

2020

Transformation, Efficiency, Opportunity:

Transactional Technology in M&A

Contents

Introduction	3
A Current Snapshot	4
Challenges and Tensions	6
Technology, Providers, and Investments	9
Use and Plans for Specific Technologies	13
Conclusion	18

Methodology

In Q4 2019, Mergermarket, in partnership with SRS Acquiom, surveyed 100 senior M&A executives. The respondents were law firms with an M&A practice (50), strategic buyers (25) and financial buyers (25). Titles include: managing directors, chief counsels, chief financial officers and partners. All respondents were headquartered in the US.

Introduction

The future—in the form of deal-enabling technology—is already here, yet the uptake of technology by M&A parties remains variable

There is no question that technology affords significant new opportunities to deal participants at every stage of the M&A process. It transforms the way buyers identify and evaluate potential targets, reduces the time to carry out due diligence once a deal is underway, lowers expenses, creates a more efficient use of time for deal parties, and can assist with post-merger integration.

This study shows law firms and financial buyers (private equity) eager to acquire new technology, while some strategic buyers (corporations) continue to explore options.

The distribution of tech is far from even. Our findings reveal that strategic buyers are, by and large, less inclined to take full advantage of the available technology than financial buyers or law firms. This could put some of them at an increasing disadvantage compared to tech-enabled bidders. Additionally, deal parties who are not-tech enabled or lack tech-enabled partners will be less efficient in deal administration than their tech-enabled counterparts.

Across the M&A ecosystem, numerous deal parties have invested in technology and those who have not may soon find themselves at a competitive disadvantage or increasingly dependent on advisors to provide them with access to deal-enabling technology. This study highlights where investments are being made and areas of concern for some parties.

**The future is already here –
it's just not very evenly distributed.**

William Gibson, novelist

A Current Snapshot

Technology is supercharging the M&A process

Technology has become increasingly embedded in every facet of the M&A process, from identifying targets to post-closing integration. The attraction is clear for deal participants: Tech can improve efficiency, reduce costs, generate unexpected insights and offer deal participants greater agility.

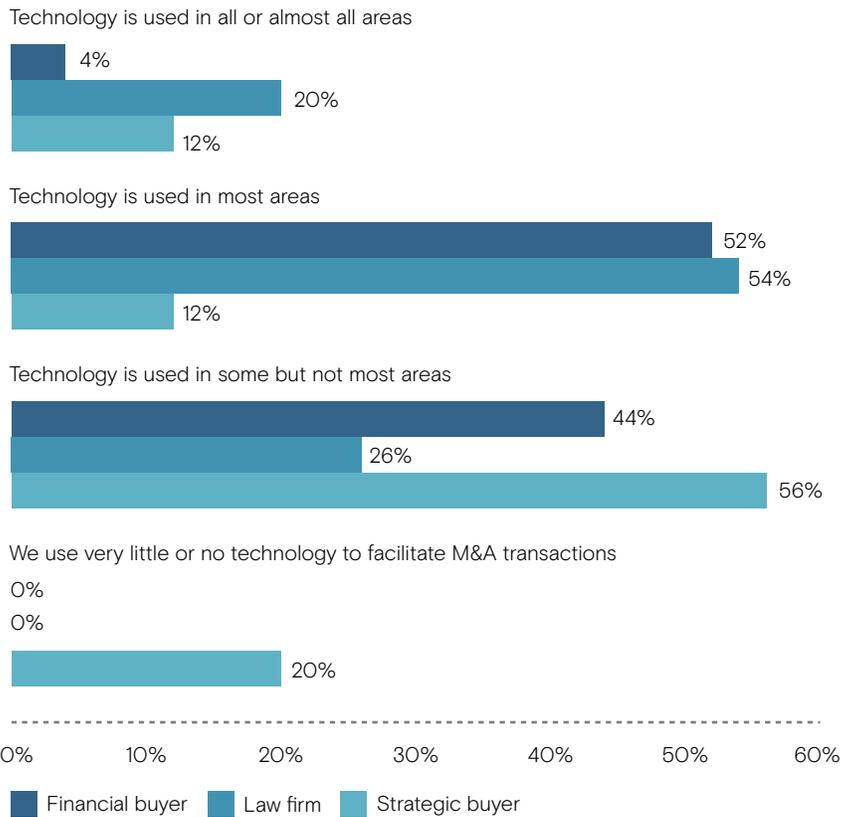
Specialization, cost-effectiveness and greater ease of use have convinced dealmakers and consultants alike to invest in technology covering everything from contract review and analysis to virtual data rooms (VDRs). Transactional teams can reduce the time required to sift through thousands of legal agreements and contracts and spot patterns in the data that can help buyers establish a fair valuation. The fact that so much documentation is now digital rather than paper-based only adds to the data opportunity.

Law firms lead in tech adoption

Deal participants have a clear incentive to tap into technology to facilitate M&A, but our findings suggest uptake is inconsistent. For example, three-quarters of law firms say that they use technology in most/almost all areas of the M&A process, while only 56% of financial buyers say the same (*Table 1*). Law firms, by virtue of their service model, may find the most value today in M&A technology.

Strategic buyers, meanwhile, are the least likely to say they use technology for M&A—but the picture is complex. Twenty percent of these respondents say that they use little or no technology to facilitate M&A transactions while 12% report that they use technology in all or almost all areas (*Table 1*). How can this gap be explained? The group indicating that they use technology in all or almost all areas may represent larger strategic buyers with dedicated internal deal teams. Strategic buyers that make occasional acquisitions may be less likely to feel the need to invest in M&A-specific technology. These firms may instead get access to the latest technology via specialist advisors, to gain the insights and agility required to pursue deals successfully.

Table 1. How best would you describe your organization's use of technology and/or technology-driven solutions to facilitate M&A transactions?



M&A and applied technology

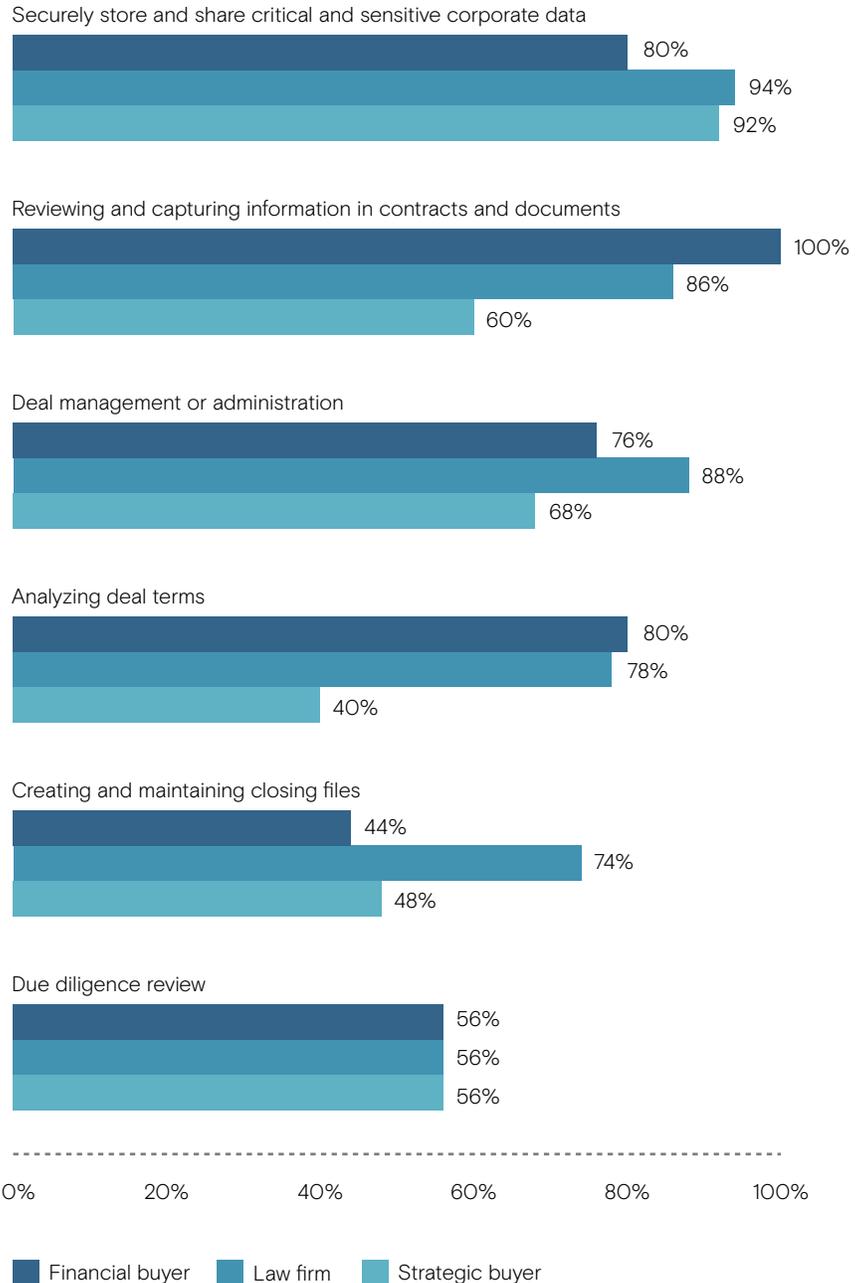
Technology for storing and sharing critical corporate data is the top use for technology. These findings show 94% of law firms, 92% of strategic buyers and 80% of financial buyers say they are already using technology for this purpose (Table 2).

Law firms use technology more and for more tasks than buyers. As advisors, their responsibilities to transactions are broad. They are the only segment where over 50% report using technology for creating and maintaining closing files.

Outside of secure data storage and sharing, private equity buyers are focused on using tech to analyze and manage the deal: 100% of respondents said they use tech to review and capture information in contracts and documents. Nearly 8 in 10 report using technology for deal management and administration.

The top uses of M&A technology for strategic buyers is also focused on a combination of deal management or administration (68%), reviewing and capturing information in contracts and documents (60%) and due diligence review (56%).

Table 2. Is your organization using technology or technology-driven solutions to administer any of the following areas of your M&A activity? (Select all that apply)



Challenges and Tensions

Protecting data has taken on new urgency in M&A as threats rise

Data security is a common threat

Financial and strategic buyers, as well as law firms, are acutely conscious of the need for data security, not least because of the growing regulatory interest. The most common use of technology among all three respondent segments combined is to securely store and share data. Given the risks inherent in any M&A transaction, it is not surprising that data security is a number-one concern for buyers and the third-highest concern for law firms (behind maintaining and accessing historical data and addressing client needs for real-time information). Ninety-two percent of strategic buyers, 80% of financial buyers and 76% of law firms say they are currently experiencing even greater difficulty in keeping data secure (Table 3).

Data security represents a significant challenge for anyone engaged in M&A. As one of the survey respondents, a partner with a law firm based in Georgia points out, “Maintaining confidential information...is one of the largest threats to the firm right now.”

The US Securities and Exchange Commission (SEC) has taken an increasingly tough line on cybersecurity. For example, the Office of Compliance Inspections and Examinations (OCIE), which conducts the SEC’s National Exam Program of registered investment advisers (including those dealing with M&A transactions), features cybersecurity as a focus area in its 2020 examination priorities. This covers everything from the protection of clients’ personal financial information to governance and risk management policies and procedures, access controls, data loss prevention and cybersecurity training, as well as incident response and resiliency.

Data security concerns continue to grow in the wake of the notorious “Cloud Hopper” cyberattacks exposed last year. These attacks—in which hackers linked to the Chinese government breached the systems of at least a dozen major cloud service providers—allowed Chinese cyber spies to infiltrate Western businesses on a vast scale by tapping into data held in the cloud.¹ Hundreds of firms were potentially affected, according to an investigation by the *Wall Street Journal*.²

Against this background, the US government expects the private sector to take greater responsibility for defending itself against foreign spies. As William Evanina, director of the National Counterintelligence and Security Center is reported as saying in *The Washington Post*: “They have to be proactive...self-police.”³

There is a need to make huge amounts of sensitive data available to counterparties and advisors, so access control is vital. There is also a need to ensure that data transfers are secure because data is vulnerable to interception. Then there are the data-handling risks: Software for document analysis may be duplicating data and caching copies somewhere unexpected and potentially vulnerable within a system.

The toughest data security challenges are often behavioral. For example, many companies have policies barring the use of online file-sharing services. Despite this, they continue to be widely used. Person-to-person communication is another vulnerability. The “chatter” around M&A deals—emails, texts, and phone calls between buyers, sellers, and advisors—is a potential goldmine for hackers seeking inside information on transactions.

Dealmakers also need to consider data-security risks embedded within the target. Has the company been the victim of a cyberattack? Is the target complying with privacy and cybersecurity rules?

At worst, a data breach can derail a deal altogether. And even if a deal survives a breach, it can result in a costly and time-consuming renegotiation. When Verizon acquired Yahoo in 2017, for example, it was forced to cut its offer by US\$350 million after news of major security breaches came to light at Yahoo.⁴ Cases of this sort are not isolated.

92%

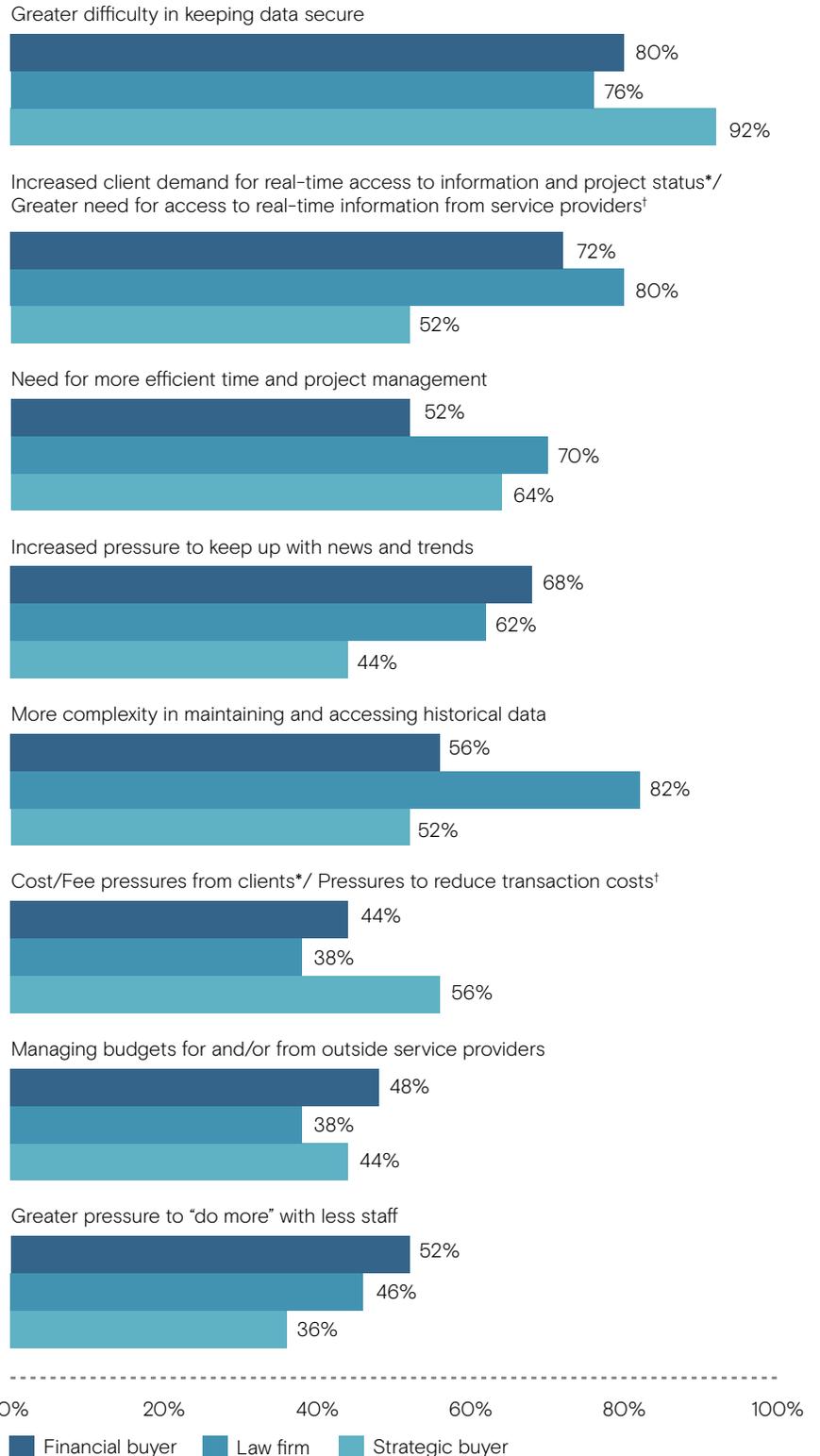
of strategic buyers say that they now experience even greater difficulty in keeping data secure (compared to 80% of financial buyers and 76% of law firms)

Law firms in our findings are less likely to mention data security than buyers, but it is still an issue—three-quarters say they are currently experiencing greater difficulties in keeping data secure (Table 3). This more sanguine viewpoint could also reflect the fact that almost all law firms (94%) say they are already using technology for secure storage, a larger proportion than either financial buyers or strategic buyers (Table 2). Yet there is no room for complacency. Law firms are firmly in the crosshairs of the hackers—and they are a particularly attractive target because they possess so much valuable data about their clients.

“They’re a one-stop shop,” Austin Berglas, Global Head of Professional Services at cybersecurity firm BlueVoyant told Law.com after an investigation revealed that more than 100 law firms had reported data breaches to authorities across 14 U.S. states since 2014.⁵

For all respondent groups, there is a need to consider what happens to deal-related data post-closing. Documents are tightly controlled and secure while the VDR is open. Yet afterward, all of that information is typically stored on personal hard drives or thumb drives where there is little or no security.

Table 3. Which of the following are you currently experiencing with your M&A transactions? (Select all that apply)



* Answer option given to law firms only
 † Answer option given to financial and strategic buyers only

The data dilemma

M&A transactions are complicated, fast moving, and rich in data. Not surprisingly, deal parties are challenged to find efficient data access and management solutions. As the general counsel of a strategic buyer based in Kentucky points out, “M&A transactions are quite complex and there are multiple problems that arise when sharing of information is not conducted in an organized manner. It leads to teams not understanding their specific tasks, or not being able to focus. Technological applications will help with maintenance of information and faster access to the necessary data as and when required.”

Law firms, much like every other organization, are faced with a seemingly impossible task: to make sense of the mass of data now available, and to do so securely, accurately, and efficiently. They also need to meet the growing demand for real-time information from clients.

Most law firms in our study are struggling to meet this challenge: 82% say they are experiencing more complexity in maintaining and accessing historical data (*Table 3*).

This has implications for a law firm’s ability to serve its clients—particularly as advances in technology fan the flames of client expectation. Among law firm respondents, 80% say they are dealing with increased client demand for real-time access to information and project status (*Table 3*). The gap between what clients expect and what some law firms can deliver is widening. This also suggests that buyers are becoming more reliant on law firms and other advisors to bridge the technology gap for them.

Financial buyers value fast, fresh, and accurate information. Almost three-quarters of financial buyers report a greater need for access to real-time information from their service providers (which includes law firms and advisors), and more than two-thirds say they face increased pressure to keep up with news and trends (*Table 3*).

Strategic buyers by contrast, appear to have less focus on timeliness and transactional expertise than financial buyers, only 44% of strategics feel increased pressure to keep up with news and trends (*Table 3*).

The picture is complex, and appearances can be deceptive. First, strategic buyers are typically domain experts. Many will have more intimate, first-hand knowledge of a target within their own sector than financial buyers or law firms. This could explain why only a relatively small proportion of strategic buyers feel under pressure to keep up with news and trends.

Strategic buyers represent a range of industry segments and sizes of organizations. At one end of the scale, a large and sophisticated strategic buyer may make enough acquisitions to merit an in-house deal team; other strategic buyers may go years without an acquisition. As a consequence, the need to access real-time information from service providers is likely to vary dramatically between different types of strategic buyers.

The ability to take advantage of M&A opportunities demands special skills—among them, the ability to acquire and evaluate large volumes of data and information under intense time pressure. Buyers and their advisors risk putting themselves at a competitive disadvantage if they neglect the capabilities that allow them to access, filter, and organize data easily and efficiently.

82%

of law firms say they are experiencing more complexity in maintaining and accessing historical data

Technology, Providers, and Investments

Respondents are turning to technology to add value rather than reduce costs

Technology is regarded as a differentiator by the majority of respondents, but the basis of that differentiation is unexpected: Rather than cost savings or improved profitability, respondents highlight benefits such as improved communications and added flexibility.

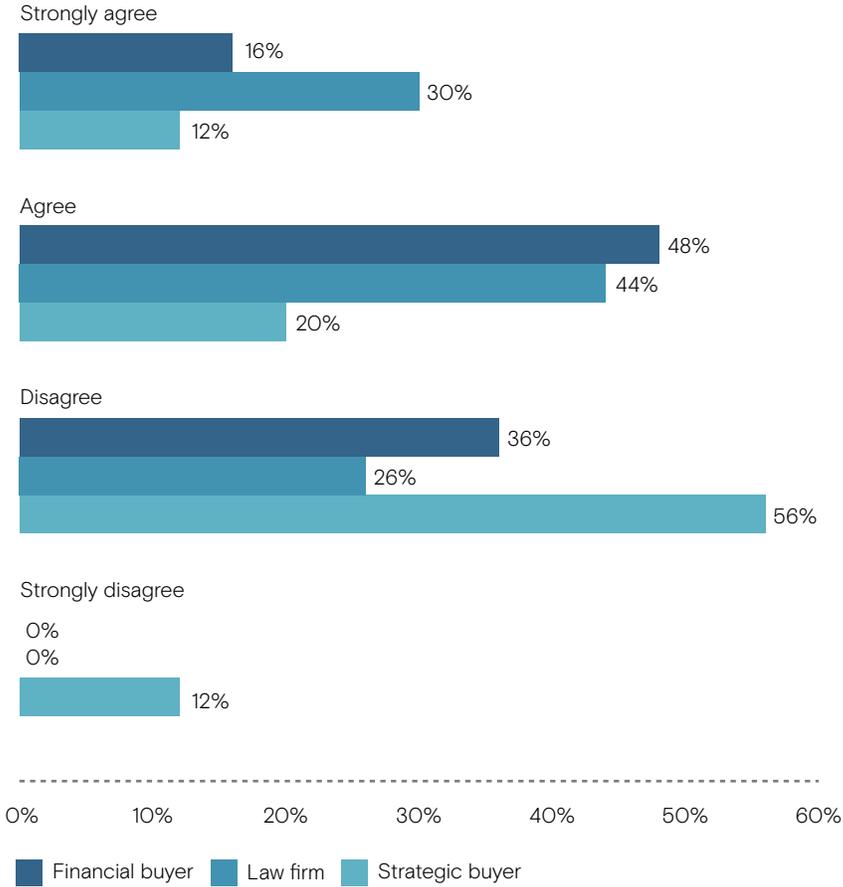
“Investing in technology will help the company with better organization and improved levels of communication,” says the partner and CFO of a west coast-based private equity firm, adding that better information “will be vital in determining our course of action and increasing the value of our decisions.”

Technology motivations

Both law firms and financial buyers see technology as one way to stand out from the crowd. Nearly three-quarters of law firms and close to two-thirds of financial buyers agree/strongly agree that their organization is embracing technology in M&A transactions to differentiate themselves from other firms (Table 4). For law firms, the ability to offer tech-enabled services is likely to appeal to their clients. For financial buyers, tech may confer a competitive edge—which could make a difference in a bidding war.

It’s the opposite story for strategic buyers: 68% disagree/strongly disagree that technology is a differentiator for their organization (Table 4). There are two possible reasons for this. As discussed, a segment of strategic buyers who are involved in fewer competitive deals than financial buyers may feel less compelled to adopt technology to support M&A. The second related reason is that strategic buyers are sometimes prepared to pay more for a company to acquire synergies and feel less of a need to differentiate on other bases.

Table 4. To what extent do you agree that your organization is embracing technology in M&A transactions to differentiate itself from other firms?

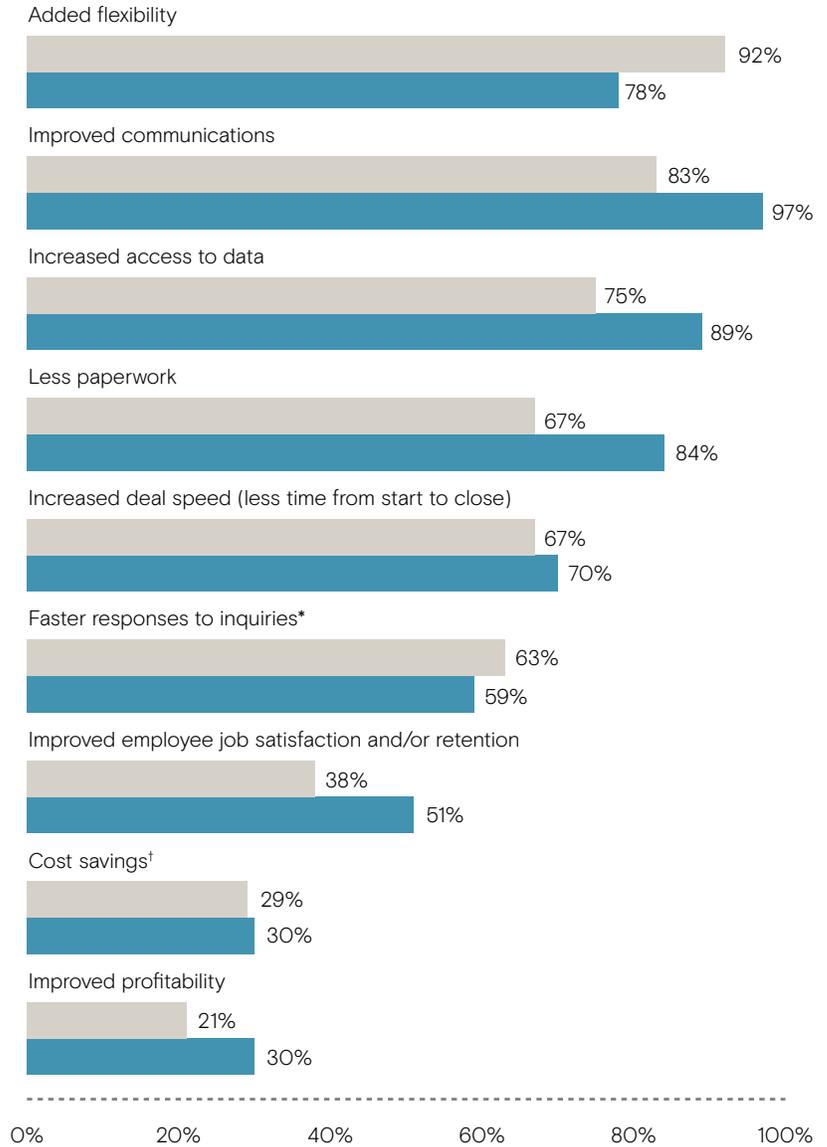


The technology factors thought to drive differentiation for law firms include improved communications (97%) and increased access to data (89%) (Table 5).

More than 90% of financial and strategic buyers, in aggregate, say that added flexibility provided by technology differentiates them from competitors. Improved communications, meanwhile, is cited by 83% of financial and strategic buyers, in aggregate (Table 5).

All respondents attach a low ranking to cost savings and improved profitability. Only 30% of law firms see cost savings to clients as a differentiator—despite the growing pressure they face from clients to show that their lawyers are working as efficiently as possible and not billing them for manual processes that could be simplified by technology. The survey findings suggest that while law firms may be looking to technology as a way to reduce costs, they have yet to see the full cost-saving benefits. Yet, it also remains true that top law firms differentiate themselves on the basis of high service quality, not low costs.

Table 5. If you agree that your organization is embracing technology in M&A transactions to differentiate itself from other firms, in what way(s) is it doing so? (Select all that apply)



*Refers to client inquiries for law firms and respondent organization inquiries for financial and strategic buyers

†Refers to cost saving passed on to clients for law firms and respondent organization cost savings for financial and strategic buyers

■ Financial and Strategic buyers ■ Law firm

Investment strategies

Respondents are unanimous in their intentions toward investment in M&A-related technology over the next two years. Majorities of all respondent groups plan to boost expenditure. Law firms are notably bullish: 78% of them expect to increase spending over the coming 24 months versus 64% of financial buyers and 52% of strategic buyers (Table 6).

When asked to describe their organizations' reasons for increased investment in M&A, technology respondents describe a broad spectrum of hoped-for results including access to more reliable information, decision-making clarity, reductions in errors, and improved coordination of tasks.

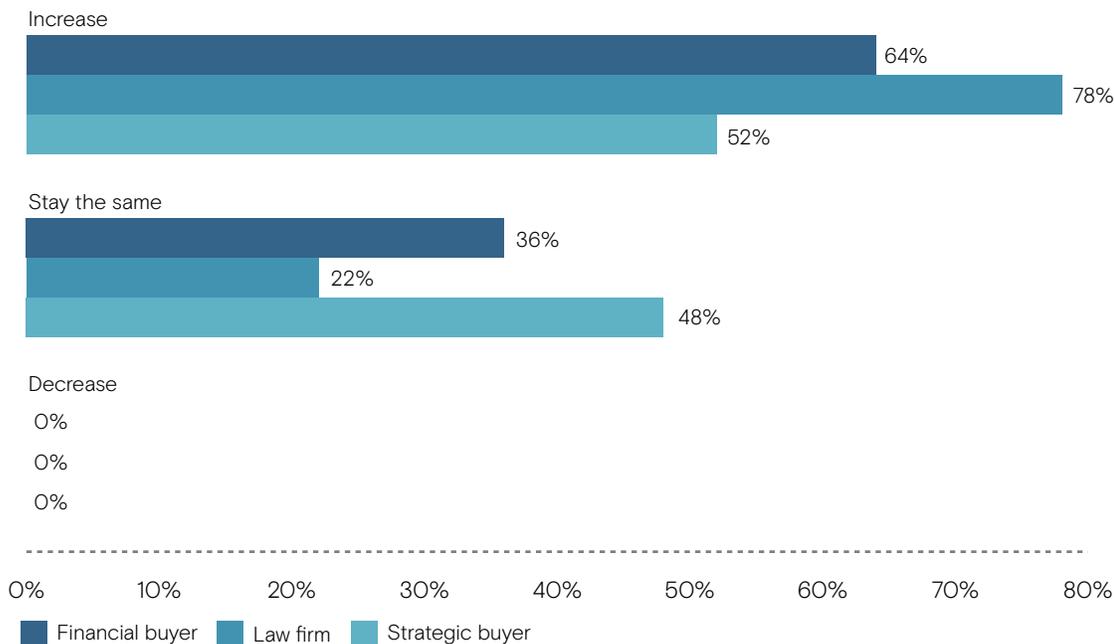
"We can limit the number of resources on any project, so that regular activities can be concentrated on," says the partner from a law firm

based in Illinois. "With any M&A deal, the complexity itself decides the number of personnel required for review and validation. Since this is not consistent, technology can fill in these gaps and more efficiency can be brought to the entire process."

Given the volumes of paperwork handled by law firms during M&A transactions, the appeal of fast, accurate, and cost-effective processing using technology is understandable.

Speaking to the value technology investment creates, one partner in a New York law firm says, "It will increase cost-efficiency in the organization. Technology implementations are valuable as they recognize patterns and help to reduce the number of errors in drafts and finalized contracts. As a law firm, we need to have absolute control on this as this can threaten credibility. Analytical tools have also become much more essential to possess."

Table 6. Over the next two years, do you expect your organization's spending for technology solutions related to M&A transactions to increase, decrease or stay the same?



As the partner from a law firm based in Pennsylvania points out: “Frustrations mainly occur when teams—technical, legal, HR, environment—are not coordinated and working with different sets of data for the same information. This will create misconceptions and clashes when it comes to negotiation and completion of the deal. Using technology, these problems will be very much limited and seamless coordination can be facilitated.”

“Increased opportunities can be seen in regard to identifying the potential of targets,” says a partner from a law firm based in New York. “This will be more of a data-backed decision and we will be able to count on the accuracy of the information once it has been built over a period of time. We can look at a wider pool of targets and make more suitable selections.”

Another partner from a law firm adds: “Technology will help in identification of the most profitable targets in the market, not only domestically, but on the global scale.”

Buy, lease or do it yourself?

How do organizations plan to acquire their desired technology? Some respondents say they prefer leasing, rather than developing their own tech. Surprisingly, this is not a binary position by any means. What the findings make clear is that there is a significant degree of overlap, with some respondents planning to purchase/lease technology while simultaneously building their own. This suggests that respondents are doubling down and running systems in parallel to find out what works best for them—in some cases, this could be with an eye to developing IP around or on top of off-the-shelf systems.

Looking at the arguments in favor of purchasing/leasing first, the case is clear: Leasing reduces risk, can come at a lower cost, and provides flexibility.

“Leasing or opting for a subscription will allow us to check out the feasibility of any application,” says one partner from a law firm based in Washington, while another on the East Coast highlights the attraction of flexibility: “The firm can benefit through purchase or subscription since the applications can be increased strategically over a period of time. Initially, we can verify the effects of making use of technology. Later, implementation can be extended based on the feasibility and accuracy of the solutions provided.”

Turning to the case for developing technology in-house, what is most surprising is the high proportion of respondents who are planning to take this path. Majorities of all three respondent groups plan to make such in-house investments in at least one technology area.

Use and Plans for Specific Technologies

How do buyers and law firms intend to put technology to use in M&A transactions?

While our findings confirm that technology is making waves within M&A for buyers and law firms alike, there are still questions about how the technology is being applied and how that may change in years to come.

Virtual data rooms on the rise

Virtual data rooms (VDRs) have essentially replaced physical data rooms. The VDR attraction for dealmakers includes access from anywhere in the world, the speed with which they can be set up, and the high level of security. Although VDRs are widely associated with the due diligence process, they can be used in many other applications where documents need to be securely shared—before, during, and after due diligence.

Despite the rapid uptake of VDRs, our survey shows that some respondent groups are much more likely to use them than others. Law firms are out in front, with most (92%) saying that their organization usually uses a VDR (Table 7).

However, only 44% of financial buyers report normally using a VDR, while just 16% of strategic buyers say they usually make use of a VDR—which may reflect that strategic buyers do not directly procure the VDR, rather than it not being used on their transactions.

Responses from respondents suggest that VDRs are now routinely used for purposes that both include and extend beyond traditional due diligence. The most common use for VDRs is the distribution of an information memorandum, executive summary or teasers (cited by 87% of respondents that use a VDR). A majority (80%) of those that use a VDR also use the product for other purposes such as negotiations, amendments, and draft transfers (Table 8).

Table 7. Does your organization usually use an M&A virtual data room to aid the facilitation of M&A transactions?

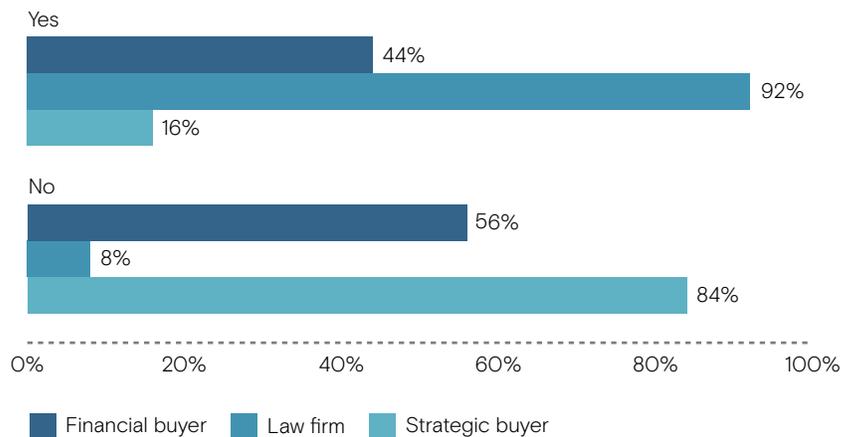
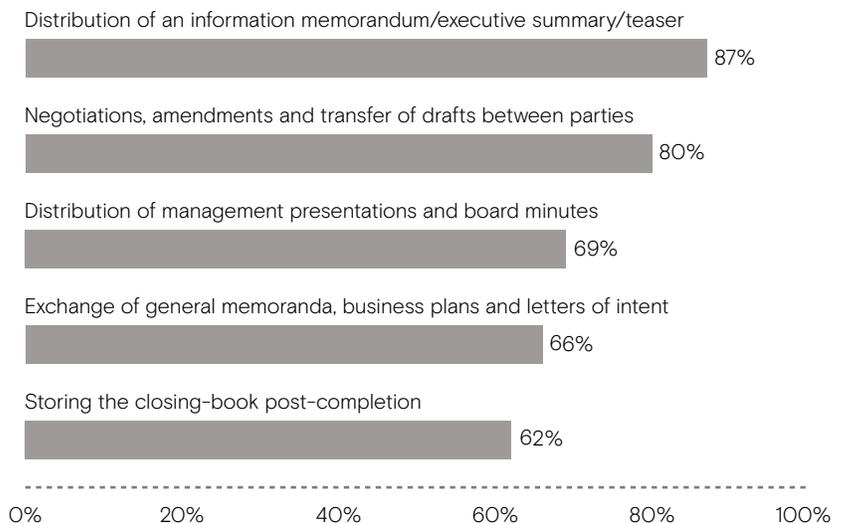


Table 8. All respondents: If so, for which of the following functions does your organization usually use a virtual data room? (Select all that apply)



Sixty-two percent of respondents that use a VDR say that they use it to store the book post-deal completion. This suggests that respondents are increasingly open to the idea of using VDRs as a post-closing resource, and potentially as an aid to integration.

VDR users are overwhelmingly positive about VDRs, with 75% reporting that the experience of using them was mostly positive. Only 2% say the experience was mostly negative.

Rise of the in-house M&A database?

Respondents are understandably keen to tap into value buried in their own historical data. Many say they are doing so, and law firms are particularly active with 94% saying they keep a historical database of M&A deals, compared to 64% of financial buyers and 20% of strategic buyers (Table 9). It is not clear, however, whether this means that law firms keep deal documents within their searchable document management systems or whether they are extracting data from those documents into a separate database to allow for in-depth analysis.

Of those law firms that say they keep a historical M&A database, 87% report that it is used to better prepare for the deal process by comparing it against previous, similar acquisitions. Dispute resolution (cited by 81%) and target identification (mentioned by 65%) are also popular uses (Table 10 shows all respondent data, but law firm data is similar).

This survey shows that nearly three-quarters (74%) of all respondents that use an M&A database say that it is proprietary to their organization. The majority of respondents (70%) describe their experience with the in-house database as “mostly positive.” Again, however, it is possible that many respondents, especially law firms, are equating document-management systems with databases.

“Database” is a broad term. While most respondents will have access to large amounts of historical documents, the degree of sophistication with which data from such documents is organized and managed is likely to vary considerably from company to company. As noted above, in some cases, databases will be rudimentary—perhaps as simple as a searchable document management system. The fact that 82% of law firms mention complexity around maintaining and accessing historical data (Table 3) suggests the databases currently in use are not as advanced as they could be.

Table 9. Does your organization keep a historical database of previous M&A deals?

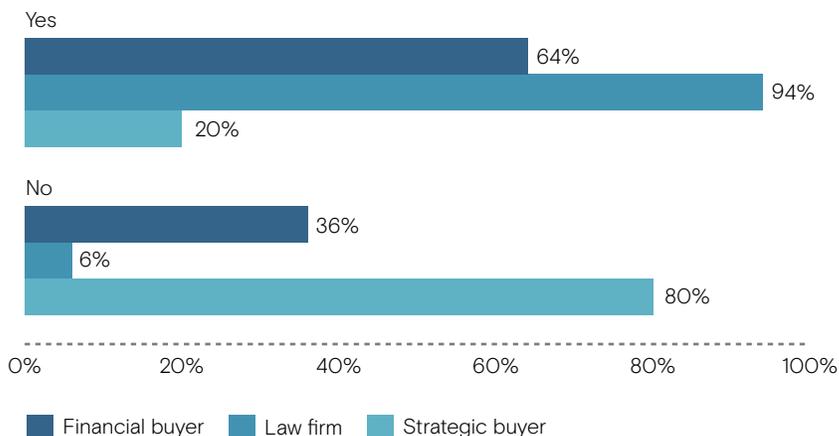
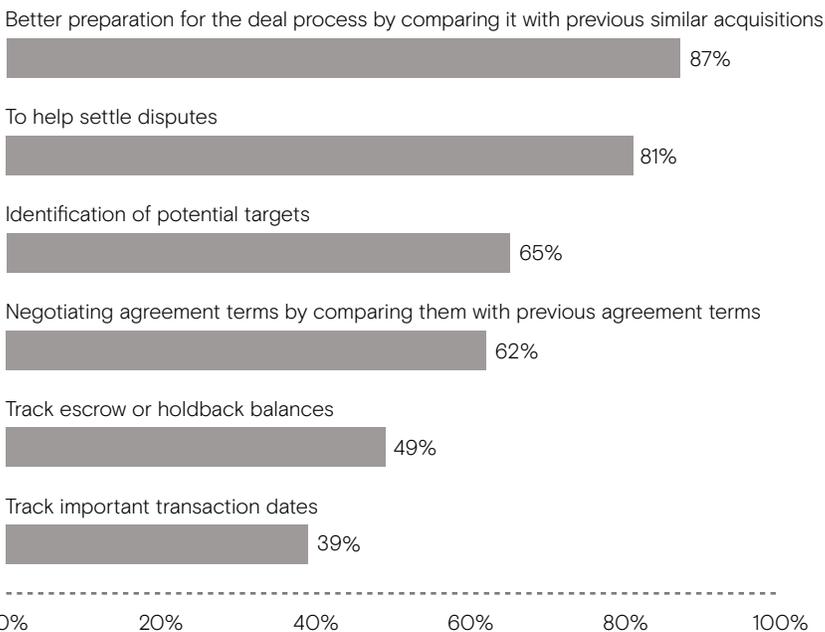


Table 10. All respondents: If so, does your organization use a historical database of previous M&A deals for any of the following? (Select all that apply)



Data storage can be a risky business and the consequences of data theft are all too tangible: IBM research shows that more than 25,000 records are compromised in an average breach with an average cost of US\$3.92 million.⁶ Not surprisingly, respondents take their role as data custodians very seriously.

“We have sensitive client information and other company records maintained with us at all times,” says the chief operating officer and chief legal officer of a Texas law firm. “We cannot afford a breach, so we will be selecting technology tools wisely. We will also need experienced professionals to manage them and check for issues.”

Advanced technology/Artificial intelligence

Advanced technologies such as cognitive intelligence, advanced analytics, and machine learning are considered game changers by most respondents. What makes these technologies so attractive—and so valuable—is their ability to mimic or augment human intelligence, spot hidden patterns, learn, and anticipate trends.

However, our survey shows that advanced technologies have yet to make a significant impact on the M&A processes. Some of the technologies are still at a relatively early stage of development and concerns about accuracy could be acting as a brake on uptake.

Accuracy remains a concern for a significant proportion of respondents. Only 19% of buyers in aggregate are completely satisfied that AI technology is accurate enough for their purposes. Law firms are slightly more comfortable with AI, as 41% say it is accurate enough for their organization.

Less than two-thirds (64%) of law firms and 60% of financial buyers currently use advanced technologies for reviewing and analyzing M&A contracts and documents. Meanwhile, only 24% of strategic buyers are doing the same (Table 11).

41%

of law firms say advanced or AI technology offers enough accuracy for their purposes

Table 11. Does your organization employ any advanced technology (such as cognitive intelligence, advanced analytics, or machine learning) when reviewing and analyzing M&A contracts and documents?

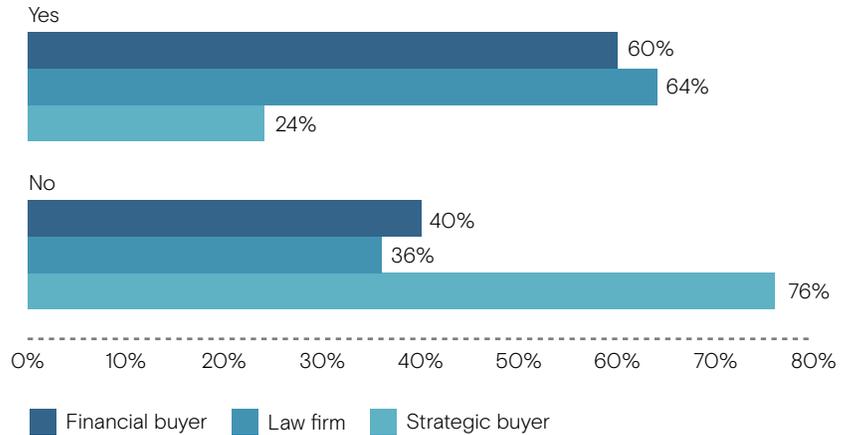
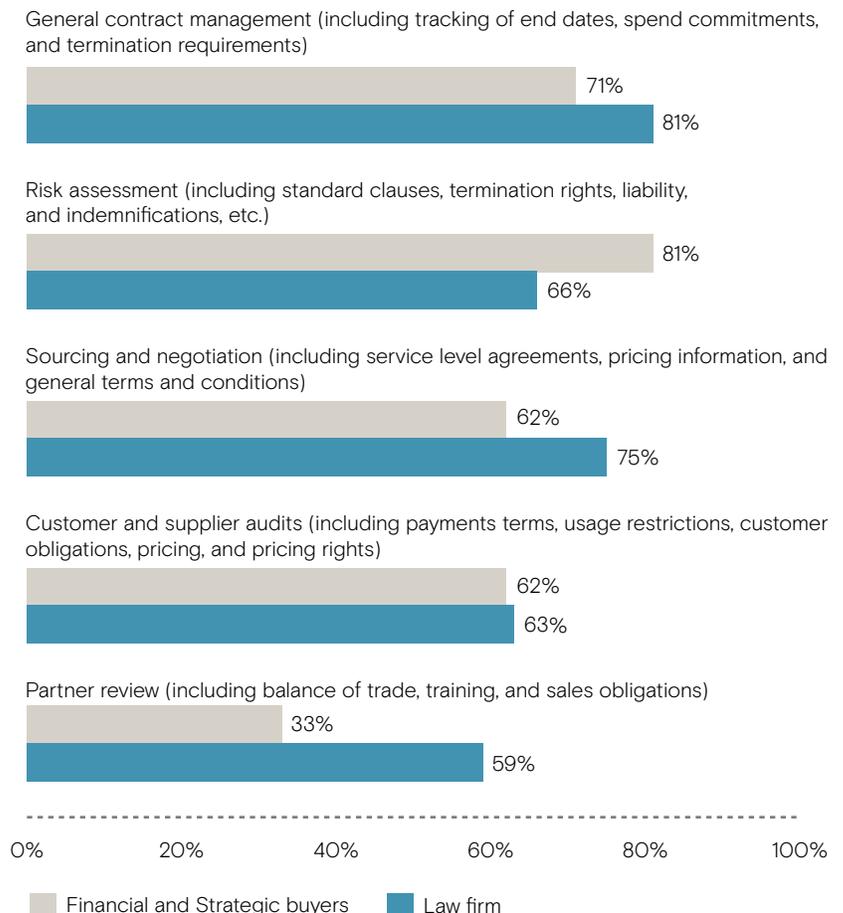


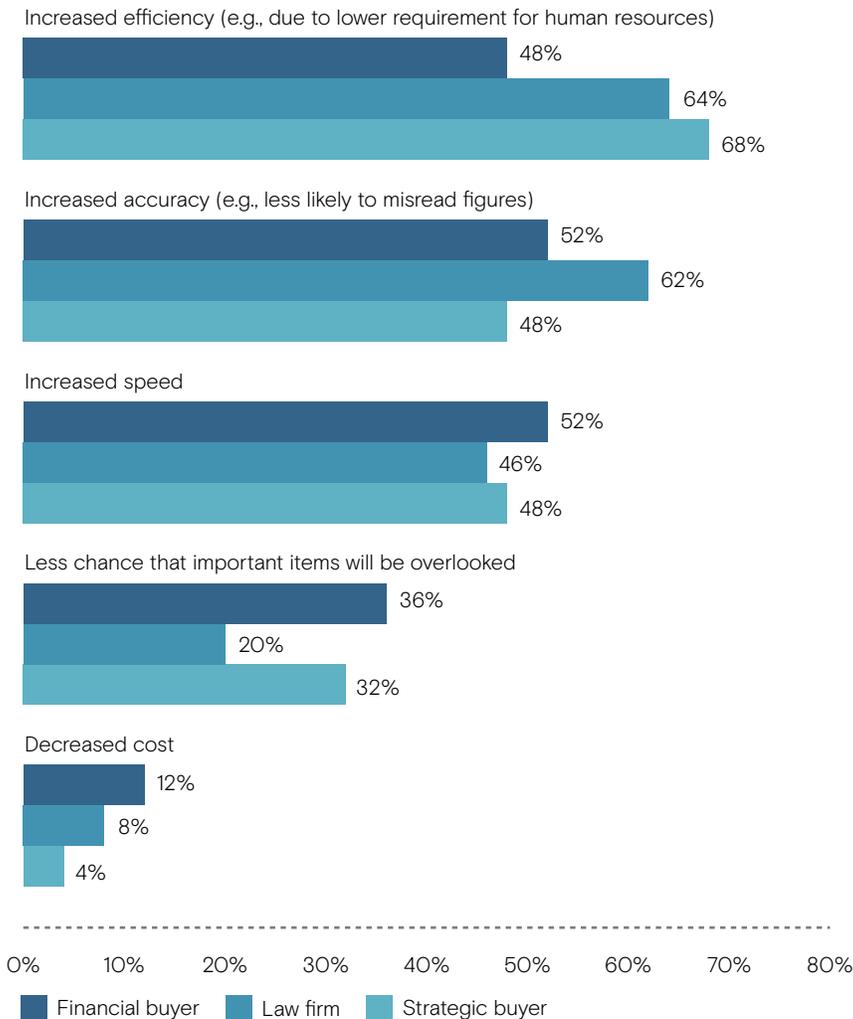
Table 12. If so, in which of the following areas do you employ advanced technology (such as cognitive intelligence, advanced analytics, machine learning) when reviewing and analyzing M&A contracts and documents? (Select all that apply)



The data shows that within the specific area of contract and document review/analysis, respondents are using advanced technology to achieve a surprisingly large number of different goals. For example, 81% of law firms and 71% of financial and strategic buyers, in aggregate, say they use advanced technology for general contract management (Table 12). This includes tracking of end dates, spend commitments, and termination requirements.

Even with some concerns for accuracy, respondents who use cognitive technology report its benefits include increased efficiency, accuracy, and speed (Table 13). Interestingly, decreased cost is ranked as a top two advantage by 12% or less of the respondent groups.

Table 13. What do you think are the main advantages of using cognitive technology (i.e., artificial intelligence, machine learning) for reviewing M&A contracts and documents? (Select top two)



Goodbye billable hours?

Technology is clearly changing the way that M&A processes are carried out. Could it also change the way advisors charge for their services? Specifically, could technology provide the impetus for law firms to shift away from billable hours to a charging model based on added value instead? This idea would have seemed far-fetched a few years ago. It is less so today. There are three reasons for this.

First, businesses of all types face mounting pressure to improve transparency and reduce costs. This trend is gaining momentum everywhere, particularly in sectors such as wealth management where concerns about fee structure have recently come to the fore. No business sector is immune to this trend—not even law firms. Clients are increasingly cost sensitive. The present charging system used by law firms—based on billable hours—is perceived as opaque. A new value model could be attractive to clients.

Second, billable hours are no longer the standard they once were. The American Bar Association’s Report on the *Future of Legal Services*⁷, published in 2016, openly questioned billable hours and threw down a challenge for the future of the industry: “We must open our minds to innovative approaches and to leveraging technology in order to identify new models to deliver legal services,” said the ABA’s former president, William C. Hubbard.

Meanwhile, concerns about everything from work-life balance to the mental health of overworked employees is bringing the system into question. In short, it’s not just clients who are rethinking billable hours; it’s the legal profession, as well.

Third, a charging model based on billable hours could become increasingly unsustainable as technology matures and machines take on more of the work. Tech-enabled law firms will still add value—likely more value—but billing may be more logical if based on value added rather than time spent on a matter.

Law firms are already adapting to the shifting landscape. A large majority (86%) of law firm respondents in this study agree or strongly agree that, over the past five years, the increased use of technology has helped their firm to reduce billable hours and therefore reduce costs for their clients (Table 14). Two-thirds (66%) of law firms say that the increased use of technology forced them to change or adapt their pricing model, with 36% saying the change was to a more fixed-fee service model (Table 15).

Buyers, financial buyers in particular, are leading the charge when it comes to encouraging law firms to use technology in M&A transactions: 88% of financial buyers and 72% of strategic buyers require the law firms they engage to use deal administration technology to facilitate closing. Further, 80% of financial buyers and 68% of strategic buyers say VDRs are a vital requirement for the law firms they engage (Table 16).

Financial buyers are also in the vanguard of the move toward fixed fees and other payment methods rather than hourly billing: 60% of financial buyers say they paid their legal advisors a fixed fee for their most recent M&A transaction, while only 40% paid an hourly rate. With strategic buyers, the situation is reversed: 60% paid by the hour, while 40% paid an agreed fixed fee (Table 17).

Table 14. Law firms: To what extent do you agree that, over the past five years, the increased use of technology has helped your firm to reduce billable hours/costs for clients?

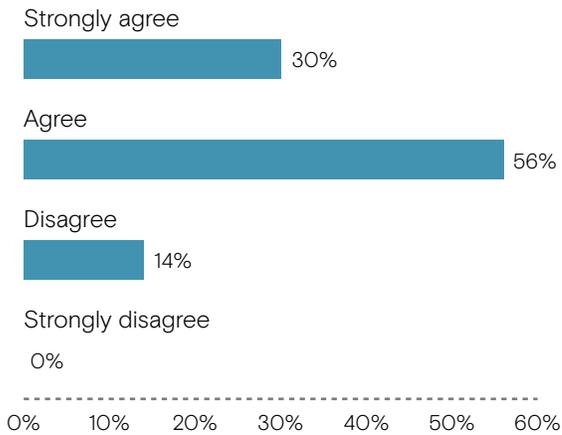


Table 15. Law firms: Has the increased use of technology forced you to change or adapt your pricing model?

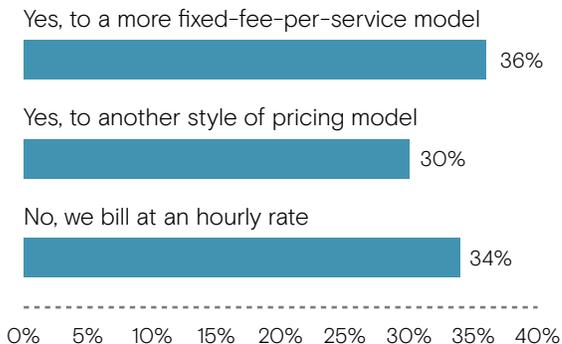


Table 16. Financial and strategic buyers: Do you require the law firms you engage as advisors on M&A transactions to use any of the following technologies? (Select all that apply)

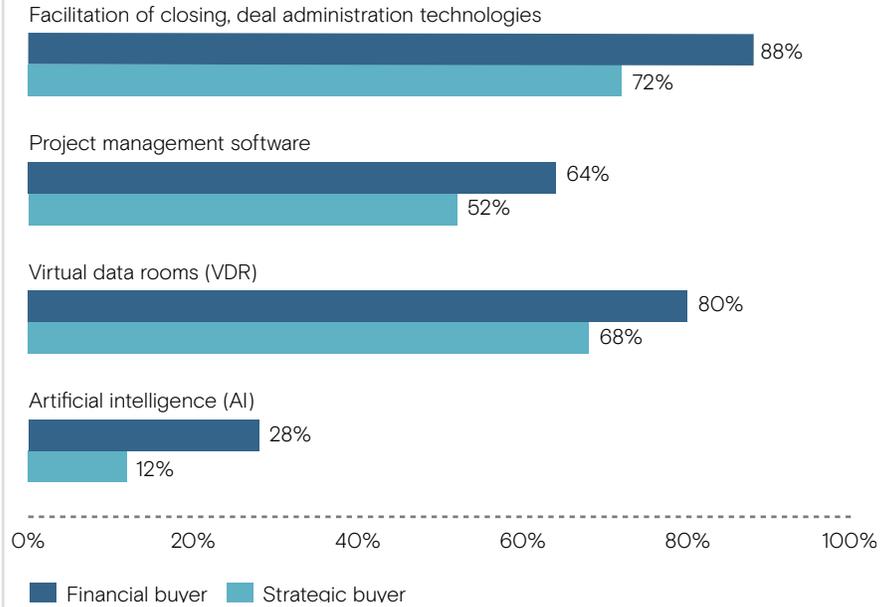
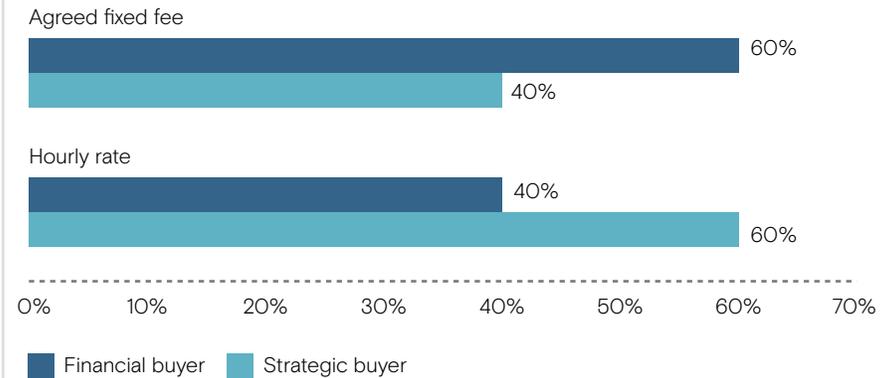


Table 17. Financial and strategic buyers: For your most recent M&A acquisition, did your legal advisor bill based upon an hourly rate, an agreed fixed fee or another payment model? (Select one)



Conclusion

Technology is changing the way M&A is getting done

A need for efficiency and speed are driving all players to find solutions that take time-consuming work out of the process or leverage technology to handle volumes of data to arrive at better decisions faster. Most deal parties are investing heavily in M&A technology. Those who do not or do not find tech-enabled partners may find themselves quickly competitively disadvantaged.

As the partner of a law firm in California says, "It has become increasingly important to adapt to new technology and upgrade our methods in order to keep up the pace of operations with others in the industry."

And the chief operating officer and chief legal officer of a private equity firm in Texas adds, "Investing will be highly advantageous in refining the current analytical models that we manually employ."

Issues at the forefront for deal parties include the ability to easily access and use data. As data needs grow exponentially, this is a struggle to many in the industry today and into the future. Compounding data access issues is the need to protect the security and confidentiality of that information. Data security is a galvanizing concern in the M&A ecosystem with a host of deal parties seeking solutions that work.

Finally, clients on both sides of transactions will lean more on their advisors, legal and otherwise, to provide a better and more cost-effective service. This will only be possible with technologies that improve communications, access to information, deal-project management, and afford efficiencies for all parties.

Not all parties can or want to develop technology of their own accord. Building proprietary software or systems to achieve these ends represents an enormous resource commitment. Most will find that working with experts in one or more technical areas such as data security, data access, analytics, or deal administration will ease investment and development risk.

**By failing to prepare,
you are preparing to fail.**

Benjamin Franklin, statesman

Endnotes

¹ "Inside the West's failed fight against China's 'Cloud Hopper' hackers." Reuters. 26 June 2019. <https://www.reuters.com/investigates/special-report/china-cyber-cloudhopper/>

² "Ghosts in the Clouds: Inside China's Major Corporate Hack; A Journal investigation finds the Cloud Hopper attack was much bigger than previously known." The Wall Street Journal. 30 December 2019. <https://www.wsj.com/articles/ghosts-in-the-clouds-inside-chinas-major-corporate-hack-1157729061>

³ "Top counterintelligence official challenges the private sector to step up defenses against foreign spying." Washington Post. 10 February 2020. https://www.washingtonpost.com/national-security/top-counterintelligence-official-challenges-the-private-sector-to-step-up-defenses-against-foreign-spying/2020/02/10/d842d83c-4c15-11ea-9b5c-eac5b16dafa_story.html

⁴ "Yahoo says 2013 cyber breach affected all 3bn accounts." FT. 3 October 2017. <https://www.ft.com/content/9412c2b0-a87c-11e7-93c5-648314d2c72c>

⁵ "More Than 100 Law Firms Have Reported Data Breaches. And the Problem Is Getting Worse." Law.com. 15 October 2019. <https://www.law.com/2019/10/15/more-than-100-law-firms-have-reported-data-breaches-and-the-picture-is-getting-worse/>

⁶ Cost of a Data Breach Report 2019. IBM. <https://www.ibm.com/security/data-breach>

⁷ Report on the Future of Legal Services in the United States. American Bar Association. 2016. https://www.americanbar.org/content/dam/aba/images/abanews/2016FLSReport_FNL_WEB.pdf

About Mergermarket and Acuris Studios



Mergermarket is an unparalleled, independent mergers & acquisitions (M&A) proprietary intelligence tool. Unlike any other service of its kind, Mergermarket provides a complete overview of the M&A market by offering both a forward-looking intelligence database and a historical deals database, achieving real revenues for Mergermarket clients.

For more information, please visit www.mergermarket.com.



Acuris Studios, the events and publications arm of Acuris, offers a range of publishing, research and events services that enable clients to enhance their brand profile and to develop new business opportunities with their target audience.

To find out more, please visit www.acuris.com.

Please contact:
Alissa Rozen
Head of Sales, Acuris Studios
Tel: +1 212 500 1394



SRS Acquiom offers the most comprehensive platform to help deal parties manage complex financial transactions within mergers & acquisitions and bilateral or syndicated loan deals. Our solutions include paying and escrow agent services, online pre-closing solicitation, representations and warranties insurance brokerage, professional shareholder representation, and for loan and credit transactions, administrative, collateral and sub-agent services. Since 2007, we have helped businesses, investors, lenders, and advisors complete transactions as efficiently and effectively as possible, so they can focus on building strong businesses and maximizing value.

srsacquiom.com/tech | 303.648.4085