

Resilient acquisitions: financial and strategic patterns of M&As in Central Europe in a polycrisis context

Laszlo Kucseber

*Department of Finance, Budapest University of Economics and Business,
Budapest, Hungary, and*

Richard Kasa

*Department of Process Management, Budapest University of Economics and Business,
Budapest, Hungary*

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Abstract

Purpose – More than 20 years after EU accession, the Central European (CE) region has become a fully integrated part of global supply chains and has attracted growing investor interest from Germany, the UK and the USA. Mergers and acquisitions (M&A) played an important role in this process. This research aims to focus on M&As between 2019 and 2023, as the CE region was strongly affected by a polycrisis: COVID-19 and the consequences of the Russian-Ukrainian war.

Design/methodology/approach – The aim of the study is to examine, using the increasingly recognized chi-squared automatic interaction detection decision tree, whether the CE acquirers changed their expansion strategies during the polycrisis and to assess the profitability of these deals through financial analysis. The authors analyzed 3,032 deals from Poland, the Czech Republic, Hungary, Slovakia, Slovenia, Croatia, Romania and Bulgaria.

Findings – The study indicates that acquirers, through the cautious adoption of international strategies and financial exposure, have initiated successful transactions via conglomerate and limited cross-border expansion, potentially facilitating the continued advancement of the region's principal corporate entities.

Originality/value – The present research focused on M&A transactions in CE, a field which has hitherto received insufficient scholarly attention. The authors analyzed the success of these transactions during the COVID-19-induced economic and natural crisis using a representative sample. The findings may be of interest not only to academics, but also to emerging, innovative small and medium-sized enterprises for whom cross-border deals can serve as a springboard for further growth.

Keywords Acquisition, Crisis, CHAID, Financial performance, Central Europe

Paper type Research paper

1. Introduction

Company growth can be organic or achieved through acquisitions. M&As boost revenue, while organic growth comes from internal efforts (Weiss *et al.*, 2023). Acquisitions can improve efficiency and market power, but they may reduce firm value (Faleye, 2024). The literature review of our study covered the most important financial and non-financial



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factors affecting post-performance enhancement and synergy creation. [Lebedev et al. \(2015\)](#) identified deal type, payment type, ownership structure, management characteristics, previous performance, prior acquisition experience and firm size as influencing factors. [Jain et al. \(2024\)](#) place great emphasis on these factors, especially the importance of geographical distance in their bibliometric research and highlight that the analysis of performance outcomes by M&A activity remains inconclusive and demands further research. We incorporate these factors in our literature review and investigate how these affect post-acquisition success.

The sector factor is one of the most important elements of the analysis. It appears in most of our referenced studies (e.g. [Mateev and Andonov, 2016](#); [Datta et al., 2020](#); [Golubov and Xiong, 2020](#)) and from the sectoral characteristics we can conclude about the diversifying activity of the M&As ([Cerrato et al., 2016](#)). A majority of shareholders must approve strategic M&As: Our chi-squared automatic interaction detection (CHAID) calculation includes acquisition concentration because higher acquirer ownership concentration may improve post-acquisition performance ([Lebedev et al., 2015](#)). The third part focuses on the cross-border M&As (CBM&As) because capital investment from developed Western countries has driven economic growth in the region since the regime change and EU accession (in 2004 and 2007), but the open global economy has made the region vulnerable to fluctuations in foreign capital inflows.

From an international business (IB) perspective, this study contributes to the literature in two ways. First, rather than focusing on a single national market, it provides a comparative analysis of M&A transactions across nine CE countries, thereby capturing differences in acquisition patterns within an integrated regional context. Second, the study explicitly examines the international dimension of acquisitions by distinguishing between domestic and cross-border transactions. This distinction is particularly relevant in the context of CE firms' internationalization, where foreign expansion outcomes remain heterogeneous and context-dependent ([Vissak, 2024](#)). The research of [Hanif et al. \(2023\)](#) also suggests that the success of CBM&As depends not only on the level of ownership concentration but also on firms' ability to integrate acquired resources and capabilities across national contexts. Moreover, major external shocks, such as the COVID-19 pandemic, have affected firms' organizational capabilities as well as their internationalization strategies, requiring continuous adaptation to maintain competitiveness ([Olarewaju and Ajeyalemi, 2023](#)). Drawing on the three aforementioned attributes of M&As (diversification profile, ownership structure and geographical direction), this study seeks to address the following research question:

- RQ1.* How did M&A transactions carried out during COVID-19 in Central Europe perform financially and to what extent did sectoral diversification, ownership concentration and the cross-border nature of deals influence post-acquisition outcomes in this period?

We chose the CE region for two reasons: first, the CE region is plagued by polycrisis: the 2020 COVID-19 pandemic and the Russian-Ukrainian war in its neighborhood. Prior to the onset of the Russo-Ukrainian war in 2022, Europe imported approximately 25% of its oil and approximately 40% of its natural gas from Russia. The war exposed this vulnerable dependency, causing energy price increases, inflationary pressures and a slowdown in economic growth across Europe ([Zhang and Nadyrov, 2024](#)). In CE, the real economic effects were analogous to those experienced in Western European countries. However, inflation was stronger and more persistent, thereby exerting greater pressure on companies to adapt and consolidate ([Daianu et al., 2025](#)). Based on the above, it can also be assumed that the adverse economic effects of the war negatively affect acquiring companies' willingness to pursue new acquisitions and may also reduce post-acquisition success.

The value of M&A transactions in the region increased in 2018 and 2019, but the COVID-19 pandemic caused a decline in both value and number of transactions, the lowest since the 2007 crisis, while the rest of the world experienced steady increase since 2008 (Institute for Mergers, Acquisitions & Alliances, 2024). Second, we aim to contribute to the CE M&A market literature: M&A market research in CE regions has received some attention in international business literature in recent years [e.g. [Sharma and Raat \(2016\)](#) and [Iwasaki et al. \(2021\)](#)], but far fewer studies exist compared to those focusing on developed Western countries or Asia (China), it is confirmed by [Jain et al. \(2024\)](#) current bibliometric study.

The remainder of our paper is structured as follows: Section 2 reviews the relevant literature and develops hypotheses. Data and methodology are presented in Section 3. Section 4 contains the empirical results and discussion, Section 5 outlines the theoretical and practical implications, and Section 6 presents the conclusions.

2. Literature review – hypotheses development

2.1 Diversification of profile with acquisition

In the M&A literature, sectoral research often focuses on a single industry (e.g. bank mergers, [Cowan et al., 2022](#)), whereas broader M&A-oriented studies typically incorporate sectoral characteristics as explanatory variables across all industries. Consistent with this approach, our analysis covers all sectors. We disaggregated Orbis data by NAICS 2017 code(s), as in sectoral articles ([Cerrato et al., 2016](#)).

Sectoral characteristics also allow us to infer acquisition diversification strategies: Horizontal deals occur in the same sector, while vertical deals are carried out in the supply chain. In the third category, conglomerate, the acquirer and target are in different industries. Prior research suggests that firms may benefit from conglomerate acquisitions to adapt to technological change, particularly in FinTech-related contexts ([Austin and Dunham, 2022](#)).

Regional and temporal factors determine diversification: [Beltratti and Paladino \(2013\)](#) reported that 54.68% of transactions occurred within the same business subgroup, while [Mukherjee and Proebsting \(2021\)](#), based on 1,607 acquisitions, find a diversification rate of 26.8%. However, several studies arrive at contrasting conclusions. [Mateev and Andonov \(2016\)](#) argued that diversification and international expansion are closely linked, showing that 41.4% of cross-border M&As involve related firms, compared to 34.9% in domestic deals. Similarly, [Herger and McCorriston \(2016\)](#) found that conglomerate acquisitions account for a substantially higher share of cross-border transactions.

This review also examines whether horizontal or conglomerate-type deals improve efficiency. [Colombo and Rabbiosi \(2014\)](#) found that technological similarity hinder horizontal acquisition innovation performance. Research by [Rozen-Bakher \(2018\)](#) shows horizontal M&As lead to integration and synergy success in manufacturing industry, but not in services, whereas conglomerate deals generate synergy gains in both sectors. In contrast, [Ocieszak \(2020\)](#) found that diversifying M&As decreased post-acquisition efficiency and increase the internal coordination costs ([Cao et al., 2022](#)). [Cerrato et al. \(2016\)](#) found that diversifying acquisitions worsen performance during crises, which may be explained by acquirers' reluctance to explore new industrial markets, reflecting a stronger focus on their core business.

A synthesis of the referenced studies suggests the following observation: Although the overall number of M&A transactions tends to decline during crises, complete waves of M&A activity occurred in several industries. For instance, in the USA, significant M&A activity was observed across 23 sectors during the crisis period ([İlaslan and Tanyeri-Günsür, 2024](#)). This phenomenon may be explained by the fact that, under crisis conditions, firms may still engage in

conglomerate-type acquisitions that could temporarily reduce operational efficiency if such transactions are essential for corporate survival. In times of crisis, the urgent need to acquire new technologies or fully integrated systems can make conglomerate acquisitions particularly attractive, irrespective of whether these measures enhance long-term efficiency. At the same time, the literature offers no consensus on the efficiency effects of diversification during crises. While several studies document declining performance and rising coordination costs, others emphasize the strategic role of conglomerate acquisitions in facilitating adaptation and survival under heightened uncertainty. This ambiguity underscores that the impact of diversification is highly context-specific and contingent on economic conditions and integration capabilities.

Sectoral data therefore enable us to examine whether acquiring companies diversify by targeting companies in different sectors. Accordingly, following [Mukherjee and Proebsting \(2021\)](#), we classify transactions into horizontal and conglomerate acquisitions.

Post-acquisition performance measurement can be classified into three groups ([Eulerich et al., 2022](#)): accounting measures (e.g. profit, margins, growth), market-related measures (e.g. shareholder return, abnormal returns) and other objective measures. We use accounting measures that fit our goal of measuring long-term post-acquisition performance (Central Europe has few Stock Exchange-announced M&As: Our sample had only 39 cases, representing less than 2% of the total). Return on assets (ROA) measures how efficiently acquiring firms use a given amount of assets, and changes in ROA indicate efficiency improvements ([Chen et al., 2015](#)). Besides ROA, post-acquisition research publications use other ratios, such as the combined sales margin ([Rao-Nicholson et al., 2016](#)), profit margin and asset turnover ([Bruyland et al., 2019](#); [Iwasaki et al., 2021](#)). In the present study, the ROA, ROE and their component parts are used as measures of operating efficiency and profitability. Based on the reviewed literature, we propose the following hypothesis:

- H1.* Diversifying M&A transactions declined during the COVID-19 period and contributed less to post-acquisition efficiency improvements than non-diversifying transactions in Central European firms.

2.2 The influence of ownership characteristics on post-acquisition performance

M&A transactions can change the acquiring firm's ownership structure, so we also consider ownership structure, concentration and financing to extend the diversification profile-efficiency change relationship.

Prior research highlights that whether a company is public or private is important for statistical analysis of management efficacy: Public ownership associated with more agency conflicts than private ownership because private bidders have strong internal governance, such as high insider ownership, concentration and fewer shareholder power limits ([Golubov and Xiong, 2020](#)). In line with this argument, they reported that private bidders increased ROA by 3%–8% in the three years after deal completion. However, this ownership-based advantage may reflect governance quality rather than ownership form *per se*, as effective monitoring and incentive alignment can also be present in publicly listed firms. Beyond ownership form, the type of investors involved in M&A transactions further shapes deal characteristics and outcomes. Strategic integrators focus on firm-specific assets like production facilities and intellectual property to save money and generate revenue, according to [Gemson \(2021\)](#). In contrast, institutional investors are more likely to engage in large, cross-border M&A with full control ([Andriosopoulos and Yang, 2015](#)).

The governance–performance relationship is also supported, albeit not unambiguously, by earlier studies. [Martynova and Renneboog \(2008\)](#) state that in full or controlling acquisitions, if the bidder has better governance than the target pre-deal, the combined firm's

management and synergies will improve. This conclusion is reinforced by [Arvanitis and Stucki \(2013\)](#), who show that successful post-acquisition integration allows acquiring firms to exploit synergy potential more effectively. In contrast, [Gigante and Angioni \(2023\)](#) demonstrate that staggered boards and supermajority vote requirements lower ROE.

Overall, the literature does not provide a unified view on the performance implications of ownership structure and control in M&A transactions. While several studies emphasize the benefits of concentrated ownership and strong governance for synergy realization, others point to rigid governance mechanisms as potential constraints on post-acquisition performance. These mixed findings suggest that ownership effects are context-dependent and may operate through channels such as information availability, control rights and integration complexity rather than ownership form alone. Building on this literature, and shifting the focus from ownership form to ownership extent as a more direct proxy for control and information availability, we classify M&A transactions into four groups based on the acquired stake and the acquirer's initial ownership position: In Group 1, the acquirer purchased 100% of the target company without prior ownership. Group 2 acquired 51%–99% of the target, not full ownership, but enough for a qualified majority. Group 3 consists of cases where the acquirer had a stake below 50% and wanted to increase it. Group 4 includes acquirers with more than 50% stakes who want to increase their stake. If there is informational asymmetry about a key target company attribute and verification costs are high, overcoming this challenge may be difficult ([Bhaumik et al., 2018](#)), but Group 3 and 4 lack this asymmetry. Based on the above reasoning, we derive the following hypothesis:

- H2. Deals in which the acquirer already holds a stake (Groups 3–4) should be more likely to generate greater synergies due to lower information asymmetry and smoother integration. During COVID-19, heightened uncertainty and verification costs amplified information asymmetries, further strengthening the relative advantage of Groups 3–4 and privately governed bidders.

The financing possibilities can influence the acquired stake: [Martynova and Renneboog \(2008\)](#) found that equity-financed public acquisitions yield lower returns. Similar to [Cerrato et al. \(2016\)](#), the debt/equity (D/E) ratio can be used to measure indebtedness. Deal financing and payment are intertwined: cash is one of the most common payment methods ([Hossain et al., 2023](#); [Beltratti and Paladino, 2013](#)), but it affects a company's liquidity and post-acquisition performance, so we also examine the acquirer and target companies' liquidity and D/E ratios.

2.3 *Can cross-border deals improve the efficiency of companies?*

According to [Beltratti and Paladino \(2013\)](#), only 36% of M&A deals involve acquirers and targets in the same country, meaning the majority were cross-border. CBM&As generated the 5th M&A wave, so this result is not unique ([Fuad and Gaur, 2019](#)). After the fall of socialism in the 1990s, many foreign banks and companies entered Central Europe as greenfield or cross-border acquisitions ([Bhaumik et al., 2018](#)).

Cross-border transactions can involve investments in neighboring countries and continents, so we start with the distance factor. Shorter distances between firms increase international M&A ([Barros et al., 2024](#)). ASEAN firms prefer acquisitions in stable, low-risk nations ([Zhang et al., 2023](#)). Distance increases transaction, monitoring, agency and information asymmetry costs and lowers soft information value ([McCarthy and Aalbers, 2016](#)). It hurts deal negotiation and post-deal performance. During the crisis caused by the COVID, the impact of these factors caused the decrease of the CBM&As: Besides these the research of [Bebenroth et al. \(2024\)](#) discovered more impediments e.g. difficulty in building and maintaining physical networks, Absence of personal trust, challenges in building consensus with all involved parties.

In the following section of the literature review, we focus on studies that investigate the performance of CBM&As. [Hauser \(2018\)](#) showed that remote boards worsen ROA and that removing them improved results. According to [Agyei-Boapeah \(2019\)](#), foreign acquisitions decrease corporate performance, but [Campagnolo and Vincenti \(2022\)](#) found that foreign ownership boosts target firms' profitability compared to domestic firms and M&A companies' post-acquisition performance did not decline despite cultural frictions between national cultures. [Ahammad and Glaister \(2013\)](#) also note that cultural fit increases the likelihood of successful acquisition performance because acquirers prefer targets with higher cultural similarity [while geographic distance is not found to be related to performance outcomes ([Kukreja et al., 2024](#))], but it is less important during global economic uncertainty ([Irwin et al., 2022](#)). In CBM&A, the acquirer's country of origin affects target performance ([Lebedev et al., 2015](#)). In addition to distance and cultural fit, bidders from countries with better institutional quality and investor protection are more effective during M&A and integration ([Hussain and Loureiro, 2022](#)). [Mateev and Andonov \(2016\)](#) found that European CBM&A acquirers have better financial performance (proxied by ROA) than domestic acquisitions.

In the statistical analysis we focus on acquisitions by buyers from the 8 Central European (CE) countries. We examine the impact of the acquisition on CE firms' post-acquisition performance, but we do not exclude transactions by these acquirers outside the region from the market analysis. Thus, we have three categories: domestic (acquirer and target in the same country), intra-regional cross-border (acquirer and target in different countries but operating in the CE region) and CBM&A outside the region. Based upon our discussions, we thus offer the following first hypothesis:

- H3.* Cross-border M&A transactions involving Central European acquirers are more likely to improve post-acquisition performance than domestic deals, as relatively low cultural distance facilitates international expansion and integration, even during periods of economic uncertainty.

3. Methodology and data

In our secondary research, we also assessed the data sources used by the authors for the empirical research. The most commonly used databases were Thomson Reuters/Eikon Refinitiv, Orbis Bureau Van Dijk and Bloomberg. Consistent with most international research, transaction-level and financial data in our study were obtained from the Orbis database. The sample selection criteria were as follows:

- We filtered for the acquisition transactions (the number of mergers would not have allowed any statistical analysis to be carried out).
- The database contains the announced deals, but we took into account the completed deals.
- We excluded deals by public authorities, states or governments.
- The financial data that were not normally distributed were removed and the missing data during the outlier filtering were removed for each variable, as well.
- Time period: 01/01/2019–31/12/2023 (the detailed explanation in the next paragraph).
- As a ninth country and control group, we included Austria (with 356 deals), which was chosen because it is geographically the strongest developed economy in the CE region, but has similar characteristics in terms of area and population to most of the countries we studied.

- We also included company size data in the classification process using decision trees, based on the Orbis classification (medium-sized, large and very large companies).

A specific methodological issue in our financial analysis is the time window of the study: it is necessary to determine how many years before and after the acquisition should be studied. The years before the acquisition are the “baseline” against which changes can be measured. Due to methodological constraints, we define the window of analysis in years, as we collect annual (accounting) reports. The most cited studies use a two- to three-year window before and after the acquisition (e.g. [Austin and Dunham, 2022](#); [Hu and Li, 2022](#); [Campagnolo and Vincenti, 2022](#)). In our research, we use two-year pre- and post-acquisition periods, similar to [Mamun et al. \(2021\)](#). This means that in the financial analysis we can investigate the M&As carried out in 2021. Although COVID-19 spread widely in 2020, its most significant economic effects materialized in 2021, during which the entire year was affected by the pandemic. In the next part of our article, we refer to the years 2022 and 2023 as the post-coronavirus years. Following the applied data-filtering procedures, the financial analysis is based on a sample of 391 M&A transactions completed in 2021.

To test our hypotheses, we use decision tree classification techniques, rather than regression analysis, alongside descriptive statistical methods. We choose CHAID because both the dependent and independent variables in our analysis are categorical rather than measured on a metric scale, since CHAID’s “natural language” is cross-tables and chi-square tests ([Lin and Fan, 2019](#)). In this setting, regression-based approaches would require extensive dummy coding and a large number of pre-specified interaction terms, increasing model-specification risk and reducing interpretability. By contrast, CHAID is designed for categorical outcomes and predictors and uses chi-square tests to identify the most informative splits while iteratively merging statistically similar categories, producing parsimonious and interpretable segments. This is particularly suitable for our research objective, which is to uncover strategy patterns and combinations of deal characteristics that differentiate M&A behavior across the polycrisis period, rather than to estimate an average marginal effect under linear/additive assumptions. Moreover, CHAID naturally captures non-linearities (does not require linear relationships among variables) and higher-order interactions, is robust to distributional violations (outliers) common in transaction data and yields decision rules that can be directly communicated as managerial implications.

We use the CHAID to summarize the characteristics of the deals and determine which features have stronger or weaker influence on the other. CHAID enables data classification and forecasting by providing an effective structure that displays options in the form of a “tree” (comprising a root node, branches and leaf nodes). The process starts with determining a dependent variable as the root node and the independent variables as parent nodes which are further split into branches ([Samar et al., 2019](#)). CHAID operates by calculating Chi-squared statistics to identify the most suitable groupings. It begins by analyzing cross-tabulations between each input variable and the target variable, followed by a significance test using the Chi-squared test of independence. For each variable, it assesses the significance levels of the differences observed in the dependent variable ([Lin and Fan, 2019](#)). If multiple correlations are found to be statistically significant, CHAID selects the input variable with the highest level of significance (i.e. the smallest p -value). For input variables with more than two categories, CHAID compares these categories and merges those that do not show a significant difference in the outcome. This merging is done iteratively by combining the pairs of categories with the least significant difference first. The process continues until all remaining category groupings differ significantly at the predefined significance level ([González-Arias et al., 2017](#)).

4. Results and discussion

4.1 *The characteristics of the Central European M&A markets*

In this section, we present the results of a descriptive statistical analysis of the general characteristics of 3,388 transactions, following the logic of the theoretical chapter. Before that, however, we will review the evolution of the numbers and values of the transactions that have taken place during the period under study. In 2021 the number of M&As slightly increased, but in 2022 and in 2023 the number of cases decreased. Austria had a reverse trend after COVID, as the Austrian acquirers carried out more deals than during the COVID years. The increased numbers in the COVID years (2020–2021) could be explained by the fact that acquirers purchased businesses at a discount after a crisis and began the sale process with a lower value expectation (Krukowski and DeTienne, 2022). This assumption is supported by our results for the COVID years: although the median deal value decreased by 56% from 2019 to 2020, by 2021 the median had increased by almost 80%. Similar data were reported by the IMMA Institute: from 2019 to 2020, there was a 47% decrease in aggregate M&A value in the Eastern Europe region, while by 2021, there was a 52% increase. By 2023, neither our data nor that of the IMMA Institute suggests that deal values had returned to the 2021 level. The highest value deals in each year under review were in Poland, Hungary and the Czech Republic.

Regarding diversification, we examined sectoral dominance during the investigation period. Four sectors had shares above 10%: IT (16%), finance (15.7%), manufacturing and mining (15.3%) and trade and logistics (12.4%). By 2023, the manufacturing and construction sectors had shown signs of recovery, likely due to their full reopening post-COVID and increased investor interest. Rising energy costs may also have driven acquisitions of struggling firms. Although healthcare acquisitions rose slightly by 2022, the sector remained marginal, suggesting that COVID did not significantly boost M&A activity in healthcare.

Sectoral trends of target companies show consistent patterns, though case numbers vary by acquirer activity. As outlined in our methodology, we distinguished horizontal and conglomerate transactions to assess diversification. Horizontal deals exceeded 50% annually, with minimal COVID impact (only a 1% increase from 2021 to 2023). This result is similar to the findings of Beltratti and Paladino (2013), but in country-level there are differences: Poland, Hungary and the Czech Republic had higher post-COVID shares of conglomerate deals, while others remained below 50%. This rise signals acquiring firms' potential for growth, diversification and strategic flexibility, as conglomerate deals reflect internal capability expansion rather than external outsourcing.

As highlighted in the theoretical chapter, ownership acquisition extent influences deal success (Golubov and Xiong, 2020; Gemson, 2021; Andriosopoulos and Yang, 2015). Group 1 (no prior stake, full 100% acquisition) dominated with 55%, peaking in 2020, then slightly declined in the post-COVID. Group 2 (acquiring $\geq 50\%$ but $< 100\%$) was the second most common, with a 1 percentage point increase after COVID. Group 3 includes buyers increasing their stake but remaining below 50% level, showing similar trends to Group 2. Group 4 refers to existing owners exceeding 50% ownership, with slightly lower frequency (1–2%) than Groups 2 and 3. In Austria (the control group), Groups 1 and 2 were more prevalent (69% and 22%), while Groups 3 and 4 remained low (around 5%), a pattern only matched by the Czech Republic in Group 1.

The third focus of our paper is geographical trends. Poland led in M&A activity (1362 cases), followed by the Czech Republic (587), Austria (356), Hungary (302) and Romania (281). While Hungary, the Czech Republic, Slovakia and Slovenia faced declines, post-CHAID increases occurred in Poland, Croatia, Romania, Bulgaria and Austria. Domestic transactions dominated in all countries, ranging from 63% in Slovakia to 97% in Romania. Poland (92%)

and the Czech Republic (85%) also had high domestic rates, while Austria had only 26%, with 62% of its deals targeting countries outside the CE region.

Since size was included in our CHAID analysis, larger acquirers' synergy potential was considered (Chkir *et al.*, 2020). Results show "Very large companies" had the highest transaction rates before and after COVID, increasing by over 10 percentage points by 2023, while other categories declined. This indicates the largest firms dominated the acquisition market in post-COVID. Examining transaction values further emphasizes the trend toward large and very large companies. There was no significant change in target company size after COVID, although in 2022 the share of Large and Medium-sized targets rose slightly (by 2–3 percentage points). This suggests COVID impacted all firm sizes, prompting sales, while smaller firms were not disproportionately acquired. Country-level data showed that around 70% of deals involved large or very large acquirers. In Austria, this figure exceeded 80%. Size comparison revealed that in over 60% of cases, the acquirer was larger than the target, indicating that larger firms typically acquire smaller ones.

4.2 The CHAID analysis of M&As in Central European region

In the previous chapter, we reported the results obtained with descriptive statistical tools for the CE M&A market. In this section, following the structure of the theoretical and Section 4.1.1, we ran three CHAID analyses (by diversification direction, deal type and geographical type), supplementing and validating them, revealing further deeper correlations, relying on a more complex analysis in addition to the personal analyst results. As we detailed in the methodology part, nodes are created and "numbered" by CHAID. A node contains the values (number and percentage) of the tested attributes supplemented with graphs. We kept the basic settings in the program, the only modification was the fixed setting of the Completed year variable to level 1,

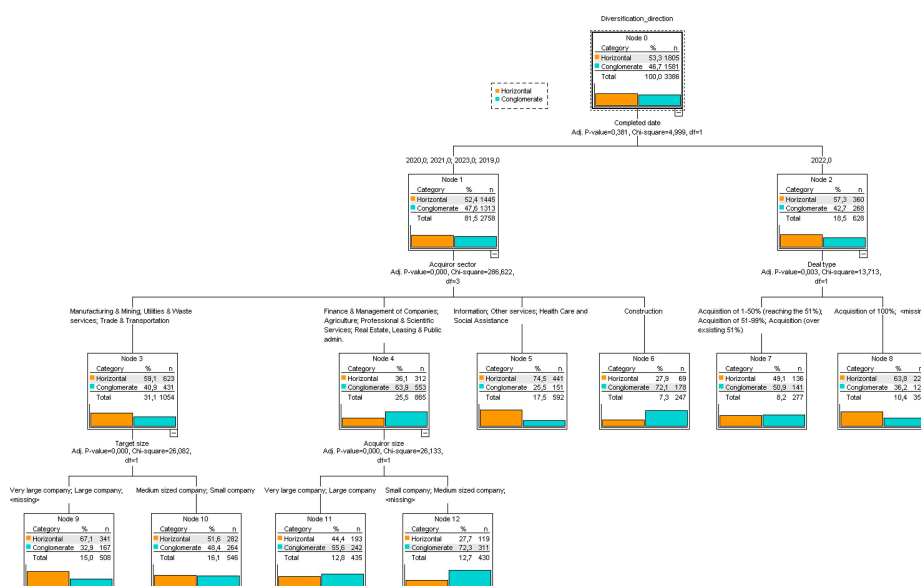


Figure 1. CHAID I of acquisitions in CE

Source: Authors' own work

which gave us the opportunity to have the program start the analysis grouped by individual years (which is important for the topic of the thesis).

The CHAID tree according to the direction of diversification (see Figure 1) only separated the year 2022 at the “Completed year” level. In this year, the proportion of horizontal deals was 57.3%, thus almost 5 percentage points higher than in the other years combined (node 1). The classification procedure further divided Node2 based on Deal type. The 100% acquisitions were placed in a separate node (node 8). Horizontal deals in this Node are approximately 7 percentage points higher than in the parent Node2. This phenomenon may be explained by the fact that, by 2022, even more companies were in a crisis or near-crisis situation due to the prolonged COVID, which made them targets for acquisition by competitors.

The other branches (node 3–6) contain the sector values of the acquiring company. Node 6 is made up of the construction sector alone, while the other three nodes are made up of several sectors. In node 5, which also includes the healthcare and the IT sector, the proportion of horizontal deals was outstanding. The program further broke down node 3 and node 4, in the former case the target size dominated, while in the latter, the acquirer size dominated. Node 3, which included the “traditional” manufacturing and trade sectors, gave rise to node 9 (explaining 16% of all cases). According to the results when the acquirers targeted smaller companies, they were almost half horizontal and half conglomerate deals, while among the deals of large target companies (node 10), the horizontal type dominated with 67%, which suggests a market acquisition strategy. Node 4, which includes mainly Finance and other connecting service sectors, was dominated by conglomerate-type deals (63.9%). Consistent with the findings of Herger and McCorriston (2016), conglomerate deals were strongly driven by financial arbitrage opportunities, as large, multi-national companies invested in countries where firms are undervalued.



Figure 2. CHAID II of acquisitions in CE

Source: Authors' own work

Our second CHAID analysis focused on the classification by the deal type category (Figure 2). At the first level, two nodes were created based on the completed year: The program automatically classified the transactions into the COVID-affected years (node 1) and the post-COVID years (node 2) categories without manual intervention for this variable, as well as for the geographical variable.

At the second level, the size of the target company became the most decisive characteristic in the breakdown of both node 1 and node 2. Taking advantage of the comparability of the nodes, we would like to highlight the very large company group, in which a 15-percentage-point difference occurred in the 100% share acquisition category (node 3 versus node 6). We can explain this as a symptom of the crisis, in which these multi-national companies took advantage of the impact of the crisis to be able to acquire these companies in their entirety at a lower value. At level 3, the small (and before COVID, the medium) category was further broken down based on the acquirer size. Thus, during COVID, multinationals acquired small companies in full at a rate of 63.4% during COVID compared to 45.2% in the non-COVID period.

The independent variable of the third CHAID tree was the direction of geographical expansion. The program classified the years of M&A transaction implementation in a similar breakdown to that presented for CHAID II. The essential difference between them is that in 2020 and 2021 (during the COVID) the number and proportion of transactions outside the region were significantly lower than in other years, which can be interpreted as the acquiring companies moving toward domestic transactions that carry less risk. These findings align with previous research referenced in Section 2.3 e.g. [Bebenroth et al. \(2024\)](#).

4.3 Post-acquisition attributes of acquirer companies

In the continuation of the empirical part, by analyzing the return rates of the selected acquiring companies, we can get an answer to the question of whether M&A transactions helped the acquiring companies create value or not. This approach follows the dominant accounting-based performance evaluation framework in crisis-time M&A research ([Chen et al., 2015](#); [Eulerich et al., 2022](#)). The ROE values of the companies examined were positive in 2019, except for one sector (with ROE values between 10% and 20%), so the acquirers had basically favorable returns in the year preceding the acquisition year (and COVID). In 2020, several sectors already showed negative ROE values, or lower values compared to 2019, which is consistent with the short-term performance deterioration documented by [Cerrato et al. \(2016\)](#) during periods of heightened uncertainty. The IT, trade and health care sectors showed growth, with the latter reaching outstanding ROE values throughout, except for the year 2023, supporting prior evidence that technology-intensive sectors are better positioned to extract synergies during crises ([Austin and Dunham, 2022](#)).

The ROE values are also examined by horizontal and conglomerate breakdown. Companies that implemented conglomerate transactions achieved a higher ROE and profit margin every year. This result contrasts with the findings of [Ocieszak \(2020\)](#) and [Cerrato et al. \(2016\)](#). The higher rates of return on conglomerate M&A deals suggest that acquiring companies (given that the economy was unable to expand during the COVID years) achieved their results not through horizontal deals aimed at increasing revenues, but through conglomerate deals aimed at improving operational efficiency.

If we examine the data by ownership structure type, then, with the exception of Type 4, the ROE values in 2020 were lower than in 2019. In 2021 and 2022 (with the exception of Type 3), the ROE is more favorable, but in 2023, three out of four types achieved an average return on equity that was even lower than the 2020–2021 value. This pattern reflects the non-linear and temporally uneven post-acquisition performance trajectory highlighted by [Martynova and Renneboog \(2008\)](#). The favorable values in 2021 and 2022 can also be

explained by the fact that the announcement of an attempt to acquire another organization during the economic crisis can be interpreted as a signal of financial health (Beltratti and Paladino, 2013), particularly in environments where access to financing and governance credibility are critical (Golubov and Xiong, 2020).

The country-level analysis reveals analogous trends to those observed in the sectoral analysis: in half the cases, ROE in 2020 or 2021 was lower than in 2019, improved in 2022, then declined in 2023. Only Slovenia and Bulgaria reached ROE growth during COVID, but also faced declines in 2023. Austria, the control group, followed the same trend, with a sharper decline in 2023. Most CE countries outperformed Austria, except Poland, based on their ROE, ROA and net profit margin. This finding nuances the view that more developed capital markets necessarily facilitate superior post-acquisition performance, echoing earlier mixed evidence on country-level institutional advantages in M&A outcomes (Herger and McCorriston, 2016). This may suggest Austrian acquirers failed to realize M&A synergies, or crisis impacts offset them.

We compared profit margin growth with national GDP growth to assess whether acquirers outperformed their economies (see Table 1). Real GDP (in parentheses) declined notably in 2020, 2022 and 2023. Despite this, acquirers maintained positive profit margins in all countries in 2020 and 2023, though Poland's ROE underperformed in 2021–2022. These results suggest that, while acquirers could not fully avoid recession impacts, their post-M&A performance reflects successful management of both crisis and integration challenges.

We compared the values of the operating profit margin (measured with EBIT) and the net profit margin, because if the latter is higher than the operating profit margin, it may indicate that the acquiring companies have (also) realized financial synergies from the success of the M&A transaction.

In the case of the companies examined, the net profit margin was higher than the EBIT margin in the two years after the M&A, but the same situation was typical in the year before the acquisition, so it cannot be clearly stated that the new M&As are behind this difference. This finding cautions against attributing post-acquisition profitability improvements solely to M&A-related synergies, a concern also raised by Chen et al. (2015). At the same time, this situation indicates that the companies examined were already in a position at the beginning of the acquisition to rely not only on the results of their own operational activities, but also on other sources of profit, which may have facilitated their ability to undertake acquisitions during a period of elevated uncertainty.

Table 1. Profit margin and real GDP growth after the M&As by countries

Categories	2021	2022	2023
<i>Acquiror country</i>			
Poland	1.83 (6.9)	4.18 (5.3)	3.36 (0.1)
Hungary	17.33 (7.1)	15.58 (4.3)	14.62 (−0.9)
Czech Republic	12.68 (4.0)	15.12 (2.8)	17.91 (−0.1)
Slovakia	9.96 (5.7)	5.76 (0.4)	15.82 (1.4)
Croatia	12.71 (12.6)	1.86 (7.3)	−4.77 (3.3)
Slovenia	4.80 (8.4)	11.53 (2.7)	2.40 (2.1)
Bulgaria	15.58 (7.8)	6.25 (4.0)	1.60 (1.9)
Romania	14.85 (5.5)	15.71 (4.0)	10.01 (2.4)
Austria	8.09 (4.8)	5.28 (5.3)	−0.07 (−1.0)

Note(s): The values in italic shows negative values

Source(s): Authors' own work

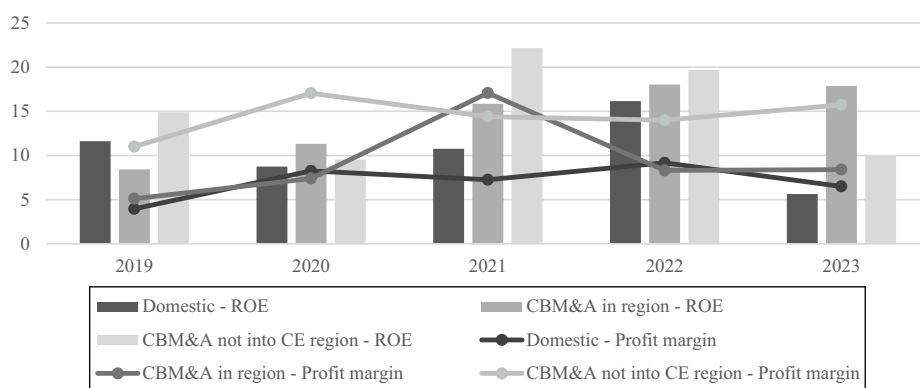


Figure 3. ROE and profit margin by geographical direction

Source: Authors' own work

In terms of geographical direction (see [Figure 3](#)), the trends of ROA and ROE are similar to those presented so far, with the addition that the rates of return of “domestic” deals (with the exception of ROA in 2019 and 2020) are significantly lower than those of cross-border deals. These results are similar to the findings introduced in the literature review e.g. [Mateev and Andonov \(2016\)](#). As observed in our sample, cultural fit contributed to synergy creation, consistent with the findings of [Ahammad and Glaister \(2013\)](#).

Unlike sector and country trends, large companies showed significantly lower ROA, ROE, profit and EBIT ratios from 2021 compared to smaller firms and their own 2019–2021 values. Despite the importance of ROA and ROE, “profit per employee” highlights a decline in efficiency. From 2020, this indicator steadily dropped, reaching about half its 2019 value by 2023 across most categories. This may result from acquiring companies increasing their average employee numbers in nearly all countries and sectors (except Poland and the finance sector), indicating they retained or added staff post-acquisition despite the crisis, contrary to expectations of layoffs during integration and crisis periods.

Finally, we also examine corporate liquidity, as it serves as a key indicator of economic and financial stability. It is plausible that both the COVID-19 pandemic and M&A activity had a significant impact on firms' solvency. Only 34% of domestic transactions were cash-based, but 70% of cross-border transactions were ([Mateev and Andonov, 2018](#)). [Kanungo \(2021\)](#) found that UK acquirers using share payments during the financial crisis increased market value. [Kooli and Son \(2021\)](#) found that share-based payments helped the firms preserve cash during COVID-19. The larger firms in our sample had slightly lower liquidity in 2020, possibly due to higher-value deals. No solvency concerns existed, as all the liquidity ratios were well above 1. There were notable financing characteristics: 2021 had the lowest long-term liabilities and D/E ratio. The transaction types differ greatly: Companies that bought new companies borrowed more than those that already owned a stake. However, the latter type had a higher D/E ratio, suggesting debt supported the acquisition of original shares.

4.4 Discussion

The following section will undertake an evaluative and explanatory analysis of the three hypotheses of the study and thereafter proceed to outline the limitations thereof.

First, COVID-19 significantly affected company diversification. Our findings are opposite to *H1*. In Poland, Hungary and the Czech Republic, conglomerate-type transactions increased after COVID-19, while in the other countries they were below 50%. Our financial analyses showed that acquiring companies increased returns in the IT, trade and health care sectors, with the latter producing outstanding ROE (and ROA) values throughout, except in 2023. Contrary to earlier crisis-period evidence (e.g. [Ocieszak, 2020](#)) in our sample, the conglomerate transactions had a higher annual ROE (and a rapid increase in 2022) than those following a horizontal (market acquisition) strategy. We can explain this result by noting that the synergies of a conglomerate acquisition are efficiency improvements or cost reductions, which are easier to achieve than revenue synergies ([Chartier et al., 2017](#)), as the latter requires maintaining existing customers and acquiring new ones, which becomes especially challenging during economic downturns ([Barros and Domínguez, 2013](#)). Another reason for the more successful conglomerate deals is crisis-resilient management: The conglomerate acquirer companies could sustain their liquidity situation and had higher ratio than the horizontal group, during the COVID and after the deals, as well. From this we can conclude that the management implementing conglomerate deals strove to be risk-averse, therefore they kept the liquidity ratio in a high level and avoided the more risky horizontal deals.

The second hypothesis is regarding the ownership concentration: Although the literature generally emphasizes the advantages of preexisting ownership and lower information asymmetry, 55% of the acquirers had no stake in the target company and bought 100%, these acquirers reached better synergies and performance in every investigated years, than the other companies which had stakes in the target before M&A. Because of these results, we do not support the *H2*. According to CHAID, large companies were not acquired more during COVID-19, but acquiring companies bought the whole company. This pattern may reflect crisis-driven investment behavior, whereby acquirers expand by purchasing undervalued or financially weak targets at reduced prices ([Masulis et al., 2023](#)), making full ownership economically attractive despite higher initial integration costs.

In all countries examined, domestic M&A deals dominate, although Austria represents an exception, with only 26% domestic transactions. Under *H3*, we assumed that CBM&A deals would improve the post-acquisition performance because these companies could enter international markets. While the observed decline in CBM&A activity indicates that the crisis hindered the internationalization of CE firms, our performance results nevertheless support *H3*: Other than ROA 2019 and 2020, domestic deals had lower financial synergies than foreign-oriented deals. CBM&A may be more successful because management is more experienced and open to serial, cross-industry and cross-border acquisitions ([Osiichuk and Mielcarz, 2023](#)).

In our study we include all of the deals which were available in the Orbis database, therefore we can consider that our results are representative. Despite this, there are some limitations to our study: We investigated the financial (quantitative) data from annual reports, so we have only one data set per each year. The so-called qualitative information could nuance our theses, which can make possible by interview processes and questionnaires in the future.

5. Theoretical and practical implications

In this section, we undertake a review of the theoretical and practical contributions of our study. A significant theoretical contribution of the study is the novel insights it provides on the merger and acquisition markets of eight CE countries, particularly with regard to adaptation during periods of economic downturn and corporate performance. The database under scrutiny contains more than 3,000 transactions, thus providing a comprehensive picture of market activity in the region. It is understood that the present study is the first to examine the structural characteristics

of the CE M&A market and post-acquisition financial performance during the pandemic. The analysis was conducted using the CHAID decision tree method, a technique which has gained increasing popularity in the international literature. This approach enabled a comprehensive classification of the factors determining post-acquisition outcomes and the exploration of the nonlinear relationships among them. From a theoretical perspective, this approach facilitates the interpretation of M&A decisions made during the crisis, transcending the limitations of linear causal models and embracing a system of multidimensional, mutually interacting factors.

The findings of this study indicate that the impact of crises in the region does not align with the patterns observed in developed Western markets. It is of particular theoretical significance to note that diversified conglomerate-type transactions have been demonstrated to be associated with superior outcomes in numerous instances. This observation serves to refute the prevailing perspective in the extant literature, which posits that solely related-party acquisitions can be regarded as an effective strategy during periods of uncertainty. This suggests that, in a crisis, diversification may represent not only coordination costs but also resilience and alternative growth opportunities.

The practical contributions of this study are primarily related to the management of the acquiring firm. The findings demonstrated that successful transactions were more frequently associated with firms that acquired the target company in its entirety. The acquisition of a target company often results in managerial and organizational changes that can enhance innovation performance (Colombo and Rabbiosi, 2014). From a pragmatic standpoint, this suggests that during periods of crisis, the attainment of complete control may become more advantageous, as it can facilitate more expeditious integration, more unified decision-making and more effective exploitation of synergies. Consequently, for managers, both the economic cost of the transaction and the degree of control obtained should be considered key strategic factors.

At the same time, independent leadership alone is not sufficient, as CEOs who make fewer acquisitions find it harder to learn from past mistakes, while frequent acquirers are more likely to gain experience and develop their integration capabilities (Ji and Jiang, 2022). Bauer *et al.* (2018), however, argued that prior acquisition experience is not always useful when companies enter new industries, as the contextual settings differ. Our study supports a middle ground between these two approaches: acquisition experience alone is not sufficient, but when combined with adequate financial stability, an adaptive managerial mindset and regional market knowledge, it can become a significant success factor. Therefore, companies should develop M&A capabilities as an organizational capability rather than treating acquisitions as isolated transactions.

6. Conclusions

Compared to previous financial crises the analyzed CE companies were struggling due to environmental and financial factors, as well. However, the epidemic exposed corporate weaknesses and allowed companies to innovate and to change their strategies (Kooli and Son, 2021): The CE acquiring companies after the acquisition were basically not indebted, had strong liquidity and (based on EBIT and profit margin) achieved financial synergies, so we can conclude from the positive values after M&A that they successfully managed the double challenges of the crisis and integration. Here we must also make the important addition that before the M&A transaction, the acquiring companies were basically in a good financial situation, so they faced the challenges caused by the crisis and integration from a successful position and with effective management. Notably, the acquiring companies did not lay off their employees despite the crisis, but rather increased the average number of employees partly due to the acquisition (assuming state job protection effects).

Nevertheless, the findings of this study also indicate that periods of crisis can be viewed not only as times of risk but also as opportunities for strategic repositioning. It is evident that companies which possess adequate financial reserves, the capacity to make rapid decisions and competencies in integration are able to establish a lasting competitive advantage even in uncertain environments. This is a lesson of particular importance to the CE region, where the objectives of catching up and strengthening international competitiveness remain key economic goals. Consequently, future corporate growth strategies may use M&A not only to accelerate expansion, but also to strengthen long-term adaptability and improve firm performance.

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Corresponding author

Laszlo Kucseber can be contacted at: kucseber.laszlo@uni-bge.hu