

# Covid-19 pandemic trouble? An exploratory study on German acquisitions in Japan

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## Abstract

**Purpose** – This study investigated how the Covid-19 pandemic impacted cross-border acquisitions. Though literature suggests that cross-border investments decreased during the pandemic, there is little conclusive evidence on specific characteristics in the execution of particular acquisitions during such times. We applied the case study format to conduct our investigation by (1) providing a classification of influences on cross-border procedures and (2) highlighting critical characteristics during three phases of acquisitions, namely, search, negotiation and integration periods.

**Design/methodology/approach** – The grounded theory approach was applied to three in-depth case studies of German companies that acquired Japanese targets during the Covid-19 pandemic. Data were supplemented by information received through additional case studies of German subsidiaries in Japan and interviews with consultants.

**Findings** – Firms had already intended to acquire their respective targets, with their decisions having been made prior to the Covid-19 pandemic. Thus, the pandemic had no impact on target selection in the case firms. Owing to travel restrictions, information exchange was limited which inevitably led to higher usage of digitalization. While several barriers led to delays in negotiations, prevailing mutual trust and assistance from consultants helped to reduce difficulties. During the integration period, we found delays in synergy creation and increases in remote communication. Nevertheless, the digital workflow improved the efficiency.

**Originality/value** – Our study provides novel insights into the execution of cross-border acquisitions impacted by the Covid-19 pandemic. We discuss new implications for mergers and acquisitions (M&A) research and practice for the post-pandemic era, focusing on German firms acquiring Japanese targets.

**Keywords** Acquisitions, Covid-19 pandemic, Grounded theory, Integration period, Negotiation period, Search period

**Paper type** Research paper

## 1. Introduction

The outbreak of Covid-19 in December 2019 led to a pandemic worldwide (Lee *et al.*, 2021), causing far-reaching consequences for society (Madinga *et al.*, 2023) and many firms to restrict or even exit their businesses (Bartik *et al.*, 2020; Bernstein *et al.*, 2020). Regarding mergers and acquisitions (M&A), the literature indicates a negative impact of Covid-19 on transactions (Jang *et al.*, 2024; Aschbacher and Kroon, 2023; Lee *et al.*, 2023), resulting in a

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sharp decline in the volume of worldwide deals in the beginning of the pandemic (Rasheed and Husain, 2022). This development was caused by several factors, such as economic uncertainties (Antypas, 2020) or strategic reprioritization (Bauer *et al.*, 2022), leading to postponements or cancellations of acquisitions. Furthermore, it is mentioned that companies were facing disruptions in the execution of their M&A processes (Tian and Wang, 2024). Prior to the pandemic, most of the activities within the M&A process (e.g. price negotiation) were based on physical meetings and relationship-building, which was suddenly interrupted due to travel restrictions and lockdowns (Kooli and Lock Son, 2021). Despite these circumstances, many acquisitions were completed during the pandemic (MacMillan *et al.*, 2023).

Research evidence on the impact of the pandemic on the M&A business (e.g. Tian and Wang, 2024; Kooli and Lock Son, 2021) and activities of the M&A process (e.g. Bauer *et al.*, 2022) is increasing. However, most studies are based on secondary data (e.g. Jebran and Chen, 2022; Ho and Gan, 2021). On the contrary, there is scarce research on how the pandemic impacted M&A transactions (Magnanelli *et al.*, 2022). By relying on quantitative studies based on large databases, particular practices and characteristics of specific transactions are not fully reflected. An imprecise view of the inner content of specific acquisitions that were executed during the pandemic limits our ability to elucidate characteristics that affect acquisitions.

Our research fills this void by focusing on particular practices and characteristics of specific cross-border acquisitions that were realized during the Covid-19 crisis. To gain a deeper understanding of the execution of such acquisitions, the present study adopted a qualitative and inductive approach. We conducted interviews with several managers who were involved in three acquisitions of Japanese target firms by German companies. Our focus was specifically on acquisitions of Japanese targets because Japanese managers tend to be particularly sensitive to negative impacts (Fujitani *et al.*, 2023). Additionally, the Japanese government implemented highly strict border control measures and travel restrictions, posing special challenges for cross-border acquisitions (Grepin *et al.*, 2023). The study was conducted with the objective of understanding how the Covid-19 pandemic affected the acquisition processes between German buying firms and Japanese target firms. Based on this, potential consequences for the post-pandemic era of M&A are discussed.

## 2. Literature review

### 2.1 Periods within the M&A process

The first period is the search period, which consists of activities aimed at initiating the acquisition process and selecting a suitable target firm (Welch *et al.*, 2020). The decision to initiate a cross-border acquisition is typically based on strategic considerations. For instance, an acquisition should contribute to achieving corporate goals through strategic actions such as business expansion or diversification (Seth *et al.*, 2000). According to the resource-based view, targets are selected based on their resources and capabilities, which are expected to provide beneficial outcomes for the acquiring firm (Yu *et al.*, 2016). In cross-border M&A, geographical characteristics of the target are also considered in the decision-making process (Chen *et al.*, 2018). In order to make the best possible decisions for target selection, companies often rely on the support of consultants (Aschbacher and Kroon, 2023).

The second period, called the negotiation period, involves all activities from making initial contact with the selected target to closing the transaction. It includes many steps such as negotiations about the terms of the deal, due diligence as well as the legal closing (Welch *et al.*, 2020). Researchers have investigated factors influencing both the activities (e.g. price negotiation process) and outcomes (e.g. price characteristics), including the bargaining power (Cuyper *et al.*, 2016) as well as the degree of competition between potential buying firms (de Bodt *et al.*, 2018). Recently, there has been increasing interest in researching the relationship between trust and cross-border M&A (Maung, 2022; Sachsenmaier and Guo, 2019). Although

they are theoretically and empirically distinct, high levels of interpersonal trust can influence organizational trust (Zaheer *et al.*, 1998). Consequently, trust between firms can be a success factor for cross-border M&A (Sachsenmaier and Guo, 2019).

The third period is called the integration period (Angwin and Meadows, 2015). A well-managed integration is one of the most critical tasks for achieving synergies (Galpin, 2021). Integrating the target into the acquiring firm is a highly complex process (Steigenberger, 2017). This applies in particular to cross-border M&A, as the companies involved and their employees come from different cultures (Stahl *et al.*, 2013). Besides considering the degrees of integrating the target, integration approaches also differ regarding the speed of executing changes (Schweizer *et al.*, 2022). In general, it can be expected that the rapid execution of integration processes leads to the faster realization of beneficial outcomes, such as synergies (Thomas and Louisgrand, 2022). For cross-border acquisitions, the probability of a successful integration in the long run increases when both companies come from countries that are culturally more disparate (Chakrabarti *et al.*, 2009).

## 2.2 Impact of Covid-19 on M&A

**2.2.1 Impact on the M&A business.** The economic uncertainty introduced by the Covid-19 pandemic led to the near-total suspension of M&A deals in 2020 (Antypas, 2020), particularly immediately after the start of the pandemic in the first two-quarters of 2020 (MacMillan *et al.*, 2023). Many companies reprioritized their strategies in light of Covid-19 and either suspended all M&A activities, as acquisitions were perceived as a major risk (hide strategy) or only continued existing integration projects while restricting their ambitions for identifying potential new targets (cost strategy) (Bauer *et al.*, 2022). Therefore, companies were more cautious regarding potential acquisitions (Tian and Wang, 2024).

However, the impact of Covid-19 on the number and volume of M&A differed by industry and region (Clarke, 2023; Lee *et al.*, 2021; Ançel İlaslan and Tanyeri-Günsür, 2023). For instance, companies from the technology and healthcare sectors increased their M&A activities during Covid-19, capitalizing on their industry momentum to grow further (Kooli and Lock Son, 2021). Some companies have therefore perceived Covid-19 as an opportunity to acquire targets affected by the crisis (run strategy) or did not significantly adjust their focus on M&A (marathon strategy) (Bauer *et al.*, 2022). Furthermore, environmental, social and governance criteria became more important in decision-making regarding target selection since the pandemic (Clarke, 2023; Tampakoudis *et al.*, 2023; Lee *et al.*, 2021).

**2.2.2 Impact on the M&A process.** The emergence of Covid-19 has created substantial hurdles for the execution of the M&A process, such as price negotiation, due diligence or integration (Siebecker and Lozano, 2020). Hence, besides economic uncertainties and strategy reprioritization, the various challenges of executing the M&A process under the conditions of Covid-19 is stated as a central cause for the sudden decrease or suspension of M&A during the pandemic (Tian and Wang, 2024). Due to extensive travel restrictions within and between countries, it can be assumed that the activities in cross-border deals in particular were affected by Covid-19 (Lee *et al.*, 2021; Thompson and Melia, 2020).

Existing studies on the impact of Covid-19 on M&A primarily focus on the quantitative analysis of databases (e.g. Tian and Wang, 2024; Jebran and Chen, 2022; Ho and Gan, 2021). Besides comments and anecdotes by M&A experts, there is little evidence on the actual impact of Covid-19 on the specific activities in cross-border M&A. For example, it has been commented that the execution of all activities in the M&A process were prolonged and took considerably longer during the pandemic (Aditya, 2023). Early Covid-19 research by Harroch (2020) discussed the following reasons, among others, for delays in the M&A process:

- (1) It takes longer to get all parties around the table and to conduct the negotiations, e.g. due to travel restrictions or the tendency to work from home.

- (2) It takes longer to conduct due diligence because Covid-19 (and the business risks associated with it) resulted in new issues that need to be addressed.
- (3) It takes longer to obtain consents from stakeholders.
- (4) It takes longer to close deals because it is more difficult to internally justify benefits of acquisitions.

The integration period has been recognized as being of particular relevance since Covid-19 (Galpin, 2021). In this context, Siebecker and Lozano (2020) discussed new challenges caused by Covid-19 regarding cultural due diligence. Accordingly, the strict contact restrictions and home office policies in many countries made it significantly more difficult for acquisition teams to understand the corporate culture of the potential target, which is necessary to evaluate the cultural fit between companies. One conceivable solution under such circumstances is to conduct cultural due diligence and integration activities digitally, such as through informal interviews or using focus groups (Siebecker and Lozano, 2020; Thompson and Melia, 2020).

Based on these overall limited empirical findings on the impact of Covid-19 on cross-country M&A activities, this study aims to investigate the following research question:

How did the Covid-19 pandemic affect the acquisition processes between German buying firms and Japanese target firms?

### 3. Context and method

#### 3.1 Context of Covid-19 and Japan

The context of this study was based on the Covid-19 pandemic in Japan. Japanese borders were largely closed from May 2020 until October 2022 (Elliott, 2023). During that time, business travelers faced much difficulty entering Japan (e.g. mandatory quarantine), or they were simply denied entry altogether (Grepin *et al.*, 2023). Our study focused on three cross-border acquisitions of Japanese target firms by German firms. In case A, we interviewed the project leader for acquisition at the buyer side as well as the CEO of the target. In case B, we interviewed the Head of M&A of the German firm who was actively involved in the deal execution. Finally, in case C, we were able to interview both CEOs from the German and Japanese firms. The cases, summarized in Table 1, differed significantly in terms of company size and industry.

Furthermore, we interviewed two consultants with experience in M&A between German and Japanese firms. Prior to the interviews for cases A–C, we separately conducted interviews with managers from subsidiaries of three German companies located in Japan already before the outbreak of Covid-19. These companies were also affected in Japan by the pandemic, e.g. through travel restrictions. Most of foreign-based firms in Japan restricted their employees to

Case	Industry	No. of employees of acquiring firm	No. of employees of target	Year of acquisition
A	Precision technology	1,500	20	2021
B	Consumer goods	51,000	500	2022
C	Multimedia software	300	10	2021

**Table 1.**  
Case acquisitions of Japanese firms by German buying firms

**Source(s):** Produced by authors

working from their home offices (Bebenroth and Nahar, 2022). To further demonstrate the context of our findings for cases A, B and C, we refer to these additional cases (cases D, E and F).

### 3.2 Data collection

To address the research question for this study, an exploratory, inductive approach was adopted to gather data from qualitative interviews (Caligiuri and Bonache, 2016; He *et al.*, 2019). Thus, findings cannot be used for generalization (Miranda and Duarte, 2020). Instead, a qualitative research approach supports in exploring new areas with limited knowledge. Asking open questions is commonly used for qualitative data collection in M&A research (Bingham *et al.*, 2015; Heimeriks *et al.*, 2012). Appendix 1 provides an overview of the interviews for this study. Interviews were conducted via video links or in person with several key decision-makers who were involved in the M&A processes of the three cases. It was envisaged that such a qualitative approach would enable to explore more in-depth information as managers would be asked directly about their experiences and challenges during the pandemic. We felt that the three in-depth case studies and additional interviews with consultants and further subsidiary case studies should be deemed acceptable (Wilczewski *et al.*, 2019; Sinkovics *et al.*, 2008; Eisenhardt, 1989).

### 3.3 Method and data analysis

The objective of the interviews was to generate insights into the impact of Covid-19 on acquisitions of German companies in Japan. This was an inductive approach (Bryant and Charmaz, 2007). According to Reddy (2015, p. 29), “good social science research is problem driven and not methodology driven” (Flyvbjerg, 2006). In preparation for the interviews, a semi-structured questionnaire with open questions on the impact of Covid-19 on the search, negotiation and integration activities was developed (see Appendix 2 for the questionnaire). Pre-defined questions help to ensure that respondents’ answers are largely comparable across different interview settings. To increase reliability, all interviews were conducted jointly by both authors. Open questions enable interviewees to articulate own interpretations of experiences and thoughts (Aschbacher and Kroon, 2023). Depending on the responses, the order or focus of questions can flexibly be adjusted and/or further questions added. Hence, semi-structured interviews allow for an appropriate degree of flexibility (Eisenhardt, 1989; Rowly, 2012).

Following common procedures, interviews were recorded, transcribed and coded (Rodrigues and Martinez, 2020). Alternatively, memos were written when interviewees did not allow recording. Except for two interviews, which were conducted in German as it was the mother tongue of both the interviewers and the interviewees, remaining interviews were conducted in English. Data coding was performed manually and the statements were translated as accurately as possible to reflect the true feelings of the respondents. To avoid distortions in translation, the answers were translated independently by each author and then compared for potential deviations. Transcripts and memos were coded following a template analysis approach developed originally for the grounded theory by Glaser and Strauss (1967).

The data were coded into three different themes according to the phases of the acquisition. The study is hence a refined version of the grounded theory by Charmaz (2014) who contended that the theory serves as a way to learn about real life issues while enabling the development of theories (Bebenroth and Nahar, 2022). This technique develops existing and potentially relevant themes into a framework in a flexible manner as they arise. By moving themes between levels, the authors refined and re-evaluated theoretical ideas and constructs generated through interviews until a status of theoretical saturation was reached (Glaser and

Strauss, 1967). Following the typical template analysis for the grounded theory, the authors began coding 21 different facets as a first step (micro themes). As a second step, micro themes were categorized into nine macro themes. Following this, macro themes were categorized in three overall themes. The findings show nine macro themes, as summarized in Figure 1.

## 4. Findings

### 4.1 Search

*4.1.1 M&A strategy and target selection.* Studies suggest that many companies have adjusted their M&A strategy to the new circumstances after the outbreak of Covid-19, e.g. by intensifying their search for favorable targets affected by the crisis (Bauer *et al.*, 2022; Antypas, 2020). Looking at all three cases, the German firms had clear intentions to acquire the respective Japanese targets before the pandemic came into play. These decisions were based on their strategies to enter the Japanese market. The motives were therefore rather based on geographic characteristics of the targets (Chen *et al.*, 2018). For instance, the German firm in case A aimed to acquire a firm in Japan and undertook several steps to look for a suitable target. Interviewee A<sub>2</sub> summarized the search phase as follows:

Actually, we contacted several companies. Not only the target, we contacted two or three companies, the target was one of them. ( . . . ) This was the research phase in 2019. I visited there with our CEO, we did a factory tour at the target in 2019.

Since the intention of the investigated German firms to acquire Japanese targets had been made prior to the outbreak of Covid-19, the pandemic did not have a direct impact on target selection in all cases. This reflects the so-called marathon strategy (Bauer *et al.*, 2022). For example, while the acquisition in case C was finalized at the beginning of 2021, the decision to acquire the Japanese target had already been made years before, as explained by respondent C<sub>1</sub>:

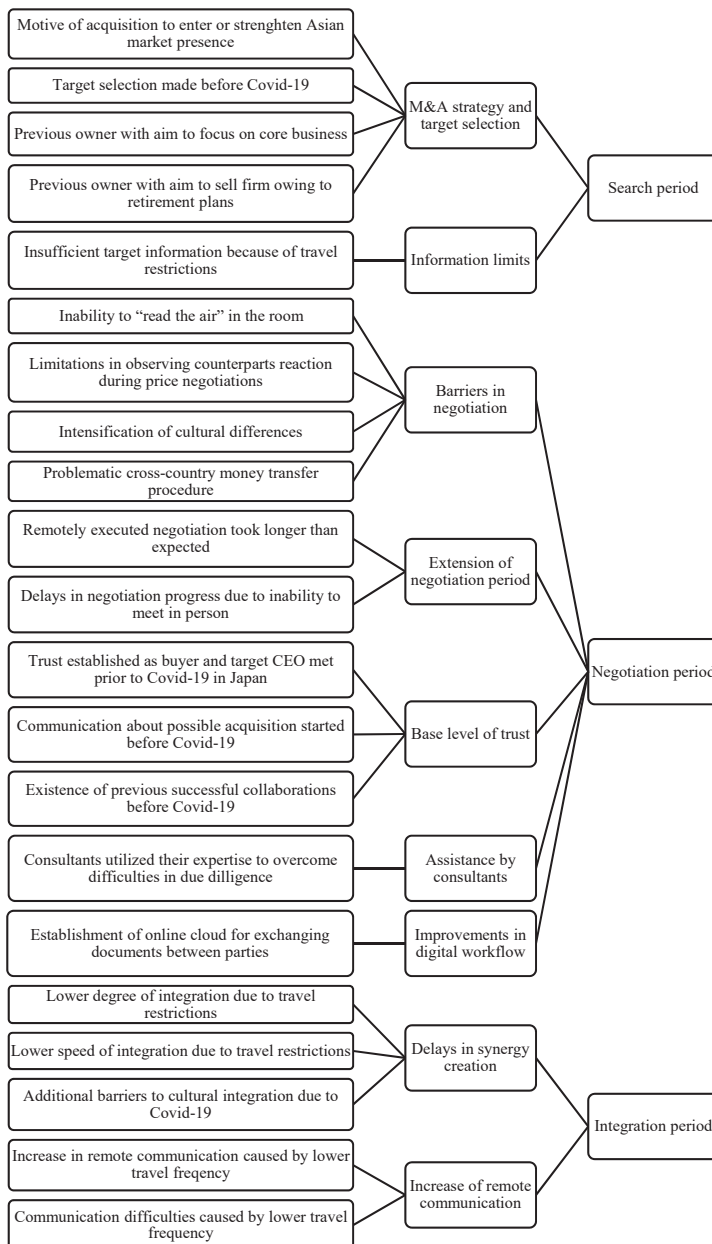
We had been negotiating for two years prior the time we finally closed the deal. So we didn't find and decide to buy the company in Japan during Covid. We knew we wanted to acquire them prior to Covid, and we actually had gone and visit them several times apart of Covid, to get many of the details worked down.

Regarding case B, the German firm had already acquired a part of the business of the Japanese target earlier in 2017. In addition, the acquirer had intended to purchase another part of the business from the same target at the same time. However, due to unresolved issues, the takeover could not be finalized.

From a tracing of the time line, there was no indication from any of the participants that Covid-19 influenced the intention of Japanese firms to sell their shares. In two cases, the acquisition was partly based on the fact that the Japanese owners were aiming to retire in the foreseeable future, and intended to pass the firm and its employees to a suitable owner. In addition, the firm in case B wanted to sell one of its strategic business units since it was no longer tied to its core business.

*4.1.2 Information limits.* Notwithstanding the foregoing, several statements indicate that travel restrictions made it more challenging for cross-border bidders to find targets. Travel restrictions, such as those that prevented staff from the German headquarters from going directly to the Japanese target for information gathering, were stated as one major challenge. Respondent A<sub>2</sub> commented on this challenge:

I introduced several companies to our headquarter and they said "Oh, why not, we can just visit them". That was in 2019. But later (Authors' note: After travel restrictions occurred), it would not be possible.



Source(s): Produced by authors

**Figure 1.**  
Overview of findings

#### 4.2 Negotiation

4.2.1 *Barriers in negotiation.* We managed to identify several barriers during the negotiation period induced by Covid-19. It is noteworthy that in two cases (A and B), the entire negotiation period between the German headquarters and the Japanese target was conducted remotely (e.g. by video conference, emails) without any physical meeting. This is significant because the M&A process usually relies heavily on physical meetings (Kooli and Lock Son, 2021). This change in the form of communication was already predicted shortly after the emergence of Covid-19, as it became the only way to communicate under the restrictions caused by the virus (Siebecker and Lozano, 2020; Thompson and Melia, 2020). We categorize observed barriers of the negotiation period into.

- (1) General barriers regarding the circumstances of the negotiations,
- (2) Social barriers regarding difficulties in communicating through digital means and
- (3) Practical barriers related to challenges in the operational execution of certain tasks.

Regarding general barriers, when interviewee A<sub>1</sub> was asked about the impact of Covid-19 on the negotiations, the following statement was made:

It literally fell on our feet that Covid started when we had this clear intentions towards each other and then Covid started and then we got in the middle of this cross-border acquisition in a very strange period. (...) For your information, the entire M&A process has been done remotely, really remotely. I was in Japan first beginning of this year together with our CEO (2023, remarks by the authors), that was my first time visiting the target firm and Japan. So, the entire M&A process has been done and performed remotely, which is a little bit strange, but yeah, there was no other way, you know, we had to deal with the fact that we could not travel.

(...)it was impossible to meet anywhere, and yeah that was something we had to deal with and of course that's the strange thing of Covid that, who would expect that it would take that long. It was always extended, there was always like now, in three months, maybe it's over and then we can visit each other and then it was every time postponed, postponed, and yeah, the complete M&A process (...) has been done remotely which is crazy if you look into retro perspective, insane basically, but okay, we did it.

In an attempt to find a way to negotiate in person, the German firm in case B suggested that its Japanese counterpart meet with them in another country, such as Singapore, where pandemic-related restrictions were not as stringent. However, the Japanese target rejected the suggestion because they would have had to quarantine for up to two weeks upon re-entering Japan.

Negotiations were executed only virtually. As for social barriers, respondent A<sub>1</sub> described the circumstances as follows:

I'm in business for 25 years in this high-tech environment and no matter what environment I always prefer face-to-face meetings, really sitting at the same desk with chairs and looking into each other's eyes, see it in three dimensions, which was impossible at this time.

One of the biggest obstacles of conducting virtual negotiations is that it is more challenging to receive and comprehend social signals from the counterpart (Kooli and Lock Son, 2021). Interviewee A<sub>2</sub> detailed the problems during these negotiations:

We cannot see the face of the counterparty. So, we can only hear their voice, sometimes even just e-mail. We cannot see the temperature. For example, finally we needed to show the price. Once we showed the price, we cannot see their face, meaning we cannot understand their temperature, whether it is positive or negative impression, we don't know that. So, this is one difficulty. And also a lot of other detailed negotiation, but we cannot see the air in the room.

One Japanese consultant who had been working in a London-based subsidiary of a global consulting firm for eight years, commented on these difficulties as follows:

Our Japanese clients still prefer face-to-face meetings; they want to know the actual or real attitude of their counterparty.

Regarding case B, one of the biggest issues in negotiations was the branding rights. When asked about problems caused by virtual negotiations, interviewee B<sub>1</sub> referred to cultural differences between German and Japanese people, which were exacerbated due to the remote setting. After the German party had made proposals with regard to the branding rights, the counterparty did not show any immediate sign of disagreement. Only after several virtual meetings later, however, did the Japanese party state that the proposal was unacceptable. According to the interviewee, this delay might not have occurred if both parties were negotiating in the same room.

In regard to practical barriers, Covid-19 slowed down the closure of the acquisition in case C due to difficulties in cross-country money transfer procedures. Such delays in the M&A process caused by dependencies with other stakeholders were predicted at an early stage of Covid-19 (Harroch, 2020). Respondent C<sub>1</sub> explained:

Because of various lockdown impacts one of the things which was a little bit tricky was getting the money into the flow for the acquisition, because of who can go to the banks and things like that. It was more of a minor issue though. We had to leverage a sister company to help us get the money in the right place.

It was common that new legal entities for the acquired target became established when German firms took over Japanese targets, such as in the additional cases D and E. It ensures that the acquired entity legally belongs to the acquiring company, e.g. as a subsidiary. In case C, a new legal entity had to be established in Japan as well, resulting in minor delays of the overall progress due to Covid-19. Interviewee C<sub>2</sub> described the impact of Covid-19 on this specific process as follow:

Covid-19 did not lead to delays, but it was more time-consuming because certain people did not want to receive visitors or other people were only in the office or at home.

*4.2.2 Extension of negotiation period.* All the interviewees stated that Covid-19 inevitably extended the negotiation period. These findings confirm prior statements from M&A experts who predicted that the duration of the M&A process will be prolonged as a consequence of Covid-19 (Aditya, 2023; Harroch, 2020). For reference, additional case D, which closed its deal in Japan before Covid-19 in 2018, had a much shorter negotiation period. However, the perceived extent of the delay and the impact on the overall acquisition varied between interviewee and case. For instance, interviewee A<sub>2</sub> described the delay of the negotiation in the following way:

Indeed, there were a lot of processes done without face to face meeting, so negotiation or discussion and explanation was relatively longer than my expectation. (. . .) In the final phase of the negotiation, our CEO and their CEO joined, we just translated, it was quite fast. But yeah, negotiation took longer. (. . .) It was started from 2019 and it was finished in February 2021, I'm not sure how long does it take on average but in such a medium sized company, it should be less than one year I think but it was more than one year.

In addition, respondent A<sub>1</sub> gave the following impression:

Yes, I think, Covid delayed it a little bit. (. . .) From my point of view, it didnt delay it so much, because you are in the process, you have homework, a to-do list. Yes, it sometimes makes sense that you can sit at the same desk, but well, even there was not Covid, Japan is at the other side of the world, so you still have the time delay, so yes I think that we would have more often meet each other and yet that has caused little bit of delay. Was is that dramatic, no, I don't think so.

In case C, the final stage of the negotiation (i.e. due diligence) had to be executed remotely. Interviewee C<sub>1</sub> explained the impact of Covid-19 in the following way:

It would have been smoother if we brought them over immediately or I could have gone over with 2 or 3 people immediately, but it was a very minor experience because of Covid.

Interviewee C<sub>2</sub> added the following explanation:

We are in the software business, which means we don't have to make any critical visit or transport anything physical anyway. Everything we sell comes from download, so perhaps we were already predestined to handle everything online.

In summary, Covid-19 had an impact on the duration of the M&A process in our case firms, which supports previous findings. However, the respondents largely commented that the perceived extent of the delay and its impact on the overall acquisition were rather irrelevant. Therefore, it appears that the influence of Covid-19 on the duration of the acquisition process may not have been as significant as expected.

*4.2.3 Base level of trust.* Trust is seen as an important factor for the success of an acquisition (Sachsenmaier and Guo, 2019). Maung (2022) found that countries where people display higher levels of trust in other nations conduct more frequent and larger cross-border M&A as a buyer. Looking at our three cases at hand, all of them had some kind of interaction with their respective targets before the pandemic hit, indicating a base level of initial trust. This is in line with the findings of Maung, where German people show a relatively high level of trust in other nations (Maung, 2022). Regarding case A, the CEO of the acquiring firm went twice to the headquarters of its Japanese target in 2019 to visit the factory and to conduct initial talks with the Japanese owner. According to interviewee A<sub>2</sub>, this initial interaction was crucial for the overall outcome of the negotiation:

I think we are lucky that we could visit them in 2019. Otherwise, it would have been very difficult.

For case B, both parties had successfully closed an acquisition deal prior to Covid-19 in 2017. According to interviewee B<sub>1</sub>, this had an effect on the outcome and duration of the virtual negotiations during Covid-19, since both firms had already established a base level of trust in each other.

Finally, interviewee C<sub>1</sub> commented on the influence of the historical relationship between both firms and the outcome of the virtual negotiations as follows:

Because the relationship had already been going for 20 years, it was a minor experience because of Covid-19.

*4.2.4 Assistance by consultants.* Companies often obtain assistance from consultants in cross-border M&A. However, the impact of consultants on the success of an acquisition is not always satisfactory (Schmitz and Sievers, 2021). In cases A and C, negotiation activities were assisted by consultants. In both cases, interviewees explained that this had a positive effect on the speed of execution (e.g. due diligence or the legal transfer of shares) during these difficult times because consultants could utilize their expertise and network to overcome difficulties caused by the pandemic. This was stated by interviewee C<sub>2</sub>:

Covid didn't have a too big influence because we worked together with a consultancy firm and they undertook the legal steps for us.

Hence, it appears that consultants might have played an important factor in the execution of cross-border M&A under disruptive conditions caused by the pandemic.

*4.2.5 Improvement in workflow.* Digitalization is recognized as an important driver for speed (Kooli and Lock Son, 2021). This was supported by all our case studies (A-F). Although our interviewees for cases A-C expressed a delay in the overall M&A process due to Covid-19,

interviewee A<sub>2</sub> mentioned an improvement of the efficiency of digital workflow as a result of ongoing travel restrictions:

All the data is digital due to Covid-19. We needed to store something in a digital way, so we set up an online cloud, together with both parties. They stored all of their documents in the cloud, which we can also access. It is easier to manage all that kinds of documents, because I can easily manage which documents need to be translated. But if it is kind of a face-to-face negotiation and we receive all documents on paper, it would be harder, I think. Some things are more efficient.

This finding is remarkable, as it was previously assumed that Covid-19 would delay all activities in the M&A process (Harroch, 2020). Instead, the interviews indicate that the necessary switch to digital tools meant that some activities could be carried out more efficiently.

### 4.3 Integration

*4.3.1 Delays in synergy creation.* A well-managed integration involves a multi-staged and cross-functional process that includes many stakeholders (Galpin, 2021). However, this was made much more difficult for cross-border deals during the pandemic. As the first step of integration, firm A conducted informal video meetings between managers from the German headquarters and the acquired Japanese firm. This was predicted by Siebecker and Lozano (2020) as a way to pragmatically overcome travel restrictions. These virtual meetings helped to familiarize the employees of the acquired company with their colleagues from the head office as well as with elementary business processes, as was explained by interviewee A<sub>2</sub>:

After the acquisition, responsible people from headquarter should visit the acquired firm and see how is it actually, how can they integrate them into their teams, like COO, CFO, all the top management, but we couldn't do that, it was done by remote. (...) It was very, very hard. We tried to organize some integration processes, we invited the key persons from headquarter, like procurement, technology, finance, each individual responsible person who has experience, and we also invited key persons from the acquired firm and we connected them to have some discussion. But no integration, just listening to their counterpart about what and how they are doing their processes, in order to understand the company. This was still virtually, not so easy. But we successfully did some exchange. In that time, it was all we can do I think. (...)

In addition, the German headquarter organized a series of virtual workshops for the cultural integration of the target. It was intended as a means to overcome cultural barriers between employees since employees of the Japanese target were not familiar with the German culture (and vice versa). Interestingly, similar procedures were reported by our additional case company D, which was still in the process of integrating its Japanese target. Interviewee A<sub>1</sub> described challenges of virtual workshops as follows:

We have to deal with the fact that we are a company of meanwhile approximately 1,500 people, divided all over the world with the majority in Germany, and we buy a company in Japan consisting of 20 people with the Japanese culture, Japanese mindset. We have to deal with the cultural differences as well. (...) We defined a group of stakeholders from both sides, and I took ownership of the cultural integration. (...) We addressed the cultural integration and did several workshops. What I basically tried to get is the organizations connect with each other. That's how we started to integrate both organizations (...).

Observations from cases A and B coupled with evidence from the additional case D and consultants indicated that Covid-19 had a negative effect on the speed of integration. In other words, Covid-19 delayed the integration progress in these case firms. Interaction between the German headquarters and Japanese target was limited to virtual meetings, and business operations of the target were kept unchanged until the lifting of travel restrictions. As indicated by additional interviews with case F and consultants, the speed of integration

accelerated after travel restrictions were lifted. The management staff from the German headquarters was finally able to visit the acquired target. Respondent A<sub>1</sub> described the speed of the integration as follows:

Integration was really like slow cooking. It takes time to get people on board, you cannot just do it in one workshop. (...) Sometimes it was really frustrating, it takes lots of time.

*4.3.2 Increase in remote communication.* Covid-19 had a significant economic impact worldwide, particularly on the global aviation industry (Morlotti and Redondi, 2023). This is important for our study as headquarters are distant to their targets. In line with the findings from the managers interviewed, flight tickets were noticeably more expensive after borders reopened and travel restrictions lifted (Kotoky, 2023). Hence, after the lifting of all travel restrictions, several of our case firms adjusted their mobility behavior and reduced the number of physical visits from Germany to their Japanese subsidiaries. Instead, they shifted their focus to remote communication (e.g. video calls), which was heavily used during the Covid-19 period (Kooli and Lock Son, 2021). While remote communication can have several benefits, interviewee A<sub>2</sub> expressed some concerns regarding this shift:

We rely too much on web meetings, but sometimes this kind of analogue communication is important in order to know the feelings, what the counterpart is thinking. Still, you know, there is some impact of Covid, it is not gone yet, because flight cost is expensive and number of the flights, airplanes is still limited. So the people in our company, I think its global, select the business case, when they can visit us, carefully. It was every time, if something happens with our business in Japan, now we can use web meeting. We are relying too much on web meetings, communication is important sometimes.

Statements by an interviewed consultant complemented the previous quote:

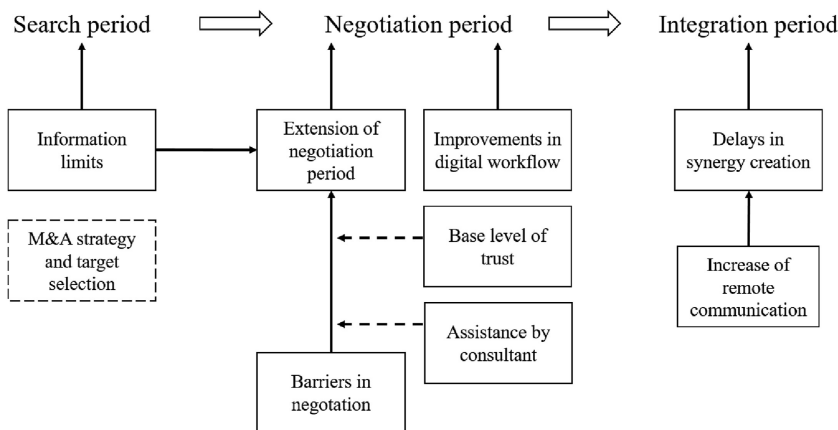
Many local employees (authors note: in Europe) are comfortable with communication on an online basis, but Japanese experts prefer face-to-face for post-merger integration (...) even if we feel that there is no necessity for such meetings.

These findings indicate that the switch to digital media might not only bring advantages (e.g. efficiency gains), especially when different cultures with different attitudes towards physical meetings are involved.

## 5. Discussion

Based on qualitative data collected from interviews, we explored how Covid-19 impacted the M&A process of cross-border acquisitions during the time of Covid-19. With regard to the research question, we identified nine main factors through which the pandemic affected the search, negotiation and integration of German firms acquiring Japanese targets. Figure 2 visualizes the results of this study.

Our findings indicate that during the search period, impacts associated with the pandemic remained limited. Covid-19 did not influence target selection in our case firms, contrary to impressions from other studies (e.g. Bauer *et al.*, 2022). Findings from the negotiation period must be viewed in a more differentiated manner. On the one hand, restrictions caused by the pandemic resulted in delays in the execution of activities in the case companies, e.g. due to dependencies on involved stakeholders (Aditya, 2023; Harroch, 2020). Additionally, virtual negotiations led to social barriers and made communication with the counterpart more difficult (Kooli and Lock Son, 2021; Thompson and Melia, 2020). In contrast, several unexpected factors became apparent: the delays were described as minor or unproblematic in all cases. Moreover, prevailing trust from interactions before Covid-19 and the assistance of consultants mitigated negotiation difficulties, as explained by the respondents. Furthermore, an increase in digitalization even resulted in efficiency gains, e.g. through an improved



Source(s): Produced by authors

**Figure 2.**  
Factors affecting cross-  
border M&A during  
Covid-19

workflow of document exchanges. Regarding the integration period, travel restrictions caused a lower degree and speed of integration than intended, resulting in delayed synergy creation. Travel restrictions also led to greater difficulty for managers in charge of integration to have timely interaction with their counterparts overseas (Siebecker and Lozano, 2020). According to the interviewees, the increased use of digital forms of communication, even after the lifting of travel restrictions, does not always seem to be perceived positively by Japanese employees.

The findings suggest that some impacts of Covid-19 on the execution of M&A activities might persist even after the pandemic ends. It can be assumed that certain activities (e.g. in the negotiation period) will increasingly be carried out digitally or with digital support in the future, especially if the companies have already established mutual trust. In this way, Covid-19 might have triggered innovations in the M&A process that will characterize the post-pandemic era in the global acquisition business. However, the findings also indicate that such new processes seem to not always create beneficial outcomes, especially in the context of cross-cultural acquisitions.

## 6. Conclusion

### 6.1 Practical implications

Our findings have several practical implications for the effective execution of cross-border acquisitions under disrupted conditions. Firstly, our study identifies factors that might create beneficial outcomes on the execution of cross-border M&A in crises like pandemics. These factors could be translated into practices for future acquisitions. For example, the use of assistance from consultants appears beneficial for managing with the additional complexity of the M&A process, as consultants have a global network and extensive experience in their field. Furthermore, the study has shown that the use of digital technologies in the negotiation phase can increase the efficiency of certain activities, such as due diligence. This trend towards digitalization is expected to continue growing even after the pandemic ends. While certain activities should rather continue to be carried out physically (e.g. negotiations on important contract details), our study suggests a hybrid approach (i.e. combining physical and digital interactions) as a logical solution for the negotiation period. The hybrid approach seems also relevant to the integration activities, as Japanese managers tend to prefer physical meetings with their colleagues from overseas for important occasions.

When physical interaction is not possible, buyers who can only observe their counterparts virtually must ensure that their intentions are understood correctly by their negotiation partners. Japanese refer to the phrase “kuki wo yomenai” (i.e. not being able to read the air in the room). In other words, cultural issues, under normal circumstances already an important factor for global businesses, become even more significant for buyers looking to acquire in Japan during crises. In this context, trust appears to be a critical factor influencing the effective execution of cross-border M&A under distressed conditions. Managers intending to acquire a company in another country should therefore take measures to build trust at an early stage, such as by visiting the potential target firm at an early stage.

### *6.2 Theoretical implications*

Our study contributes to the literature on cross-border acquisitions during the pandemic by unveiling a unique overview of particular characteristics during the search, negotiation and integration periods of specific acquisitions. Although cross-border acquisitions have been investigated against the backdrop of Covid-19, the majority of studies take a quantitative approach based on secondary data (Tian and Wang, 2024; Ho and Gan, 2021; Jebran and Chen, 2022). Most of the articles on the impact of Covid-19 on the M&A process are based on comments and assumptions from experts, not on primary data of specific cases (Harroch, 2020; Siebecker and Lozano, 2020; Thompson and Melia, 2020).

Our study provides both expected and surprising findings that extend existing theories. Consistent with previous comments, the pandemic led to delays in activities in the negotiation period in all of our cases (Aditya, 2023; Harroch, 2020). However, these delays were not perceived as a serious problem by any of the interviewees. This finding is remarkable, because it shows that cross-border acquisitions can be executed without major constraints under certain conditions. Due diligence activities were not only fraught with practical problems, as indicated in previous studies (Tian and Wang, 2024; Siebecker and Lozano, 2020). Instead, the increased usage of digital tools improved the efficiency of certain activities. In line with previous studies, assistance from consultants and prevailing trust between both parties appear to be beneficial for cross-border M&A under disrupted conditions (Maung, 2022; Schmitz and Sievers, 2021).

### *6.3 Limitations*

Notwithstanding the findings of the study, some limitations should be acknowledged. Despite the diversity of the firms in our study, we only managed to include evidence from three particular acquisitions in our sample for German–Japanese M&A. Thus, although our findings unveil innovative characteristics of cross-border acquisitions, we are unable to draw more conclusions about their implications. Due to the sensitivity of the topic, interviews with other potential companies could not be realized. Additionally, some quotes could not be included in our findings due to ethical considerations, as some interviewees rejected the permission to record their responses.

A recommendation for future research is to collect data from more cases, including those from other countries or industries with similar strategies regarding Japanese targets. Such studies can be used to support or extend the findings of this study. In this way, practical implications for future cross-border acquisitions can be enhanced.

Furthermore, the methodology of this study can be refined to provide more differentiated findings. For example, cross-border deals where companies have not yet established relationships through prior interactions can be analyzed. Analyzing acquisitions where companies had no relationship before the start of Covid-19 could significantly deepen our understanding of the pandemic’s impact on global M&A activities. Comparisons of the findings of such studies with the present study can help to expand our understanding of critical factors in acquisitions under distressed conditions.

Finally, future studies can be conducted by including surveys to validate or challenge our identified themes. Despite the primary data obtained from our interviews, more empirical work is needed to test our findings. Mixed methods approaches can also be used in this context.

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## Appendix 1

Case	Role description of interviewee	Interview duration	Interview time
A <sub>1</sub>	HQ-project leader for acquisitions: business development	45 min	September 2023
A <sub>2</sub>	CEO of Japanese target firm	60 min	September 2023
B <sub>1</sub>	HQ-head of M&A team	70 min	August 2023
C <sub>1</sub>	HQ-CEO of acquiring firm	30 min	September 2023
C <sub>2</sub>	CEO of target firm	45 min	September 2023
D <sub>1</sub>	Japanese manager, legal affairs	50 min	September 2022
E <sub>1</sub>	CEO at Japan based subsidiary and four board members	120 min	October 2022
F <sub>1</sub>	Previous CEO at Japan-based subsidiary	40 min	October 2022
–	Consultant in Germany with experience in German–Japanese M&A	30 min	July 2023
–	Consultant in the United Kingdom with experience in German–Japanese M&A	30 min	October 2023

**Table A1.**  
Description of  
interviews

**Source(s):** Produced by authors

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## Appendix 2

### Semi-structured questionnaire for the interviews

We are happy to learn how Covid-19 pandemic impacted the execution of the M&A involving your firm.

#### Introductory:

- (1) How you were involved into the M&A process (e.g. search, negotiation and/or integration period)?

#### Impact on search period:

- (1) How has Covid-19 impacted the activities to find a target/buyer (e.g. information gathering)?
- (2) How has Covid-19 impacted the choice of the target/buyer?

#### Impact on negotiation period:

- (1) How has Covid-19 impacted the activities to negotiate with your counterparty (e.g. price negotiation, due diligence)?
- (2) What was the biggest challenge that had to be overcome? How did you overcome it?

#### Impact on integration period:

- (1) How has Covid-19 impacted the activities to integrate the target into your firm/your firm into the buying firm?
- (2) What was the biggest challenge that had to be overcome? How did you overcome it?

Thank you very much for your time!

**Source(s):** Produced by authors

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