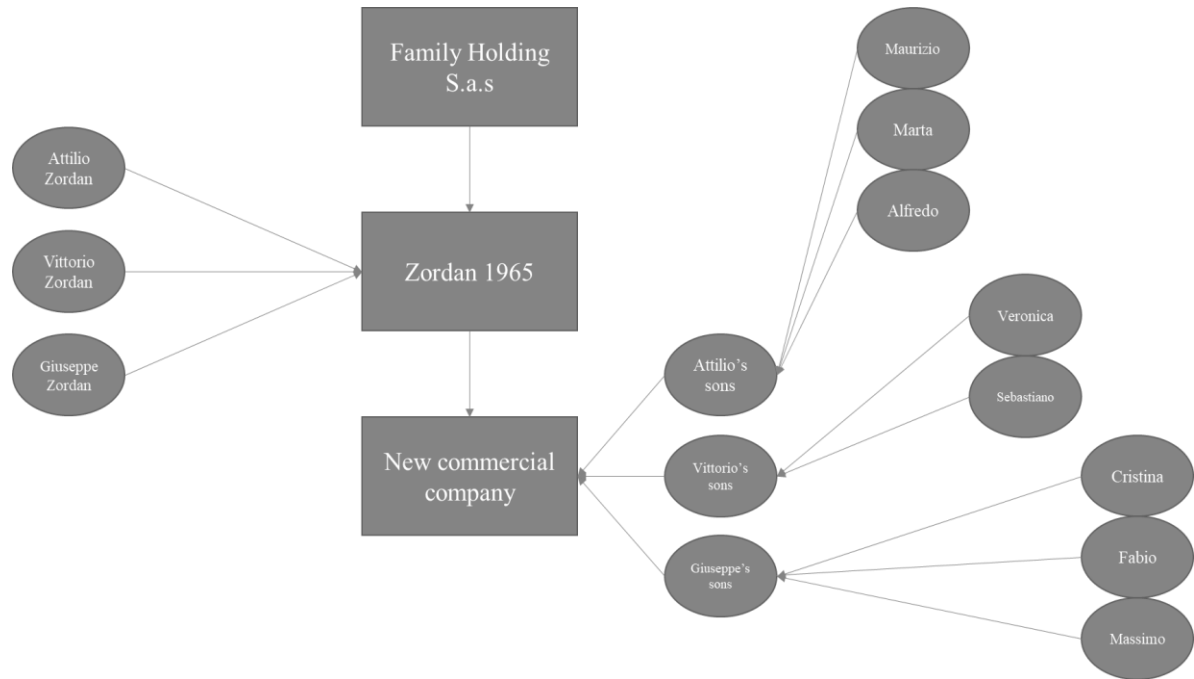
This was the first turning point for the company.

Maurizio brought his experience accumulated in Marzotto, his high attention to details, and a professional approach inside the family firm. He entered in Zordan towards the end of May 1996 following the big expansion and the internationalization of the main customers that imply, and also required, new managerial criteria.

The main innovation introduced was a financial control system and a Management by Objective evaluation system, eliminating the unwritten family rules that hold back the company. Notwithstanding all these new processes, the organization was reluctant to change, at the top of this was the management team, who was hindering the core changes until the point that Maurizio decided to voluntary gave his resignation from the company, it was the 1998. Resignations were only in Maurizio's mind, what he threw was an admonishment, a provocation, to let the founders understand the evolving needs of the company in a fast-moving industry. Starting from this standpoint, the company adapted his business towards a more international perspective reorienting the internal quality processes to the ISO 9000 certification obtained in 1999.

In the same period, from the main company owned by Attilio Zordan and his brothers, was created a commercial spin off run by the sons of the three brothers with an equal ownership division. The new company was a S.r.l., subsidiary of the older one (S.n.c.) and all the two company were grouped under a Family Holding (S.a.s.) as better explained in Figure 14.

Figure 14- Structure of the organization



Source-Personal elaboration on corporate information

It was around the 2001-2002 that the new formed company selected Maurizio Zordan as CEO. Meanwhile, due to these internal problems, the management lost the customer oriented approach that have characterized the company until that moment, causing a not anticipated shock. The Marzotto Group, and in the specific the Marlboro Classic branch, was assigned to another architect that choose himself the supplier for the new shops furniture, leaving Zordan aside (the Marzotto Group and Marlboro Classic brand was the 80% of the revenue).

This event, summed to the Twin Tower attack, shocked the international landscape, forcing the company to find new customers: at that time was Bulgari, with new opportunity in Italy and in the USA. Given the new international path of the company, the expertise inside the organization was unsuitable to meet the desired expectations.

Maurizio, knowing this, proposed to his younger brother Alfredo to enter the company, carrying with him the technical experience that the firm was needing, it was the 2005.

From now on, it was an escalation of situations that allow Zordan to became now, one of the most important company in the sector of shops' furniture for high-end brands.

Alfredo was the technical responsible for the USA production, helping the firm in developing a new geographic area that will become the most important market (the data as in 2015, are expressed in Figure 15).

Figure 15- Market composition



Source- Corporate website (Data as of 2015)

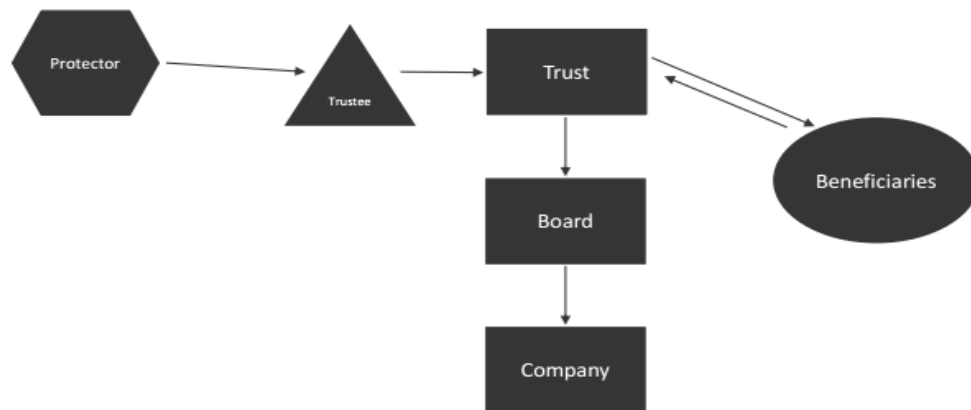
The company continued to run and improve its sales volume not without familiar problems; those same problems that brought Attilio and his sons to buy a small ownership portion (28%) of Delta Arredamenti as side plan in February 2008, in case of a future difficult division of the company among the family members.

Here we come at the end of the 2008, when the crisis hit the global landscape, but a more subtle and personal moment of truth happened: Attilio Zordan died. Soon after the departure of Attilio, Maurizio, Marta and Alfredo (herein we refer to them also as the Zordan family) received from their cousins a letter to buy out the company. Valuated the assets of the Zordan 1965, they decided to buy the company out from their cousins and incorporated the S.a.s., the original holding company of the group in the S.r.l., dividing the business and the plant. The plant went to the cousins under the S.n.c. firm and rent it to Zordan 1965 S.r.l. The crisis hit the company that was distracted by internal problems and the business lost about 60 % of its productive volume between 2008 and 2010.

Ended this turbulent period, Maurizio, Marta and Alfredo decided to anticipate as much as possible any potential future conflict that could arise among their sons and in 2012 decided to create a trust (presented in Figure 16) that will manage family assets and will follow the company in the future succession. The trust helps the organization to reduce the agency costs, separating ownership and management.

Following the year of the creation of the trust, another important decision was made by the Zordan family, they completed the formal acquisition of DA in 2013.

Figure 16-Organization of the Trust



Source- Corporate presentation

Later, in 2014, from a casual meeting during a celebration event, Maurizio heard about the difficult situation of MR, an Italian flag in the world of high-end furniture specialized in metals, making him thought about different scenarios. In the meantime, while Maurizio was elaborating a possible participation in MR, Alfredo after the presentation of the new Business Plan of the group in the 2013, spotted a possibility for entering the USA market, given the high sales volume in that country. After the decision of entering the USA market, the company decided to develop the necessary certifications available in the legal American landscape for a “green” production in the new acquired company, not because some clients asked for those, or because the law demand them, but principally because of the value related to the company and the environmental safeguard implications that guide the brothers’ decisions. Following the certification development, what is important for Maurizio and his brothers are the people and the value that every single person add to the company. In this way, a significative statement of Maurizio:

We have invested in people training, because people make the difference; you can always buy the technologies.

With this in mind, Maurizio, Marta and Alfredo discovered the Benefit Corporation qualification. This certification helps the management in developing a culture of people’s respect and bind the company towards a commitment. The B-Corporation certification was reached in October 2016, as an obligation to suppliers, customers and employees to follow a respectful and valuable relationship approach. In the next paragraphs, will be presented the acquisitions in detail, under the lens of the aspects treated in the previous literature chapters.

In the table (Figure 17) is presented a sum up of the main events that characterized the evolution of Zordan.

Figure 17-Critical History's events

Year	Critical events
1965	Attilio starts his own company as supplier of Marzotto Group
1995	Specialization towards mono-brand shops for Marlboro
1996	Maurizio joins the company
1999	Certification for production quality ISO 9000
2001	Maurizio is appointed CEO of Zordan 1965
2005	Alfredo joins the company
2008	Acquisition of the 28% of Delta Arredamenti
2008	Attilio, the founder of the company, dies
2008	Maurizio, Marta and Alfredo buy their cousins out from Zordan 1965
2012	Creation of a company Trust
2013	Formalized acquisition of Delta Arredamenti
2014	Entering in Marzorati-Ronchetti with a participation of 70%
2015	First step of the WoodWays acquisition, 33% of the shares
2016	Exit from the acquisition of Marzorati-Ronchetti
2016	Second step of the payment for WoodWays, another 33%
2016	Benefit Corporation Certification
2016/2017	Final step of the payment for the last 33% in WoodWays' acquisition

Source-Personal elaboration

3.4. Mergers and Acquisitions profile

During the years from 2008 to 2016 the company of Maurizio, Marta and Alfredo performed 4 acquisitions, the fourth one, that actually was the first, was the acquisition of the Zordan company's control from the cousins, as underlined in an interview with Maurizio.

As previously stated, the company was acquired by the Zordan family from the cousins of Maurizio and brothers after the departure of their father; this acquisition was the first test bench for the three brothers and helped them to grow and to create relationships outside the family boundaries, as happened for the participation in DA. This internal clash guided the Zordan family towards an aware cognition of the possible familiar issues that may arise in the future, guiding the company in the direction of the Trust formation to preserve and protect the firm and the family assets, and the certification as B-corporation.

The external growth for Zordan is an important aspect of the company development and, as stated by Maurizio in an interview, will be an important part also in the future.

3.4.1. Delta Arredamenti acquisition

DA was founded in Schio (Vicenza) by an Italian entrepreneur in 1983, Dino Dalle Carbonare, with the aim of serving tailor made furniture for small business, local bars and shops. The company was profoundly bounded in the local geographic area of Vicenza with an orientation towards a clear mission: while the architect is the maker of ideas, the Company is the technical soul of the project, the tool that translates something abstract into something concrete.

The relationship with Zordan began before the acquisition of 2013, the two companies worked together in different works given the necessity of Zordan to externalize some components production to other suppliers. It was from the high relatedness of the working methods between the two companies and the relative affinity between the entrepreneur Dino Dalle Carbonare and the family that in February 2008 Attilio and his sons foreseen the possibilities that the acquisition of DA may imply for Zordan 1965. At that time, the family acquired the 28% of the company shares as a result of the exit of a previous shareholder; these new relations with shareholders external to the family put the management at test, challenging a family vision with a performance oriented nature. The new share structure of DA in 2008 was divided as follow: 52% to external shareholders, 28% to the Zordan family and a 20% to the founder Dino Dalle Carbonare.

The initial acquisition of the 28% was fulfilled with the personal assets of Attilio, Maurizio, Marta and Alfredo, and covered the amount of about 90.000 Euro, for a total valuation of the company, at that time, of 300.000 Euro. The acquisition motive has to be found in the difficult situation among the relationships between Attilio and his brothers and Maurizio, Marta and Alfredo and their cousins; due to problematic agreements for the acquisition of the Zordan 1965's control, Attilio and his sons decided to prepare a "side plan" in the circumstance that the control over the company Zordan 1965 will be accredited to the "other side" of the family (the brothers of Attilio and their respective sons).

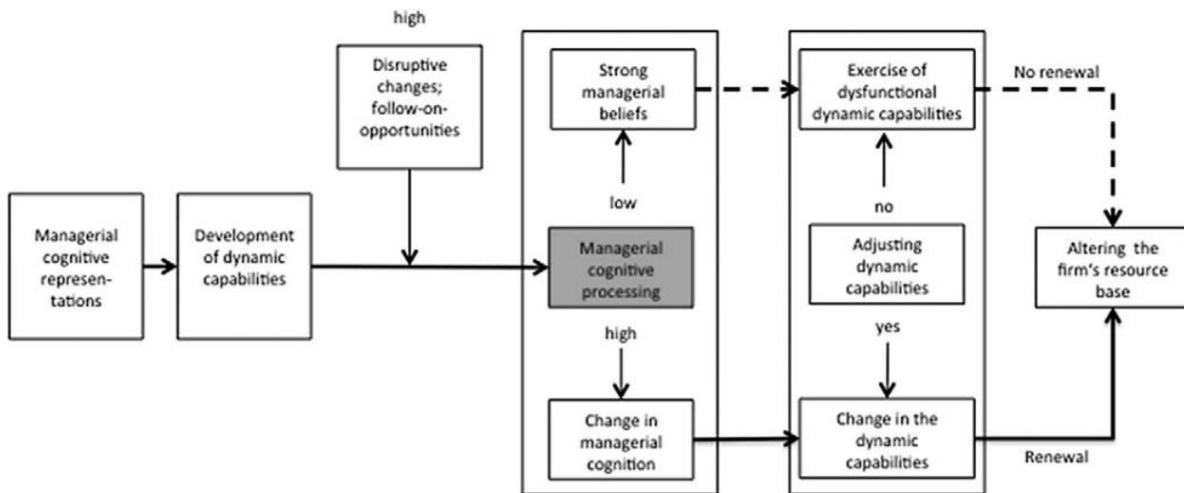
In this specific action, the *attention* of the Zordan family was focused towards the internal dynamic environment between the two families, and the vicissitudes that may cause changes to the company and the enduring of itself. The issues predicted by Attilio such as the possible future partition of the company, have a lot to do with the *perception* ability of the entrepreneur to hasten changes in the internal environment, that guided the attention's shift towards external possibilities. Perception is shaped by past experiences, and probably for this, the thought of buying an external company as "plan B" come out from Attilio, the elder and most expert member of the family.

As Marta said:

Well, my father was a visionary, a creative... He was one man that, even if he lived long time ago, he had this capacity of perceiving opportunities and threats from the local market.

To introduce the evolution of attention and perception, will be used the framework proposed by Hoon, (2013) on the development of such managerial capabilities and of the organization's ability to perpetrate dynamic capabilities (Figure 18).

Figure 18- Meta-causal network in developing DCs



Source-Hoon, 2013

In the framework above, managerial cognitive representations embody a mix of managerial mental models, managers ability to allocate attention, and awareness of the management towards resources; these types of cognition influence the development of specific DCs inside organizations. The framework will be applied to analyse the processes and the actions that allow the internal people of Zordan to exploit new opportunities, trying to separate each process.

In this analysis, managerial cognitive representations are studied as the managerial cognitive capabilities of *Attention* and *Perception*, those that help managers and organizations in *developing the DCs of Sensing*, as in the work of Helfat and Peteraf, (2015).

At this specific time in the company history (2007-2008), the attention of the Zordan family was devoted to the inner problems for the firm's corporate control. These disruptive changes in the internal environment of the family firm, forced Attilio and his sons to realize that there may be different possibilities in the external market.

It was from the ability to perceive the changes that the family started questioning their actual situation, forcing themselves to drive attention in the direction of the external industrial landscape.

When they realized the follow-on opportunity in DA, they decide to risk and invest their personal capital in the firm, compelling Maurizio and his brothers to take personal responsibility for the changes in Zordan 1965.

This process creates a learning path for Zordan family:

- Drive their attention towards external possibilities,
- guide managers in a non-family environment, obliging them to change their mental models and their cognitive capabilities in order to exploit new resources for the firm.

After the acquisition of the shares, Maurizio, that was nominated in 2001 CEO of Zordan 1965, became also the *CEO of DA* replacing the role of Dino Dalle Carbonare, that kept a commercial role inside the company to maintain a stable customers relationship. The move from a Family owned company to a non-family one, was for Maurizio a way to test his ability in managing new situations and new issues, endorsing directly to external shareholders that were not operative in the firm.

Given his pragmatic and numeric approach to the reporting system, he already started the integration process between Zordan and DA's processes at that time (2008) aimed at simplifying the relationship between management and shareholders, leveraging on the control system previously available in Zordan to improve DA's performance. The act of transferring the reporting and controlling system in DA was assisted by the *relatedness of the resource* and the *working processes* among the two companies, and the same industry experience, but the two companies had a different business model: DA was oriented towards a business to customers market, manufacturing internally all the processes from the raw materials to the final product; while Zordan is a company oriented to an external production system, by which only some components are craft and refined internally.

Given the differences in the two business models that could be developed for obtaining a competitive advantage over competitors in B2C market; Maurizio tried to develop a new business model of high luxury Tailor Made business exploiting the synergies between Zordan and DA. The decision of entering in a new business, was taken before entering DA and was evaluated through rational thinking dispositions. Approaching the analysis of DA's business with Dino dalle Carbonare, helped Maurizio highlighting the low margins and the low profitability of the industry, situation in common also among competitors.

Maurizio firstly *renewed the machine park*, caring about the internal security of DA and giving a boost to operations, then he introduced a different cost structure analysis followed by an internal as well as external market attention approach. The introduction of a new system in the company reorganized how to work and the business logic behinds every decision.

Maurizio introduced first the **management control system**, probably due to his previous experience in Marzotto as division management system control's director, changing the evaluation method from a full cost accounting towards a direct cost approach.

From an interview with Maurizio, he specifies that:

A management control system gives to the organization a more practical and performance oriented approach, teaching people how to deal with internal reporting and relating actions to outcomes.

Moreover, because of the low company's results and the stagnant context in which DA was operating, Maurizio set up tools that had an **externally oriented approach** for the analysis of the market in addition to instrument for the *competitors' analysis*.

The introduction of specific tools in DA helped the companies to exploit new synergies: Zordan create a shared portfolio of products, using the expertise and competence of DA personnel to split the production of some components, by means of reducing the actual productive capacity of Zordan, avoiding slowdowns of the production line.

What Maurizio introduced in his years as CEO of DA was a standardized work method and a shared know-how through the institution of operating procedures as a support for the management of the processes. Through the analysis SIPOC-Suppliers, Inputs, Process, Outputs and Customers the firm mapped the DA production process in order to adapt future production decisions.

Due to the major changes launched by Maurizio, there were redefined new activities for the production process based on the new organization and the new *business model*:

- Increased use of Information Technology system, thanks to the integration with the management control system of Zordan,
- Division of operating activities among different functions.

Subsequently the test of the new business model, the firm provide a new tool: the **operating manual** helps DA in overcoming difficulties in the production process throughout instrument and guidelines able to guide activities towards efficiency, serving the company in obtaining a higher customer satisfaction, thanks to better products and increasing quality controls, and he introduced the principle of process owner, in which employees are directly responsible for the operations and for the results.

This manual is the evidence of a **knowledge codification** approach, installing in the acquired company new knowledge and new operating routines.

Additionally to the operating manual, Zordan introduced an **operating procedures manual**, a management manual that comprehend:

- A group of procedures for each under-process (such as definition, internal communication, functions' goals, input-output etc.),
- Informatics tools for editing allowances, packing list, etc., and
- A document designed to the management and codification of products.

These manuals were produced through the combination of the two firms' management, allowing a wide acceptance among all the members of the organizations.

The codification of tools and the procedures, helped DA in increasing accuracy and identifying the value creating processes. Working on these aspects, Maurizio together with Dino Dalle Carbonare, realized that the market of DA was falling, and the marginality of the products was unsustainable for small volumes.

Maurizio through the development of the new business model, incorporated inside the internal procedures of Zordan all the aspects from the design of the product to the manufacturing process. The main customers for these types of works are residential house, hotels, restaurant and cafés, together with specific prototypes, shops and local stores.

The absence of important relationships in the architectural world in both sides of the companies, forced Maurizio, Marta and Alfredo to search for an external help.

In Table 1 are presented the sum up of the managerial cognitive capabilities in the acquisition of Delta Arredamenti.

Table 1- Managerial cognitive capabilities in the acquisition of Delta Arredamenti

	Delta Arredamenti 2008
<i>Attention:</i> A state of focused awareness on a subset of available perceptual information.	The attention of the family was directed internally towards the problems with cousins and over the control of the company. Attilio with a high level of perception , polished by his previous experience and his capacity to sense in advance opportunity and threats, drove the attention of the family to the opportunity in DA.
<i>Perception:</i> Construction of useful and meaningful information about a particular environment.	

<p><i>Problem solving:</i></p> <p>Thinking toward solving specific problems and that moves from an initial state to a goal state by means of mental operations.</p>	<p>Maurizio guided the internal reorganization of the company, he applied an internal control system and shared managerial practices to increase the firm performance.</p> <p>Maurizio, from an in-depth analysis of the internal structure of the company throughout industrial plan and market analysis, found out that DA's market was falling and that the company needed a new business to generate more value: The Tailor-Made solution.</p>
<p><i>Reasoning:</i></p> <p>Mental activities directed at findings solutions to problems by applying formal rules of logic or some other rational procedure.</p>	
<p><i>Language and communication:</i></p> <p>conventional system of communicative sounds and sometimes written symbols capable of fulfilling 4 specific functions -expressing a communicator's physical, emotional, or cognitive state; - issuing signals that can elicit responses from other individuals; - describing a concept, an idea, or external state of affairs; - commenting on a previous communication.</p> <p>Nonverbal communication is any form of communication other than language, including paralanguage, facial expressions, communicative gaze and eye contact, kinesics and proxemics.</p>	<p>In order to keep together the people inside the two organizations and to make them move toward shared goals, Maurizio implements a series of activities to increase the integration between the employees such as internal events among the two companies, companies meeting with employees to explain the situation and the direction of the companies. Moreover, he was appointed as CEO inside the acquired company and he proved his ability as manager to acquire the consensus of all the internal people.</p> <p>This has helped the integration process, facilitating the attainment of internal reorganization objectives.</p>
<p><i>Social cognition:</i></p> <p>cognitive capabilities and mental activities related to social cognition are those for perceiving, attending to, remembering, thinking about, and making sense of the people in our social world.</p>	

Source- Personal elaboration

3.4.2. Marzorati-Ronchetti acquisition

The history of Marzorati Ronchetti begins in 1922 in Cantù, at that time the capital of the furniture industry. At the beginning the company was producing heater and low-quality kitchen, then they started with stairs, railings, roofs and all what is behind this industry. In this context, the metalworking shop “Fratelli Marzorati” was founded by the brothers Stefano and Giovanni Marzorati to produce goods for domestic interiors and outdoor living spaces.

A turning point in the strategic path of the company, were the years between '40 and '60; in 1943 Giovanni Marzorati died and Stefano continued the activity with the help of his daughter Santina and with the three daughters of his brothers.

In 1956 Stefano, that was 57 years old, proposed to his daughter and nieces and their respective husbands, already good technician, to incorporate in a company.

His nieces and their husbands refused but in 1956, the husband of his daughter Santina since 1950, Elio Ronchetti, joined the company, bringing his experience as an expert mechanical technician. As he agreed to, the company was renamed Marzorati Ronchetti.

This was the important turning point for the company, Elio Ronchetti changed the approach of the firm from a workshop of skilled locksmiths to an experimental laboratory where skills of engineering ideas started to emerge.

Those are the years of the economic boom in Italy, and the same years when the Italian Design begun. The demand for modern furnishing was growing and in the 1950's Marzorati Ronchetti became a reference point for the crafts companies operating in the furnishing sector. The Italian Design were characterized by the importance relationship between architects and entrepreneurs, in which the designer become not only the creator of the pieces, but also the consultant art director of the companies. This aspect of the relationship between the two parties besides the work itself, was one of the critical aspects by which Marzorati Ronchetti succeeded in the high-end luxury furniture industry.

With the entry of the famous architect Roberto Travaglia as technical director in the 1970's, thanks to his expertise and his visionary mind Marzorati Ronchetti evolved from a company that produces specific projects for designers, specialized in working metals, toward the dimension of production of complete services for the creation of complex objects.

Stefano Ronchetti took the helm of the company in 1986 and has guided its internationalization, while his sister was not interested in an active role in the company.

The collaboration with Ron Arad, emerging figure of the London design underground, has taken the company to higher plane both in terms of custom production and experimentation; boosting

the name of the company and allowing Marzorati Ronchetti to establish new important relationships in the international landscape.

In 2012, when Stefano Ronchetti had an accident that forced him to stay away from the company for more than one year. During that period, his closest collaborators (in particular his right-hand expert friend that built the company in the last 18 years with Stefano) decided to start their own activity in competition with MR and the company entered into a financial crisis that has almost brought it to the brink of bankruptcy.

In this period, the firm was in a critical situation, and the family Zordan was one of the possibilities to help the company to be rescued; among the other companies interested in the acquisition there were Frau and Permasteelisa.

The meeting between Maurizio and Stefano happened the first time in Milan around 2010, in a shop of Ferragamo made by Zordan; Stefano, realizing the quality of the furniture, had the possibilities and luck of meeting Maurizio in the same shop.

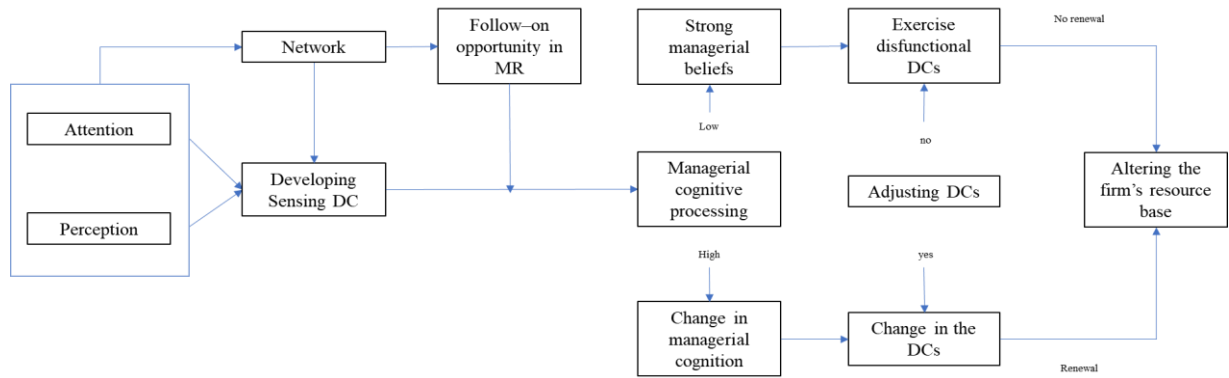
The encounter between Maurizio and Stefano was immediately a close-knit amid two different and complementary personalities.

During the 2014, Zordan received the MR's application for bankruptcy, in the same time, the **attention** of the company was directed to the possible acquisition of a company in the U.S.A., following a new international option.

Even if the management was directed towards internationalization expansions, the entrepreneurial spirit of Maurizio and his belief in his capabilities of changing and restoring the situation in MR drove him to this opportunity.

In figure 19, is presented the facilitating effects of *Network* in the development of new dynamic capabilities and in taking advantage of new chances in the external environment: the network of relationship is crucial for the survival of companies and for exploiting opportunities (Johanson and Vahlne, 2009).

Figure 19-Evolution of Attention and Perception for MR



Source- Personal elaboration from Hoon, 2013

When Maurizio acknowledged that MR was in a critical spot, thanks to colleagues during a trade association, he starts evaluating the immense opportunities from the combination of the two businesses. He believes that:

Associations should expound on the network function, helping managers in reaching new information and making contacts between each other, while in Italy are more like union trade, closed and with no venture spirit.

Maurizio was thinking about a possible exploitation of the Tailor-made business, developed during the acquisition of DA. The project in DA was started in that years, but the volume of the two companies in the segment of B2C were very small given the low number of contacts in the high-end architectural world. Moreover, in the specific segment of high-end furniture for householders, the orders are taken and placed by the architects that suggests also the suppliers for the furniture: the difficulties in Zordan were to find important collaborations with architects to bring their products in projects around the world.

In this case, the relationship with Stefano Ronchetti helped Zordan to reduce the negative effects of *liability of outsidership* and *foreignness* in the Tailor-Made furniture industry.

It is from the entrepreneurial nature of Maurizio that Zordan underway a process to acquire MR in 2014. The acquisition has been thought as an enhancement for the Tailor-Made commercial segment in Zordan, thanks to the near unlimited number of Stefano Ronchetti's relationships with the best architects in Italy and in the world.

In 2014, Zordan reached an agreement with Stefano Ronchetti to acquire 70% of the shares of MR for an amount of 1 million euros. Maurizio took out the place of Stefano Marzorati as CEO of the company trying to establish a clear and shared vision between the two groups.

The closing happened in April 2015, after 8 months of close cooperation between the companies. Notwithstanding the good relationship amid Stefano and the family Zordan, Maurizio

encountered many difficulties in the management of the firm. The main issues were related to the human resources: personnel costs were higher than in Zordan, and were not driven by a reliable performance measurement system. These *differences in reward and evaluation systems were at the base of the employee resistance to the acquisition process* (Finkelstein and Larsson, 1999; Zollo and Singh, 2004), the workforce took actions against the integration of the two organizations and created a detrimental situation for the firms.

A statement from Marta:

We have worked a lot in the internal marketing side, trying to develop a more shared vision toward some values and behaviors. But the problem is how the companies have grown in the past. In MR were inclined to accept things that for us are inadmissible. For example, the company (MR) paid employees' fines, they are used to use company's cars outside working hours, personnel costs overstated... And more.

Moreover, Maurizio run into resistance from the commercial personnel when he introduced the management control system. It made clear the situation on value creation activities and performance measurement, since costs in the commercial area were the higher in the firm, and were not justify by any measured results since then. The situation collapsed in May-July 2015 when the commercial manager left the company, forcing Maurizio to replace him with a new internal employee, not formed for the role, creating even more difficulties in the administration of the company.

Among other difficulties in the management control, the turning point was in 2016, during the shareholders meeting, Maurizio and his brothers realized that the burden of the debts was too high and that with this type of negative behaviours in the company would be very difficult to start a concrete turnaround. They decided to close the deal and exit from the company, leaving behind two million in the deal and a lot of regrets for the missed opportunities.

The company, at the time of the acquisition, did not have yet any acquisition program in their acquisitions strategy, even after the ones performed with DA. Maurizio, during the development of corporate activities for MR, used the same activities that in the past gave the company the best results: as so he introduced the management control system, new costs structure, market and competitors analysis (performed only after the acquisition commitment), and the three-year campaigns for marketing and business plans.

He probably introduced these tools because of a self-selection activities by Maurizio due to the high level of causal and outcome ambiguity, and also for the low time available for the turnaround of the company.

These tools were developed during the acquisitions of DA, but Maurizio did not be aware of the facts that those tools could be wrong for MR since there were other features to adjust and change.

This acquisition was important for Maurizio and the Zordan group, putting them in front of serious difficulties and compelling reactions to internal problems.

Among the issues encountered in the process, a few are important for the internal analysis:

- First of all, the *Quality of the Target*, from previous literature and studies (Zollo and Singh, 2004; Hitt et al., 2012), the M&A researchers believe that the quality of the target influences the performance outcome of the acquisition: if the resources of the acquired company are good and stable, it is easier for the acquirer to exploit and take advantage of the combined business, and vice versa. In MR, the critical situation of the financial situation, create an unstable context for harvesting anything out from the combination;
- Second, the *pressure* to make decisions and take actions for closing the acquisition, due also to the *presence of other bidders*, tend to distort the quality of decisions making process and create an escalation of detrimental effects that will be harmful for the company performance (Chatterjee, 2009; Hitt et al., 2012);
- Third, as expressed also by Maurizio, the *overconfidence* on his capabilities to turn MR in a profitable company in a very short amount of time (Zollo and Winter, 2002; Zollo and Singh, 2004):

We believe that we could have leveraged on previous experience and have quickly reorganized the company, we have had underestimate the entire situation.

In this context, the beliefs of having developed a capacity to plan, design and execute an integration plan cause the management to incur in mistakes (Zollo, 2009); and

- Fourth and last, is the difficulties for SMEs to perform specific activities, such as Due Diligence (herein DD) processes correctly, due to the lower expertise inside the company (Trichterborn et al., 2016). In the acquisition of MR, the lack of a precise and clear DD harmed Zordan, since issues continued to come out and creating a difficult environment to work in. The missed opportunity to make a well-defined DD, was caused by the short time available for the deal closing and because Zordan undervalued the process, believing in the “good faith” of the number’s quality showed by MR.

Below, in Table 2, are represented the managerial cognitive capabilities involved in the acquisition process, those capabilities are divided in actions performed by the Zordan family to overcome difficulties encountered in the acquisition process.

Table 2-Managerial cognitive capabilities in the acquisition of Marzorati Ronchetti

	Marzorati Ronchetti 2014-2016
<i>Attention and Perception</i>	In this period between 2013 and 2014, the attention of the family was divided between the internationalization process in America, and the consideration about an evolution of the Tailor-Made business. Following these needs, Maurizio, during an association trade, find out about the composition with creditors of MR. Perceiving the opportunity in the development of the new business model he started the evaluation of the company.
<i>Problem solving and Reasoning:</i>	Zordan family invested in the company to improve the combined business of DA and Zordan. The investment decision involved <i>heuristic processing</i> due to the limit amount of time. The decision during the integration process involved automatic decision in the beginning phase, such as introducing a management control system, until more difficult situation in dealing with internal payroll and evaluation and compensation system. What come out from the acquisition process, is the importance of values and beliefs of the family Zordan that guide the decisions toward a unique goal.
<i>Language and communication And Social cognition</i>	The differences in beliefs, values and communication styles between Maurizio and the employees inside the company, augmented the employee resistance to the acquisition process, forcing Zordan to exit from the deal. This was also caused by the short amount of time available for restoring MR toward a sustainable business and the unwillingness of the people inside MR to work for the wealth of the company.

Source- Personal elaboration

At the end of this acquisition, Zordan has lost two million and did not realize on all the contacts of Stefano Ronchetti, that was the main reasons for the business combination.

Hopefully, Maurizio took away important insight on adjusting and reacting to difficulties in integration processes.

3.4.3. Woodways acquisition

Woodways (hereafter also WW) was opened in 1994 as a custom cabinetry manufacturer in Zeeland, Michigan. With good craftsmen and a strong customer base the company began to grow. The factory doubled its manufacturing space in July 2008 and automated the manufacturing process by adding new equipment, integrating the engineering software with more advanced technology output, upgrading equipment and installing new climate control systems. This investment has allowed Woodways to increase its production capabilities while becoming more efficient in pricing and timing.

Woodways became AWI certified as a manufacturer in 2010. This certification allows the company to produce for the most discerning customers who value quality and craftsmanship. Woodways obtained FSC chain of custody certification in 2012 to allow for production of cabinetry that requires specific LEED certification criteria for green building.

The showroom in Zeeland was updated in 2010 and houses many products and furniture for the B2C customers.

The Grand Rapids showroom was opened in 2011 with many innovative examples of Woodways capabilities and the one-of-a-kind mobile kitchen.

Woodways continues to grow in both the commercial and residential cabinetry and furniture markets serving mainly Michigan, Indiana, Ohio and Illinois.

The story between Zordan and WoodWays started from the capability of the Zordan management team to exploit internal reporting system in order to spot new opportunities.

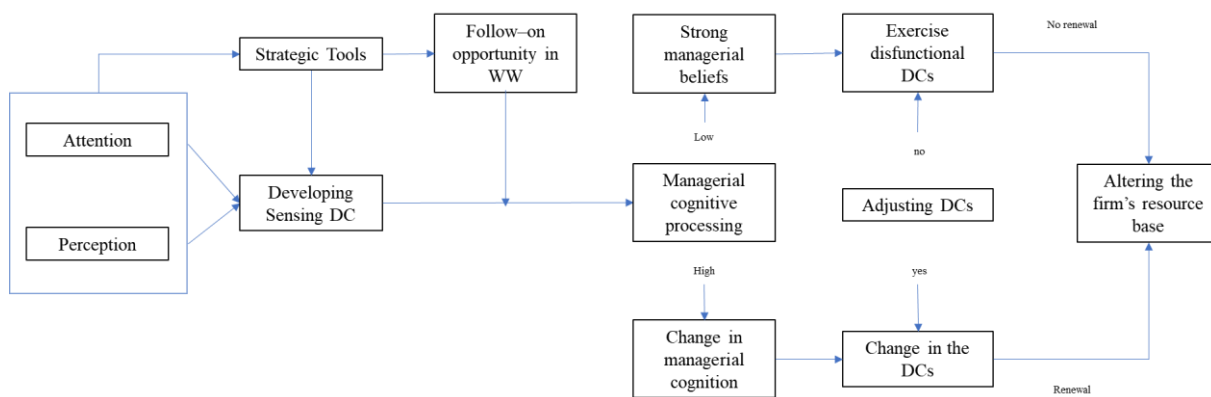
It was in 2011, after two years in the management of DA that Zordan established a clear strategy of three-years planning for marketing plan and industrial plan.

After having updated the industrial plan in 2013, *Alfredo* noted that the volumes in U.S.A. were growing fast from 2008, started from a 25% until reaching volumes share of about 50/55% in 2016. Given the re-shoring politics of the American legislature, the weaknesses of the exchange rate between euro and dollar, and the opportunities to be more present and near American customer's needs, Zordan started a process of scanning the industrial landscape to find a possible company to acquire.

In the same year in which Zordan started the process for acquiring a company in America, the company was also looking to the possibilities of entering in MR, splitting the management's *Attention* towards two different poles.

As presented in Figure 20, it is highlighted the importance of having strategic reporting tools to analyse the company and the outside market in order to exploit emerging possibilities.

Figure 20-Evolution of Attention and Perception for WW



Source- Personal elaboration from Hoon, 2013

The process of including analytical tools for the organization was a procedure that took time and was introduced after the previous experience in DA.

It was the *Perception* of Alfredo that allowed Zordan to recognize the possibilities of an internationalization strategy, his ability to recognize specified pattern and interpret data in a meaningful way guided the company toward the realization of a new opportunity.

After an initial screening performed internally by Zordan, due to the cultural distance and the difficulties in communication systems, the company relied on the help of an external consulting company to screen the areas of Michigan and North Carolina.

The directives for the selection of the company were clear a-priori:

- The company should be at 6 hours of difference with Italy,
- The company should have a total turnover from 2 to 4 million,
- With the number of employees not higher than 20.

From the analysis performed by the external company, step out 150 firms in the two states. From these firms, Zordan made a preliminary selection through product relatedness, throughout the analysis of the respective websites, and then, from the initial database, were left over only ten companies. Given the geographic distance, Zordan employed a freelancer to visit the remaining companies; after his reviews, he identified 3 possible final candidates. All of the three firms were located in Michigan and were visited by Alfredo in March 2014, to assess their quality and their desire to enter in an acquisition process.

After the valuation of Alfredo, and the subsequent selection of WW, Maurizio went in Michigan to start the deal process in July 2014.

Reported in a statement of Alfredo:

I have worked in the American market since 2005, when I joined the company, developing strong relationships with clients and a detailed attention to the general situation of our industry there... The selection of WW derived from a strict management analysis, and of the processes' quality and general organization of the production.

After the selection of WW, Maurizio went in America to start the dealing process. The company was evaluated through a fast financial DD (similar as the one performed with MR), because the attention of Maurizio was posed on the fiscal side, to check if it was all in line with the American fiscal system, assumed the differences between the Italian and American reporting system. Moreover, because of the high attention of the American production towards the certification, Maurizio emphasized the pre-analysis on environmental and legal side, leaving apart a more complete DD of the people and of financial aspects.

The closing was achieved in August 2014, and the payment was established in 3 tranches of 33% ownership's percentage: 33% in 2014, 33% at the of 2015 and the final one in 2017, for a total of 2,5 million of dollars. The acquisition success was related to an *earn-out* clause that allow Zordan to exit from the acquisition after the first tranche if the company was not able to produce the components that Zordan needed to serve his own clients. This earn-out clause, and the three steps procedure, allow Zordan to be the only side that could have withdrawn from the acquisition.

The integration process was oriented toward the scheduling of an increased quality in the procedures since WW should have been able to produce the same products of Zordan for the American market. In order to do so, Maurizio begun in 2015 exchanges of specialized employees between Zordan and WW, just after the first payment of the tranche, and after the introduction of the management control system. The introduction of new expertise in the company helped Maurizio to analyse better the possibilities of WW in the local market; since the fact that WW worked in the home-grown market for B2C segment, producing appliances for commercial and residential sides, but also furniture for homes, shops and also receptions. This diversification for Zordan amplify the possibility to relocate the business of WW toward a more European attitude, integrating elements of Italian design and contemporary art. The familiarity with the new business, is slowed down by the differences in the production system of the American system and in particular in the fact that the companies are all fully integrated for the production system, relentlessly to acquire component from external suppliers.

Maurizio told us:

Here in Italy we have a business model that allow a high amount of flexibility with external suppliers that help us in the production. In America, we do not have the same thing, the company is more labor intensive and thinking about external suppliers is difficult for a simple reason: they do not *trust* each other. It is an opportunistic culture.

Even if these issues decelerated the integration of the operation, Maurizio described that from a commercial trait they saw an enhancement in contact and relationships with the client structures. There is such as a “patriotism respects” among Americans, this allow companies to establish better relationships and obtaining a facilitate access to works and investments, in the same way less compliances for deficiencies that in Italy would have been not forgiven.

The cultural distance was mitigated inside WW through the actions performed by Zordan, introducing new technology and equipment to increase the internal production and the internal performance.

Investing in resources and on people helped Zordan to be accepted alongside all the employees, introducing corporate events among Italian and American divisions, as well as paying for the care insurance of the American employees, at 2017 about 70% of the personnel have a care insurance. All these actions are costs for Zordan, but there is a deep root inside their values and beliefs that guide their decisions, even if are economically negative.

Alfredo explained us:

These things here, if we merely look at the numbers, are costs; but for us those are not costs, are investments. This approach differentiates our company in the market, but at the same time is what keep us together inside... All the decisions that we are making now are oriented in the medium-long term, guided by our beliefs and values to create a better place to work in.

Here below in Table 3, are presented the cognitive managerial capabilities that had characterized the acquisition of WW.

Table 3- Managerial cognitive capabilities in the acquisition of Woodways

	Woodways 2014
<i>Attention and Perception</i>	The attention of the family was divided between the internationalization process in America, and the consideration about an evolution of the Tailor-Made business with MR. The <i>attention</i> of Alfredo instead, was focused to the analysis of the update industrial plan produced by Zordan. The ability to interpret data in a meaningful way (<i>perception</i>) for the company, help the organization realizing the possibility to perform an acquisition in the USA before competitors (American re-shoring politics).
<i>Problem solving and Reasoning</i>	Zordan was facing the situation of an unforeseen growth in the American market, with a subsequent pressure of the main customers. To maintain the reputation of the company, and to improve the services in the market, Zordan produced a detailed entry plan to invest in USA. The ability of Maurizio to spot possibilities in the market allow Zordan to enter in the local market of furniture, in the B2C segment, as high-end Italian brand for houses, shops, and receptions.
<i>Language and communication and Social cognition</i>	The geographic and cultural distance did not help the integration process. The integration of the people was helped through the direct presence of Maurizio and Alfredo in the management of the company during critical decisions. Zordan proposed many internal events to create a shared vision to guide the companies. To help achieving the goal to work for common growth, Zordan submitted the acquisition through steps and with an earn-out clause. These entry modes gave a stimulus to the acquired company and management to improve their performance as final effort for closing the deal. Moreover, Zordan invested directly in the people and in technology, giving a strong sign to the employees, showing them the commitment of the company toward the acquisition.

Source- Personal elaboration

3.5. Discussion

In the lights of Zordan 1965 case-study, it is clear the importance of managerial activities in fostering changes inside the company. The importance of good managerial decisions has an impact at all level of the organizations and influence the future paths of the company. The dynamic capabilities can be disaggregated into three interrelated capabilities: sensing, seizing, and transforming and reconfiguring (Teece, 2007). The intercorrelation of these three capabilities inside the companies allow the management to exploit competitive advantage over competitors. These capabilities have to be developed and deployed throughout managerial activities and good quality decisions at all levels inside organizations (Arndt et al., 2003). In order to study the possible actions of the managers within the company, it has been developed in the Zordan 1965 case, an analysis over the dynamic managerial capabilities of Maurizio, Marta and Alfredo used in the acquisitions processes. Dynamic managerial capabilities have been defined as “the capabilities with which managers build, integrate, and reconfigure organizational resources and competences” (Adner and Helfat, 2003:1012). These capabilities foster heterogeneity in firms performances, due to the different choices made by managers at different levels inside companies. Diverse studies (Adner and Helfat, 2003; Quigley and Hambrick, 2015; Helfat and Peteraf, 2015) have showed as alterations among managers choices, have guided to different outcome performance, even in similar situations.

This study aims at revealing the gap in dynamic capabilities theory, focusing the attention to managerial resource cognition to understand the exercise of DCs. What this work tries to explicate is the fact that not only resources affect DCs but also the mental cognitive capabilities of the managers about those resources. Some managers, have the capabilities to nurture strategic change inside companies as it is clear in Zordan 1965 with the figure of Maurizio.

The final decisions on selected opportunities, are made by Maurizio, Marta and Alfredo together, all guided by the shared vision of the firm’s long-term objective, with the aim of increasing the internal wealth of the company.

In Figure 21 are depicted the three acquisitions as proposed in the chapter, it has been discussed the profile of each one separately and now will be proposed a unified vision of the context. What stem out from the study of the acquisitions’ processes, is a common attitude among the family members toward the adoption of determined actions only if are in line with the internal values and beliefs of the company.

The values that shaped the decisions in the company are underlined also by Alfredo during an interview:

In my opinion, every company should have a dream to pursue during its life, because it is that dream that push the company towards a desired goal. Then how you reach that dream is firm-specific, but this dream make sense to the company actions. Our dream is mapped through the Benefit-corporation certification, the attainment of these objectives gives us the long-term perspective.

Putting together the managerial cognitive capabilities applied in each acquisition, will be examined if there was evolution during the different steps that the brothers dealt with (Hoon, 2013; Helfat and Peteraf, 2015). These differences in managerial cognitive capabilities derived also from the different scholastic background among the brothers, allowing dissimilar evaluation of the problems through different mental models established from previous academics experiences, as well as working ones (Gary and Wood, 2011).

It has already been studied the actions performed in each process of the acquisitions by the people involved in that specific accomplishment, exactly the actors were Maurizio and Alfredo for internal reorganization and screening, while Marta covered a role behind the scenes, working principally for the financial analysis process of the acquisitions.

Starting from the analysis of attention and perception, it has been analysed previously the single case application of the two managerial cognitive capabilities.

The routes have been depicted in the evolution of the capabilities through different mediating objects: *Network* and *Strategic tools*. The perception of the family members Attilio, Maurizio and Alfredo guided the investments path of the company, and both of them are meaningful for creating strategic change inside the organization. Attention and perception are the pillar for scanning the external landscape, these capabilities allow managers to recognize opportunities and anticipate market trends and became aware of possible future treats.

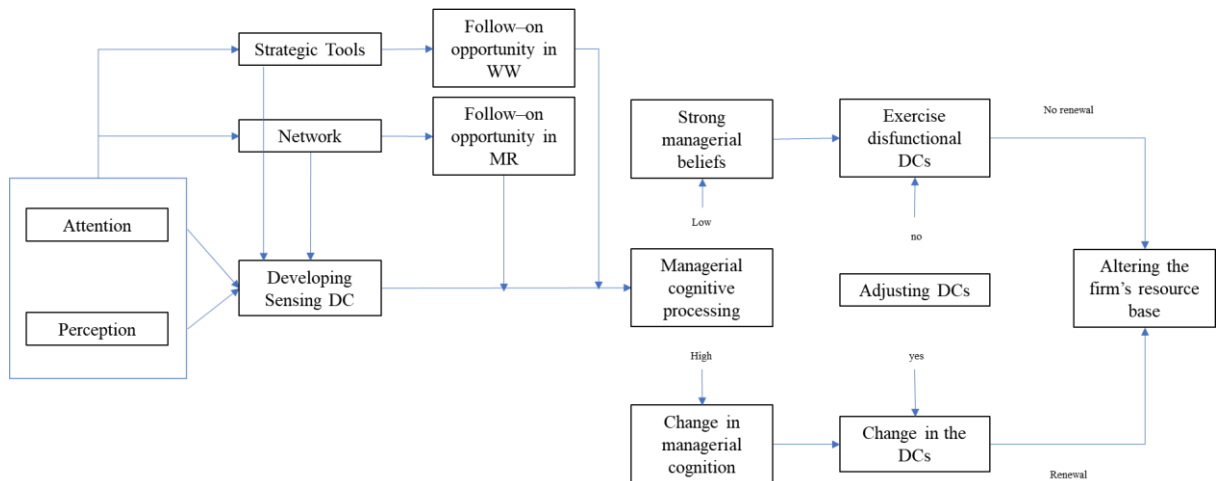
Figure 21-Managerial cognitive capabilities in the acquisitions

	Delta Arredamenti 2008	Marzorati Ronchetti 2014-2016	Woodways 2014
<p>Attention:</p> <p>A state of focused awareness on a subset of available perceptual information.</p> <p>Perception:</p> <p>Construction of useful and meaningful information about a particular environment.</p>	<p>The attention of the family was directed internally towards the problems with cousins and over the control of the company. Attilio with a high level of perception, polished by his previous experience and his capacity to sense in advance opportunity and threats, drove the attention of the family to the opportunity in DA.</p>	<p>In this period between 2013 and 2014, the attention of the family was divided between the internationalization process in America, and the consideration about an evolution of the Tailor-Made business. Following these needs, Maurizio, during an association trade, find out about the composition with creditors of MR. Perceiving the opportunity in the development of the new business model he started the evaluation of the company.</p>	<p>The attention of the family was divided between the internationalization process in America, and the consideration about an evolution of the Tailor-Made business. The attention of Alfredo instead, was focused to the analysis of the update industrial plan produced by Zordan. The ability to interpret data in a meaningful way (perception) for the company, help the organization realizing the possibility to perform an acquisition in the USA before competitors (American re-shoring politics).</p>
<p>Problem solving:</p> <p>Thinking toward solving specific problems and that moves from an initial state to a goal state by means of mental operations.</p> <p>Reasoning:</p> <p>Mental activities directed at findings solutions to problems by applying formal rules of logic or some other rational procedure.</p>	<p>Maurizio guided the internal reorganization of the company, he applied an internal control system and shared managerial practices to increase the firm performance. Maurizio, from an in-depth analysis of the internal structure of the company throughout industrial plan and market analysis, found out that DA's market was falling and that the company needed a new business to generate more value: The Tailor-Made solution.</p>	<p>Zordan family invested in the company to improve the combined business of DA and Zordan. The investment decision involved heuristic processing due to the limit amount of time. The decision during the integration process involved automatic decision in the beginning phase, such as introducing a management control system, until more difficult situation in dealing with internal payroll and evaluation and compensation system. What come out from the acquisition process, is the importance of values and beliefs of the family Zordan that guide the decisions toward a unique goal.</p>	<p>Zordan was facing the situation of an unforeseen growth in the American market, with a subsequent pressure of the main customers. To maintain the reputation of the company, and to improve the services in the market, Zordan produced a detailed entry plan to invest in USA.</p> <p>The ability of Maurizio to spot possibilities in the market allow Zordan to enter in the local market of furniture, in the B2C segment, as high-end Italian brand for houses, shops, and receptions.</p>
<p>Language and communication:</p> <p>Conventional system of communicative sounds and sometimes written symbols capable of fulfilling 4 specific functions - expressing a communicator's physical, emotional, or cognitive state; -issuing signals that can elicit responses from other individuals; -describing a concept, an idea, or external state of affairs; -commenting on a previous communication.</p> <p>Nonverbal communication is any form of communication other than language, including paralanguage, facial expressions, communicative gaze and eye contact, kinesics and proxemics.</p> <p>Social cognition:</p> <p>Cognitive capabilities and mental activities related to social cognition are those for perceiving, attending to, remembering, thinking about, and making sense of the people in our social world.</p>	<p>In order to keep together the people inside the two organizations and to make them move toward shared goals, Maurizio implement a series of activities to increase the integration between the employees such as internal events among the two companies, companies meeting with employees to explain the situation and the direction of the companies. Moreover, he was appointed as CEO inside the acquired company and he proved his ability as manager to acquire the consensus of all the internal people.</p> <p>This has helped the integration process, facilitating the attainment of internal reorganization objectives.</p>	<p>The differences in beliefs, values and communication style between Maurizio and the employees inside the company augmented the employee resistance to the acquisition process, forcing Zordan to exit from the acquisition.</p> <p>This was also caused by the short amount of time available for restoring MR toward a sustainable business and the unwillingness of the people inside MR to work for the wealth of the company.</p>	<p>The geographic and cultural distance did not help the integration process. The integration of the people was helped through the direct presence of Maurizio and Alfredo in the management of the company during critical decisions. Zordan proposed many internal events to create a shared vision to guide the companies.</p> <p>To help achieving the goal to work for common growth, Zordan submitted the acquisition through steps and with an earn-out clause. These entry modes gave a stimulus to the acquired company and management to improve their performance as final effort for closing the deal.</p> <p>Moreover, Zordan invested directly in the people and in technology, giving a strong sign to the employees, showing them the commitment of the company toward the acquisition.</p>

Source- Personal elaboration

Harkening back to the framework of Hoon, (2013) for evaluating the evolution of managerial cognitive capabilities, it has been possible to depict the progression of Attention and Perception inside the company. In Figure 22 are represented the managerial cognitive capabilities contextualized in the case of Zordan acquisitions.

Figure 12-Evolution of managerial cognitive capabilities of Attention and Perception



Source- Personal elaboration from Hoon, 2013

At the beginning of the acquisition processes, the opportunity of DA, was perceived by the father of Maurizio, Marta and Alfredo and founder of the company Attilio. He was always putting attention to external possibilities and to market needs. His capability to exploit critical situations was shaped by the age and the experience (Peteraf and Helfat, 2014; Helfat and Peteraf, 2015) allowing him and his sons to be prepared for future issues with the other side of the family (cousins and uncles). The evolution of attention and perception was guided by the development of Strategic tools, implemented after the first acquisition with DA (the tools implemented were the three-year industrial plan and the marketing plan), these tools helped manager in *performing controlled actions through rational thinking decisions*. The use of Strategic tools guided the attention of Alfredo towards discovering the opportunity in the American market, merits also to his expertise within the USA market, built up since the 2005 when he joined the company; this aspect allow him to perceive information more accurately and quickly (Gavetti, 2005). Successively, the acquisition of MR was completely different from the previous two, the acquisition happened while Zordan begun the scouting process for the company in America. MR was in a difficult spot, and was near bankruptcy in 2014. Due to the important history of the company, the expertise in working metal and engineering skills, and the number of contacts of Stefano Ronchetti in the world of Tailor Made business segment, could have been a strategic asset for Zordan.

This investment was done for improving the business of DA and especially for exploiting the Russian market through the acquaintances of Stefano.

In this case, attention and perception of Maurizio were guided by the external Network, a friend of the entrepreneur told him about the dossier of MR, planting in the mind of Maurizio the idea of saving the company and increase the Tailor-Made business, allowing the opening up of new opportunities. Nonetheless the successful acquisition of DA and WW, even from the bad experiences of the acquisition of the cousins' shares and of MR, the knowledge collected helped Maurizio, Alfredo and Marta to increase their consciousness about sensing acquisition processes. From the analysis, it can be said that Zordan involvement in the early acquisition with DA and in the acquisition of the company from the cousin, allow Maurizio, Marta and Alfredo to increase their capability in sensing external treats and possibilities, making them more prone to find external resources through acquisitions. Their attention and perception's capabilities, after the initial moment of self-recognition about the external environment scanning process, were driven by a more outward-looking perspective for searching opportunities, allowing them to develop improved sensing capabilities, that became an essential part in the Zordan's dynamic capabilities development.

Following on the analysis, the capabilities of Reasoning and Problem-Solving allowed the family to seize opportunities and emerging threats, letting them to make more mindful investments. These investment decisions were made based on the internal resource cognition through the mental schemas of Maurizio, Marta and Alfredo; these schemas are proposed to recognise resources and their fungibility inside the company.

Mental schemas, as already described, are the mental models that managers embrace about their firm's resources and capitalize over the recognition of the internal applications of assets (Gary and Wood, 2011). Those mental representations and schemas help managers to simplify their work environment and their external perception, helping their decision-making process (Gavetti, 2005; Gavetti, 2012).

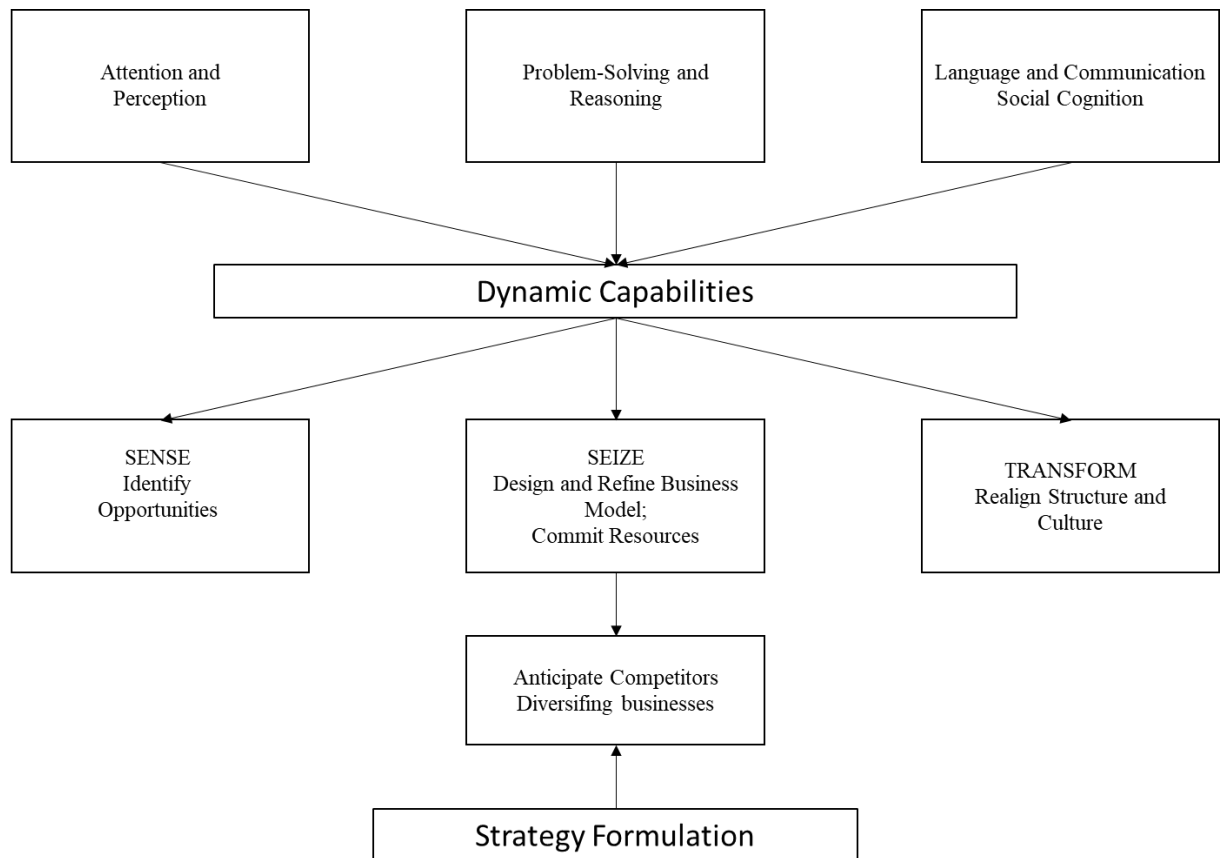
In Zordan the mental schemas of the family concentrate the attention towards two resources: manufacturing skills and customer understanding.

At the beginning of their acquisition process, the family believes that their capability in manufacturing skills was the key resource set of the firm to increase the renewal of their business model, and together with the high expertise of DA in the Tailor-Made production would have been the winning hand to compete in the international landscape of luxury B2C furniture market. What turns out from the family's decision to invest in the B2C customer segment, was an erroneous inferences about entry other product categories, and also to invest in completely different business models.

They did not recognize, or at least too late, that the capabilities to succeed in such types of businesses were completely different from the ones owned by Zordan, despite of the product similarities.

The capability of Maurizio, Marta, and Alfredo to invest money and create opportunities from new experiences was mediated by their ability to design new business model and their decisions to commit resources toward one business instead of another (Figure 23).

Figure 22-Business Model design and influence of Managerial Cognitive Capabilities



Source- Personal elaboration

This investment decisions were highlighted in the acquisition process of DA, when the family decided to enter in the company for exploiting the high-end market of householders, shops and hotels, restaurants and cafés, redesigning a new business model for the Tailor-Made market. The critical aspect of designing business model is the ability to replace and recombine elements over time (Teece, 2017), but also to meet the need of customers with unmet needs.

A statement from Maurizio:

In the acquisition with DA, probably the wrong decision was to give a market to DA to valorize the specific properties of the Tailor-Made... That is the same error the we have done in MR... Let's say that we have not chosen the right market for the company.

The choice to invest money in a project that did not turn out good performance had repercussions in the future decisions of the company.

This was the case of the investment in MR; the necessity to increase the volumes in DA for the Tailor-Made business influenced the decisions of the family to enter in MR. The *heuristic mental processing* of the family in taking the critical decision was driven by the time restriction on the acquisition, since the deal closing process was completed in a very short time, exactly from March 2014 to June 2014, due to the deadline for the composition with creditors. The idea to make the Tailor Made business survive influenced negatively the investment decisions of the company, this was caused by a small understanding of the customers, a small understanding of the way on how to work in that specific segment, and of a small underestimation of the resources to develop in order to make that business model works.

The second perception that influenced the family's way to exercise DCs of renewing the international strategy, was their belief that their understanding of customers needs was a key resources, and it is clear in the acquisition of WW. This perception is also clear in DA, because the motives behind the combination was also to reduce the pressure on Zordan production in order to better serve their customers.

Continuing on cognitive managerial capabilities, the analysis of the American market was conducted through a savvy process, delineating a budget for the investment, making decisions based on numbers and on *controlled mental processes that augment the cognitive reflection process*, reducing the possibilities to incur in evaluation biases with regard to risk taking for gains versus losses (Helfat and Peteraf, 2015).

This was translated in a better investment decisions with higher possibilities of success.

Managerial cognitions of the two keys market-related assets, manufacturing skills and customers understanding, influenced the investment decisions of the company and how to exercise DCs throughout acquisitions. The failure to identify the limits in the ability to transfer their manufacturing skills to another market segment (furniture for residential high net worth individuals, and the B2C market), led Maurizio, Marta and Alfredo to forget about other critical aspects in the Tailor-Made business segment such as contacts with high class architects and a deep understanding of customers' needs, cause the dismissing of that business model when the acquisition with MR collapsed.

Considering the last managerial cognitive capabilities of language and communication and social cognition, will be identified if these capabilities has changed and how have influenced the assets transformation and orchestration during the integration phase.

Starting with DA, the introduction of changes and the transferring of operating routines from Zordan to the acquired was easy since the relatedness of the production, and the proximity of the two companies: both geographically and culturally.

The integration process, and specifically the cooperation among the two businesses was guided by Maurizio that introduced company events, planned meetings with employees, and executed his presence inside the company as CEO increasing the idea of commitment from the family in investing in DA.

What happened instead in MR was completely different, the set of values and beliefs of the personnel in MR were at the opposite sides in respect of Zordan ones. The history and the background of the companies were distant from a cultural point of view, making impossible a dialogue between the two cultures. Maurizio have tried several things towards “internal marketing”, as they called it, between the companies: sharing of production processes, investment in human resources, higher presence of the new management...

But these aspects did not help the reduction of internal employee resistance and there was a progressive slowdown for the introduction of a new control system, and the creation of a solid business. The actions made in MR were the same as in DA, maybe the behaviour of the management in introducing new processes should have been evaluated in a more time span, leaving more time for the internal resources to realize the new changes that were coming. The critical situation of the target and the differences in values and beliefs did not let the Zordan to fully accomplish their goals, and what is more important, neither for MR itself.

As last consideration, the acquisition of WW, still in progress, “has been near perfect since now” hearing from Marta. The longer time span helped the company in evaluating actions and in programming solutions for the long-term, moreover the geographic and cultural distance has been taken in consideration since the beginning of the screening process.

Due to the distance between the companies, the family selected the firm with a better organization in the middle management, because of the difficulty to be present in the place during the integration phase, a good relationship with middle managers will have helped the family to deal with issues in the future, especially when the old owners would have leaved the company.

To implement and increase coordination among the two companies, Maurizio and Alfredo started an exchange between the middle managers of both companies to increase respective expertise levels and to transfer knowledge between the firms.

Moreover, they introduced events as for DA and the constant presence of Maurizio to accomplish the final part of the integration process regarding the human resources and a better evaluation of the people inside the company helped establishing a climate of trust.

From the analysis above presented, accuracy in mental models are critical, but what we can assure is that decision makers as Maurizio, Marta and Alfredo do not need accurate mental models of the entire business environment, but instead correct mental models about internal resources cognition and about key principles of the deep structure conceived as the organization itself (Gary and Wood, 2011).

3.6. Final consideration on the case

The three acquisitions analysed were very different in nature and in processes.

As reported by Maurizio, Marta and Alfredo several times during their interviews, the three acquisitions and specifically the performance differences were higher when there was misfit in organizational cultural distance. Where cultural distance has been considered on the organizational dimension of culture, defined as beliefs, values, and expectations shared by the members of an organization.

The differences or incompatibility in cultural values are one of the most cited reasons for low success rate in acquisitions (Chatterjee et al., 1992; Hitt et al., 2012; Bauer and Matzler, 2014). In the success rate of the acquisitions performed by Zordan, other aspects influenced the performance:

- the *quality of the target* in Marzorati Ronchetti creates a detrimental situation for the business itself,
- the *cultural distance* as explained above,
- the *time span* in which the acquisitions were concluded: for Delta Arredamenti the acquisition time comprehend 4 years for a complete integration; Marzorati Ronchetti was acquired in 3 months and the integration process last 2 years, but Zordan encountered heavy employee resistance along the integration process, and Woodways, that is still in progress, where the acquisition process (screening and integration) started in 2014;
- the *entry modes*: in DA was by steps, an initial 28% and the appointment of Maurizio Zordan as CEO, in MR Zordan acquired the 70% of the company, investing a higher amount, while in WW the acquisition was performed in three steps with an earn-out clause that allowed Zordan to exiting from the acquisition in the case of bad production performance.

Analysing deeply the integration processes and the actions done during the different stages, what step out is that Maurizio, Marta and Alfredo have different cognitive capabilities that were

applied in specific context during different acquisition processes, allowing the company to increase the acquisition's performance outcome.

The glue among these different capabilities was the shared values and beliefs inside the organization and among the brothers, allowing the heterogeneity amid their cognitive capabilities to guide the company toward positive performance when their decisions follow their inner personality and their long-term objectives. Only when individuals can trust the culture or organization they will take personal risks in order to advance that culture or organization as a whole.

What let the heterogeneity in managerial cognitive capabilities to come out inside the family decisions, is a deeply rooted understanding, at the individual level, of Maurizio, Marta and Alfredo own capabilities, they have a high ability to assess their personal competencies, skills and knowledge that consent them to work in different ways toward the same goal, without creating inharmonious behaviours (Schreyogg and Kliesch-Eberl, 2007).

The company, and also Maurizio, Marta and Alfredo learn to adapt their cognitive capabilities based on the situations; their past experiences shaped their mental model and their decision-making process, altering mental schemas on resources perception.

The internal decision process is the fulcrum of the knowledge articulation process inside the organization, since the linkages between Maurizio, Marta and Alfredo are really strong, they shared they evaluations together.

This knowledge sharing among the brothers allow an improved level of understanding of the mechanisms intervening amid the actions taken for executing a determined task and the performance outcome produced (Zollo and Winter, 2002).

This aspect of knowledge articulation has been primarily seen in the sensing and seizing DCs of the firm, while the capability of transforming and orchestrating resources was generally performed by Maurizio, the entrepreneurial spirit of the company, sharing less notions on the reasons behind decisions made (due to less internal processing among the family members, instead Maurizio was relying more on previous experiences and pre-existing mental models).

Knowledge articulation should be, sooner than later, substitute in knowledge codification, in order to codify the processes through tools, manuals, bluebooks etc...

The family have adopted it for DA acquisitions, specifically for the integration of the new routines inside DA. This allow Zordan to facilitate the replication and diffusion of those tools among companies. Unfortunately, in MR there were no possibilities to create such knowledge codification given the pressure of other issues, while for WW the integration process will be concluded in the next year, postponing the analysis for future researchers.

What miss in the strategy of Zordan 1965 is a clear codification of the actions performed during the acquisitions processes by the company; these tools generated will force Maurizio, Marta and Alfredo to analyse deeper the actions taken in each step performed, reducing causal and outcome ambiguity (Zollo, 2009). Moreover, the codified learning will be also available to the future managers of the company, leaving a Zordan's To-do-lists, blueprints or manuals on how to perform perfectly all the processes of an acquisitions, or at least indicating the pitfalls to avoid.

Out of this case a constant question goes around and around:

“What if the Zordan family would have never been divided?”

Probably the behaviour of the family would have been different, and the internal attention to values and beliefs less relevant, but this can only be hypothesized.

3.7. Theoretical contribution

In chapter 1 it has been introduced and analysed the theoretical aspects behind mergers and acquisitions, focusing on the different branches of the theory.

The different schools examined started with the strategic management ones that tried to identify how strategic assets are crafted and reached by the companies in the external market.

Inside these literature stream, has been studied the resource relatedness and resource complementarity aspects and how these resources influence the performance of firms in acquisitions.

Then we shift the attention toward organizational behavioural school and the critical relation between organizational and cultural fit, specifically on how these cultural aspects increase the success rate of acquisitions. Carefully treated is the importance to remove outcome ambiguity (Zollo, 2009) in infrequent, and heterogeneous processes such as those in acquisitions through the use of intermediate goals (Cording et al., 2008).

At the end of the chapter, it has been described the recent theory behind the perspective or process school that analyse the entire acquisition process in a more holistic way; studying all the acquisition's steps as a whole (Jemison and Sitkin, 1986; Chatterjee, 2009).

After the presentation of the M&A theory, in chapter 2 studied the development of dynamic capabilities since the origins in Teece et al., (1994), and in Eisenhardt and Martin (2000).

There is no clear understanding behind the definition of dynamic capabilities, what has been tried to do in this work, is to propose a unified view of the dynamic capabilities construct.

In order to do so, has been introduced the drivetrain metaphor, since metaphors are an effective tool in management research (di Stefano et al., 2014): the drivetrain has been adapted to include the managerial dynamic capabilities, simple rules are changed by managers inside organizations

through managerial cognitive capabilities that allow companies to transform simple routines in complex rules to anticipate and react to dynamic environments.

Before reaching this definition of DC, it has been studied the dichotomy between the seminal papers of Teece et al., (1997) and Eisenhardt and Martin, (2000), and the literature that stem out from these works.

From the literature field, the important work of Teece, (2007) signed a turning point in the development of the theory. In his work depicted DCs as a combined set of capabilities that takes different forms depending on the perspective from which they are analysed.

Sensing capability, which is defined as firm process and managerial orchestration activities conducted inside the firm leading to the "*identification of foreign opportunities at home and abroad*" (Teece, 2014) is different in the place and in the manner in which it is deployed, as it has been possible to observe in the analysis of the case, it takes also different aspects depending on *who* perform actions.

Seizing capability, which is defined as firm process and managerial orchestration activities conducted inside the firm leading to the "*mobilization of resources globally to address opportunities and to capture value from doing so*" (Teece, 2014) entails two main decisions and related capabilities: investment decision in specific resources, and defining and adapting business model to meet desired strategic outcome.

The last DCs introduced by Teece regard the capability of transforming resources, which is defined as firm process and managerial orchestration activities conducted inside the firm leading to the "*continued renewal*" (Teece, 2014) is maybe the most difficult dynamic capability to be built. It means being able to constantly renew firm assets and capability in order to react to or even shape business environment changes (Teece, 2007).

In Teece (2007), he also introduced the aspects of microfoundations in deploying dynamic capabilities inside firms, directing the attention toward managerial actions.

From this window on managerial effects on corporate performance through DCs, it has been decided to apply the framework of Helfat and Peteraf, (2015) about cognitive managerial capabilities on the acquisitions performed by Zordan 1965.

For Helfat and Peteraf DCs are more than simple best practices. They are abilities, capacities which starts with the top management and embrace the whole organization.

Defined by Teece as "entrepreneurial management", he wants to underline the importance of entrepreneurial and leadership skills required to sustain dynamic capabilities and assets orchestration.

In Zordan, it has been outlined the importance of managerial decisions inside the company and the linearity of the decision-making process among the brothers as a team, where the collaboration of Maurizio, Marta and Alfredo drove:

- the attention and perception of the family towards determined aspects of the business,
- the present investment path of the company, and, as for DA and the Tailor-Made business, also the future path, locking the cognitive mental model of the family to specific directions, in Zordan the speculation on MR,
- values and beliefs in Zordan, determining the choices made in the acquisition processes and also the long-term objectives that the company want to attain.

From the analysis of the case-study, some main implications arise:

P.1: “The managerial cognitive capabilities of attention and perception evolve over time through the facilitating effects of Network and the use of Strategic tools”.

In the case of attention and perception, the development path of growth is determined by the constant application of the two capabilities by people, scanning and sensing constantly the external environment with the intent to spot new opportunities. Attention and perception are also influenced by previous experience, as it has been possible to understand from the case-study (Helfat and Peteraf, 2015).

P.2: “The high self-cognition of the family towards their individual skills, capabilities and knowledge, leveraged their capability for resource cognition of the firm, helping them in developing Dynamic Capabilities and resources alteration”.

The investment decisions of the family were shaped by their cognition of the internal resource base (Danneels et al., 2010). Leveraging on their expertise in the manufacturing area, and on their deep customers understanding have allowed them to make a series of acquisitions to renew their internal assets; orchestrating and reconfiguring their business model to the new opportunities created through business combinations.

P.3: “Values, beliefs, and trust are instruments to gather together heterogeneity in managerial cognitive capabilities, allowing team to make better decisions and increasing performance of organizations”.

As expressed in Helfat and Peteraf, (2015), the managerial cognitive capabilities in teams may hinder or help strategic changes inside organizations. In the case-study analysed, the heterogeneity among the brothers' capabilities helped them to find different solutions and realizing different opportunities. The climate of trust in the organization positively influence the development of dynamic capabilities of sensing, seizing and reconfiguring and have also a positive impact on the formation of competitive advantage (Fainshmidt and Frazier, 2017).

3.8. Limitations

It should be said that only one qualitative case-study, even if engage three different cases on acquisitions, cannot demonstrate the relationship between managerial cognitive capabilities and the evolution of Dynamic Capabilities in dealing with acquisitions success.

Whit this work the analysis of the competitive advantage has been pointed to the ability of managers in translating and adapting their mental schemas toward the capability of changing the internal resources of the firm.

The analysis portrayed above should be further examined towards the evolution of the action taken during the acquisition processes, in order to highlight the development of the reasoning and the adaptive capability of managers to modify their mental schemas based on situations in dynamic environments. The limitation of the study can also be related to the attention dedicated only at the top management inside the organization, leaving aside the middle and low manager levels. What is interesting, is also the prominent research towards cognitive capability as above-mentioned at the middle and low levels inside the company to analyse how their day-by-day decisions influenced the creation of dynamic managerial capabilities.

In order to strengthen the limited and restricted influence which a single case-study can have on theory, further qualitative and quantitative studies need to be developed in order to test the effects of the contextualization proposed in the work.

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