



Litera Technology in M&A Report

Results of a Litera investigation into the adoption of technology in Mergers and Acquisitions practice, and its impact and benefits for M&A teams and their clients

Technology Is Driving Change in All Aspects of M&A Practice

This survey is a focused investigation of the impact that technology is having on Mergers and Acquisitions practice in law firms. It includes insights on the technologies they are using; their technology investment plans; the staffing and talent retention implications of technology adoption, and their view of the future of technology in M&A practice, particularly regarding the impact of machine learning technologies.

The most important insights to emerge from the study include:

- **M&A teams have already adopted a wide variety of technologies in their work.**
Technology solutions support M&A teams in all aspects of work: organization and workflow, negotiation, due diligence, drafting and closing. Adoption levels are strong across all those areas, with technology having an impact across the entire deal workflow.
- **In a data-rich practice area, Artificial Intelligence (AI) technologies are well established and becoming ubiquitous.**
In areas such as document reviews for due diligence projects, the use of AI is well established and growing. Most M&A lawyers believe AI will be leveraged on a large share of their deals within five years. Clients, too, are taking an interest in leveraging AI on their legal work, and a large majority of firms report that clients have specifically asked about AI capabilities.
- **Technology is reshaping M&A teams, with new colleagues, new skill sets, and new expectations for legal careers.**
You can't have a technology revolution without a people revolution. M&A teams see their firms investing in a wide variety of technology- and data-related professional skills, in roles such as pricing and budgeting managers, product managers, legal knowledge engineers, knowledge managers, and data analysts. Their firms are also committing significant resources to technology-related training.
- **M&A teams recognize that technology enables more client-centric service delivery.**
As a result of the increased use of technology, M&A teams are reporting better conversations with clients on the scope and pricing of matters. Technology is enabling firms to be more creative in structuring deals and competing for business, and they are using technology as a differentiator and competitive advantage in attracting M&A business.

Why This Study?

In recent years, the legal industry has intensified its focus on the application of technology to the practice of law. The global pandemic, and the increasing reliance on technologies that facilitate remote legal work and collaboration, has driven even more interest in technology-based solutions. Litera customers often express their desire to understand technology and industry trends, and to benchmark themselves against peer law firms.

Mergers and Acquisitions teams are a core segment of Litera's customer base. 18 of the Global M&A 25 use our Kira document analysis platform, for example. Our goal is to provide those teams with a better understanding of the technology trends that are reshaping M&A practice.

There is no shortage of broad-based industry surveys that provide some insight on legal technology developments. Organizations such as ABA, ILTA, Altman & Weil, Bloomberg, Law360 and others have sought to take the pulse of the industry and document the spread of technology and innovation.

The practice of law, however, is fragmented and diverse. Each practice area has its own workflows and processes that are unique to those practitioners. Rather than create a generalized industry study, this study aims to provide in-depth perspectives on technology usage in M&A practice.

Prevalence of M&A Technologies

Responses to this survey show a strong adoption of technology across the entire deal workflow. M&A lawyers' levels of satisfaction with technology, and the high levels of importance that they place on it, are signs that M&A lawyers will continue to modernize, streamline, and automate their way to a transformation in the way deals are completed. In the current fast-paced M&A environment, technology-based practice has become an imperative.

Diversity of Applications: M&A Lawyers Have Many Specialized Technologies to Choose From, and Most Are Widely Used

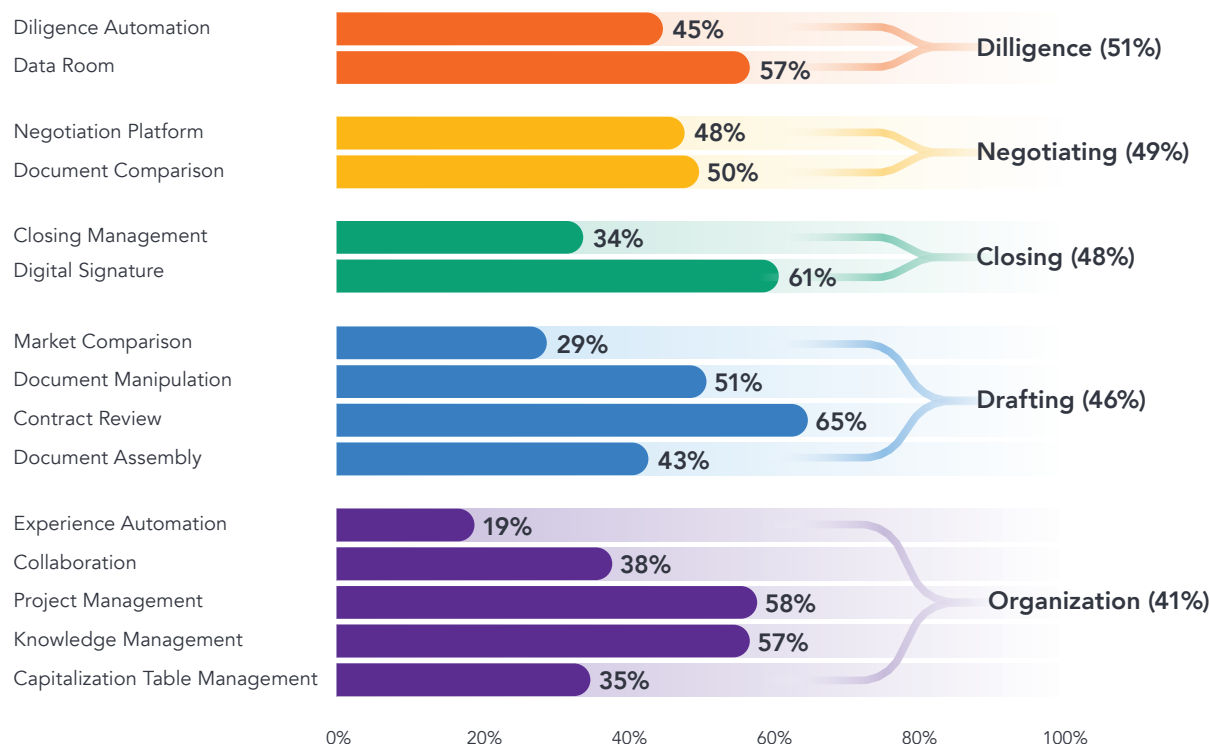
The first insight to emerge from this survey is that the M&A technologies we asked about are widely used by M&A practitioners. Seven of the specific sub-categories of technologies are used by more than 50% of the respondents.

Those top seven technologies are used to organize projects (Project Management, Knowledge Management); streamline closing (Digital Signature); negotiate deals (Document Comparison); draft contracts

(Contract Review, Document Manipulation); and augment diligence (Data Room).

This shows technology at work across a broad spectrum of M&A workflows and tasks. M&A teams have implemented technology at every stage of their workflows and are showing an eagerness to modernize and automate formerly manual processes.

Technologies used



Satisfaction: M&A Lawyers Are Most Satisfied with Technologies That Organize Their Workflows

On a scale from -2 to +2, Very Unsatisfied to Very Satisfied, respondents were more than satisfied with every category of technology. The highest satisfaction with some of the broad categories that help them organize and execute their workflows, Organization at 1.33 and Closing at 1.26.

This suggests that M&A lawyers are starting with the basics and finding success. They are responding to tools that help them organize workflows, seamlessly collaborate with colleagues, and follow and document

standard processes. All deals have steps in common, and these workflow tools can automate, standardize, and speed up processes that are tediously manual without the benefit of technology.

The scores show good satisfaction levels with diligence-related technologies including diligence automation, a relatively new field where there may be ongoing experimentation with new machine-learning based tools that automate the analysis of large volumes of documents.

Technology satisfaction



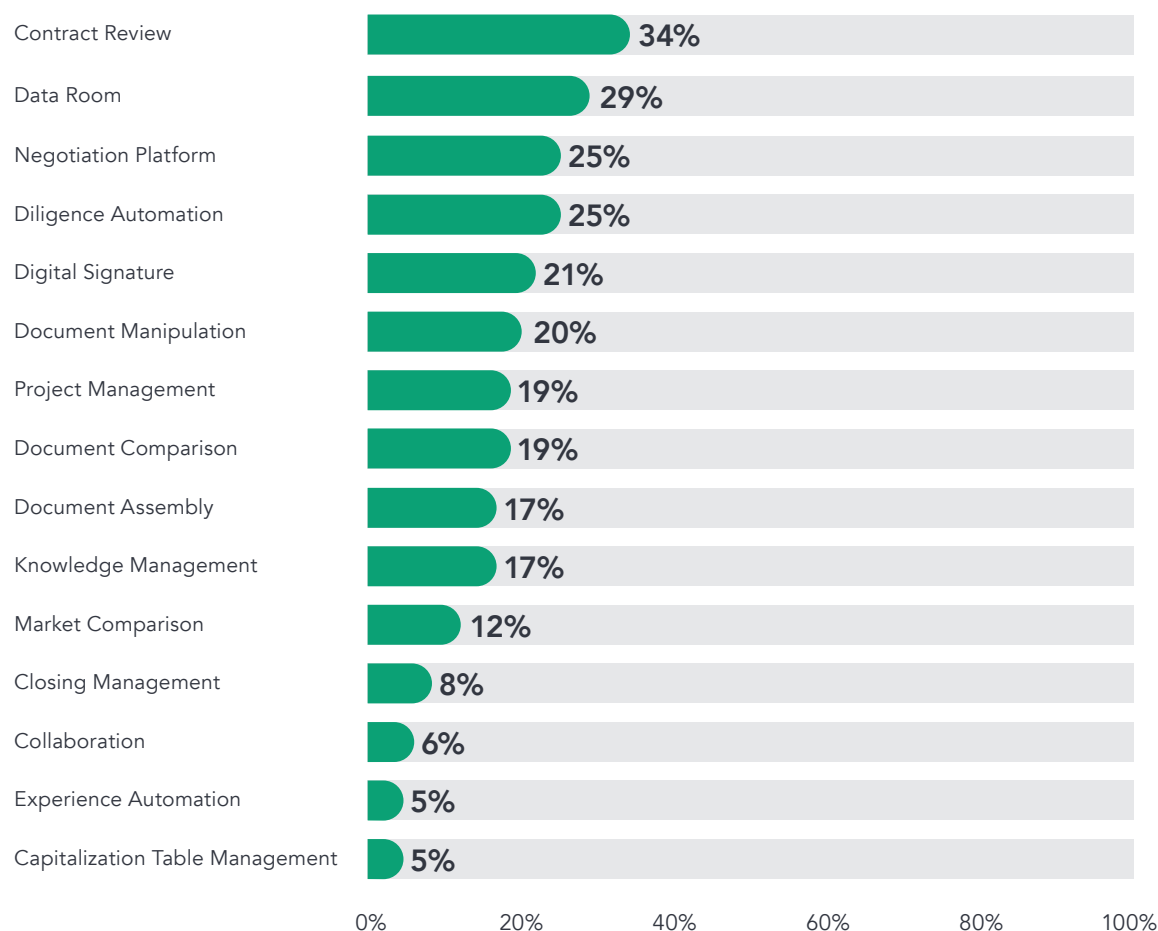
Importance: Technologies Related to the Due Diligence and Negotiation Phase of Transactions Are Considered Most Important for M&A Lawyers

Since these are among the most used technologies, it is perhaps not surprising that they are considered most important. Drafting, negotiation, and accessing data in data rooms for diligence purposes are core processes that are central to most transactions.

As a category, “diligence” had the highest importance rankings, which reflects the importance of diligence to managing client risks, a central concern for M&A teams.

Other categories with high “importance” scores include those technologies that help with the entire end-to-end workflow, such as project management, knowledge management, and negotiation platforms. The importance of these tools suggests an interest in bringing deal processes into unified platforms for more efficient execution of deals.

Technologies that are most important in M&A practice



Benefits and Impact: Technology Improves Many Aspects of M&A Work, Especially Collaboration and Simplification

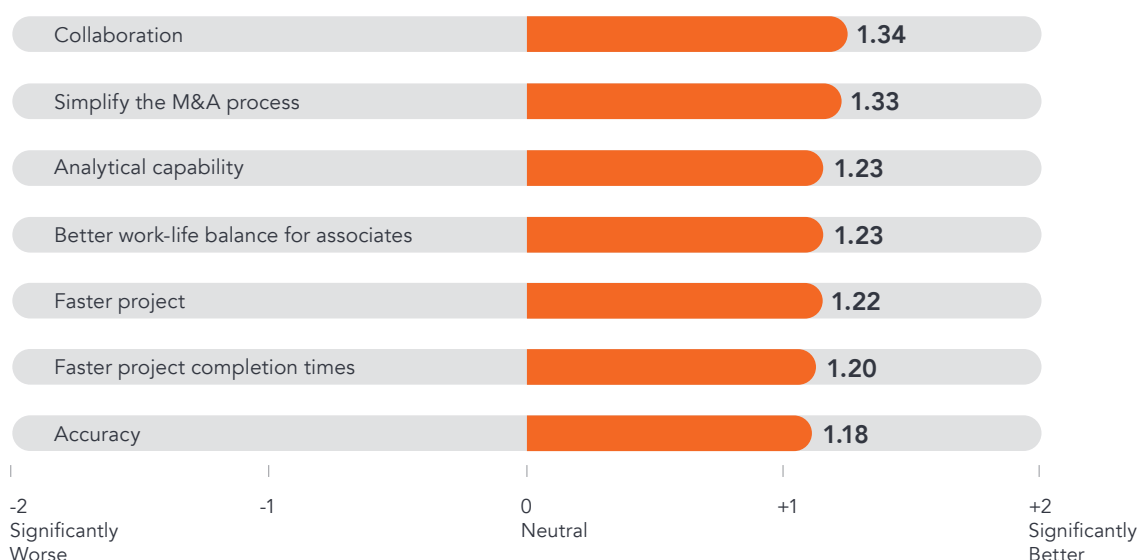
We asked whether M&A Technologies help improve the respondents' M&A practices, and more importantly, how. For each of the technologies that respondents say they use, we asked them what specific aspects of their experience saw improvement. Their answers give some good insight into what motivates them to leverage technology more in their work.

Across the board, use of technology is having a significant impact on all the aspects of M&A work that we asked about, on a scale from "significantly worse" to "significantly better." Responses for all the benefits fell between "better" and "significantly better." The aspects that were most improved by the use of technology were "collaboration" and "simplifying the

M&A process." Again, these responses indicate that M&A teams see the most significant benefits come in simply improving the basic steps inherent in all M&A work, simplifying sometimes complex and detailed processes, and enabling better communications and collaboration with others working on the deals with them.

Improvements to such aspects as "analytical capability," "better work-life balance" and "faster completion times were still positive. While "accuracy" was still seen as positively improved by the application of technology, that factor received the lowest score, an indication that perhaps accuracy of work is one area that lawyers continue to believe is the domain of human expertise and not automation.

Most important benefits and impact of M&A technologies

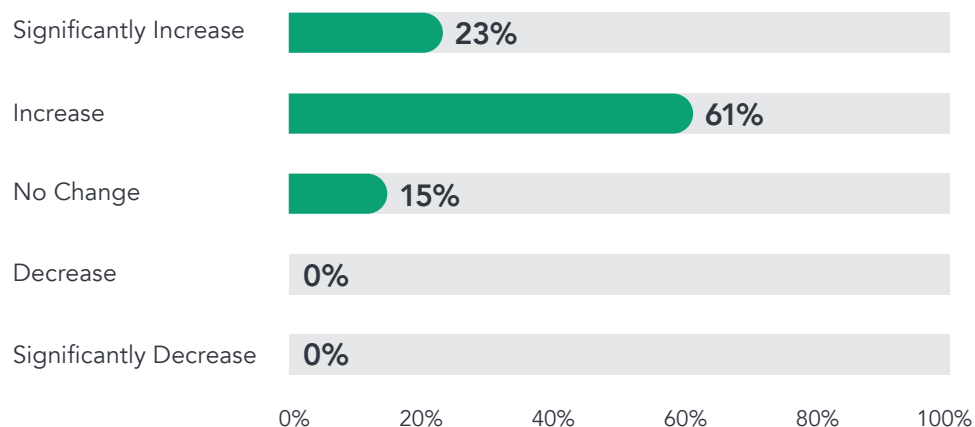


Technology Investment and Evaluation

M&A Practice Groups Are Increasing Investment in Technology

A large majority of respondents (84%) expect to increase their technology spend in the coming 12 months. 23% are expected to “significantly increase” spending. None of the respondents expect spending levels to go down. Those responses suggest that technology investments will only accelerate in coming months and years.

Expected technology spending in the next 12 Months

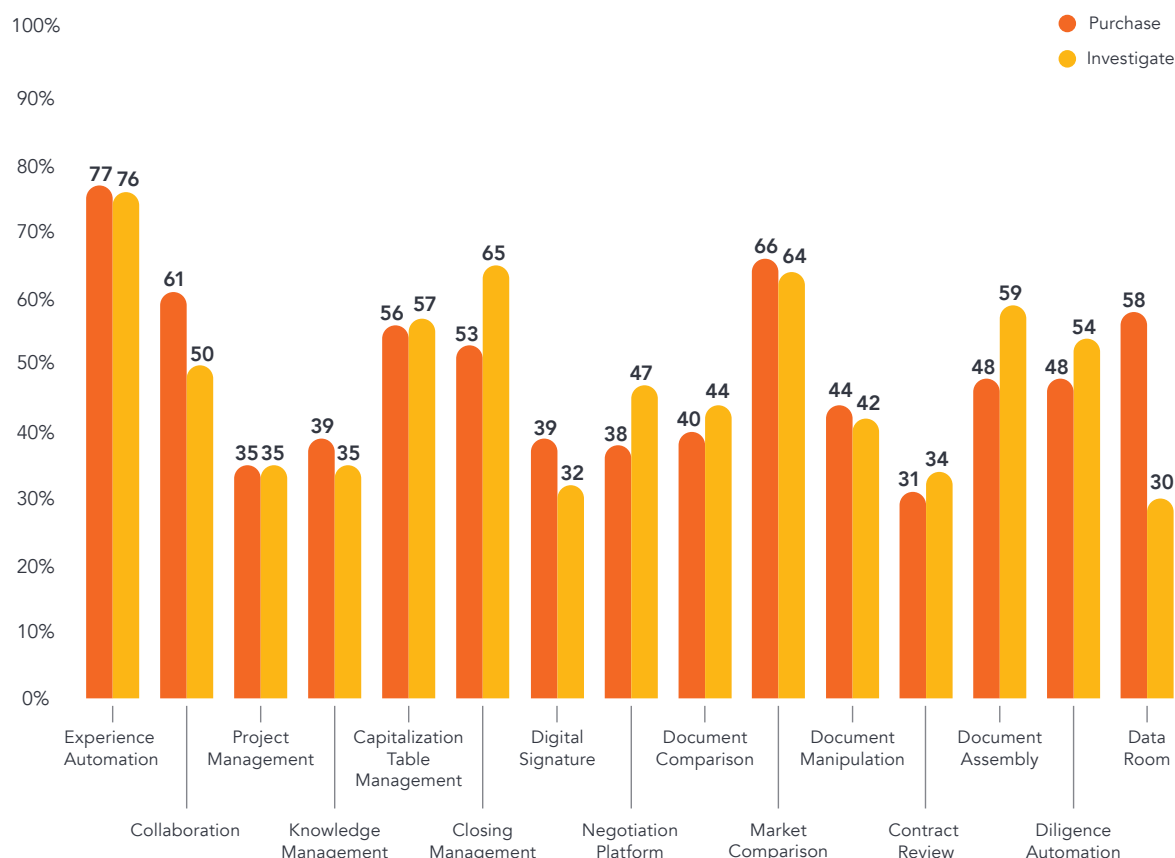


Respondents were also asked about their plans for technologies that they are not currently using. Across the board, all 15 technologies were expected to be investigated or purchased in the next 12 months.

The top currently unused technologies that respondents planned to purchase or invest in in the next 12 months were Data Rooms (63% planning a purchase), Digital Signature (47%), and Collaboration (46%).

The top unused technologies that they planned to investigate were Document Assembly (48% planning to investigate) and Closing Management (46%).

Next steps for technologies not currently used

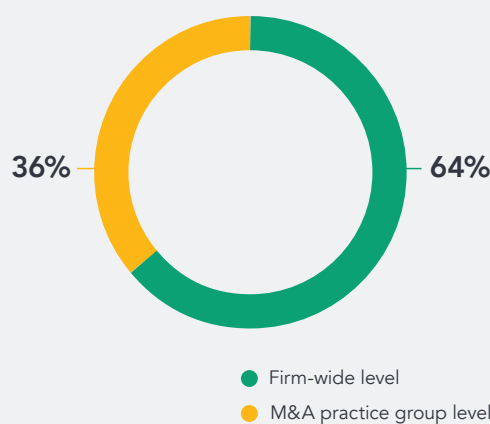


The preferences and intentions represented in this data show that M&A practice groups are focused on the nuts and bolts of M&A processes, with plans to acquire or at least investigate important workflow solutions that help them organize and execute M&A deal work and documents.

Exactly who is responsible for evaluating new technologies differs by firm. 64% of respondents say that technology is evaluated at a firm-wide level, and 36% of respondents said that technologies are evaluated at the practice group level. Either way, the evaluation of M&A-specific technology requires the involvement of M&A lawyers as subject matter experts to drive decisions that fit the needs of M&A teams.

Who Evaluates New Technologies?

Innovation/Technology Evolution

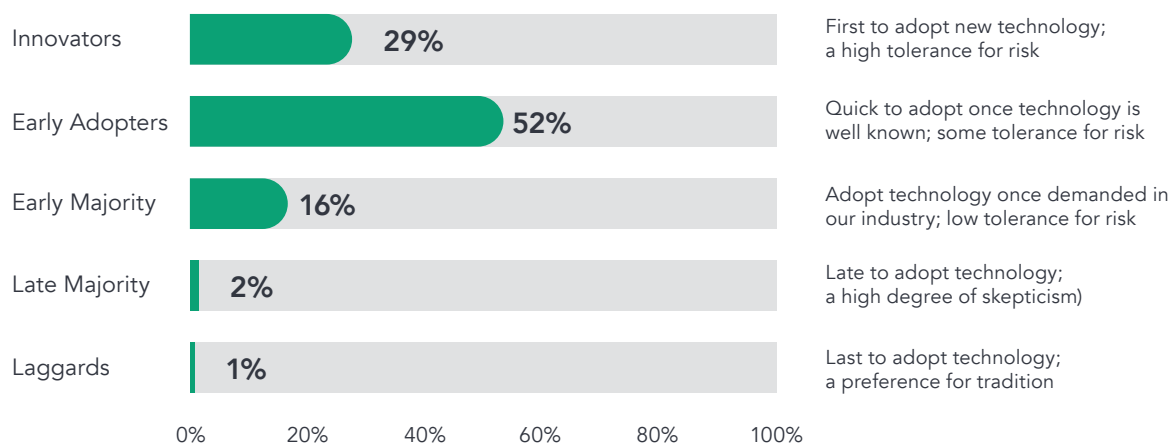


M&A Lawyers See Themselves As Technology Innovators or Early Adopters

In contrast to the reputation of lawyers as risk-averse and resistant to change, most of the M&A lawyers we surveyed here rated their firms as either Innovators with a high tolerance for risk (29%) or Early Adopters with a moderate tolerance for risk (52%). The remaining 19% of firms saw themselves as Early Majority adopters, Late Majority adopters, or Laggards in their approach to tech.

The relatively high levels of adoption of specific technologies shown earlier in this report do give some support for the idea that M&A lawyers in particular are ahead of other practice areas in technology adoption. M&A work is very process-oriented, and involves large volumes of data and documents – exactly the sort of work that lends itself to the standardization and automation that technology can support.

M&A technology adoption approach



Benefits of Technology

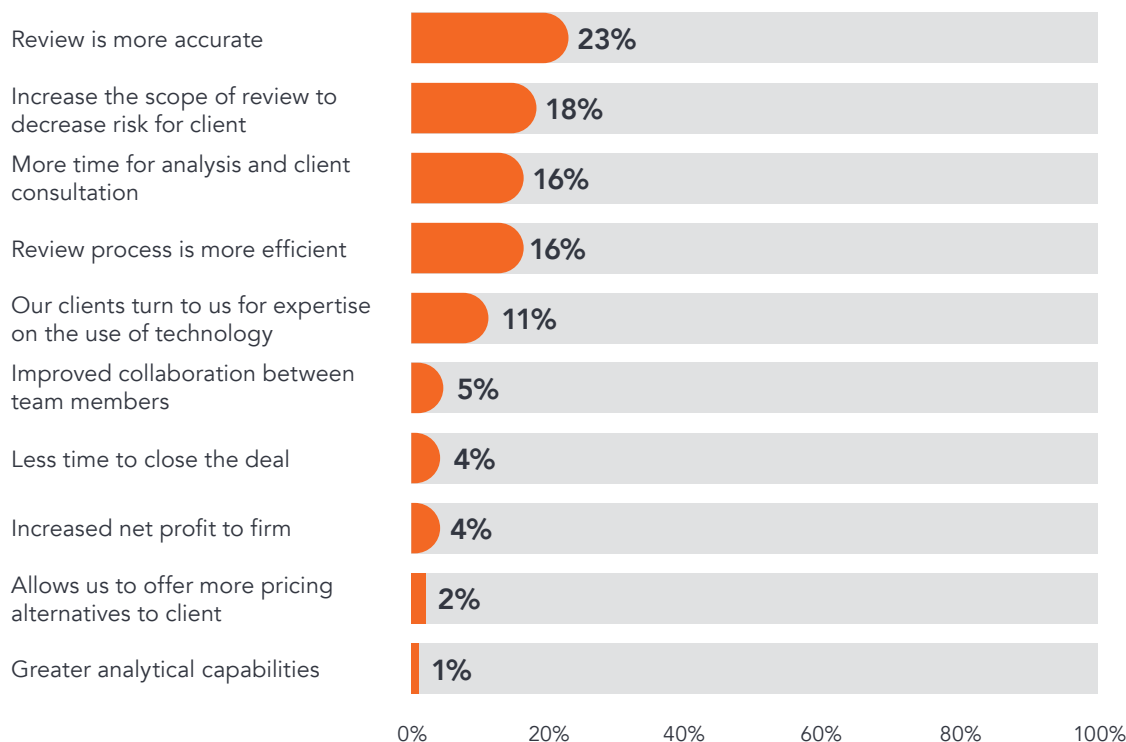
Risk Management and Accuracy are Top Benefits of Technology in M&A Work

The perceived top benefits of technology in M&A practice are all related to higher accuracy and decreased risk – factors that are highly relevant in M&A work. 73% of respondents ranked one of these top four benefits of technology as the most important benefit:

- More accurate review
- Increased scope of review to decrease client risk
- More time for analysis and client consultation
- More efficient review processes

Several otherwise important factors such as collaboration, profitability, and time to closing were cited less often as top benefits of technology. This suggests that client interests in risk management, accurate results, and client relations are central considerations for lawyers choosing to leverage technology in M&A deals.

Top benefits of using technology in M&A



Financial Priorities in M&A Practice

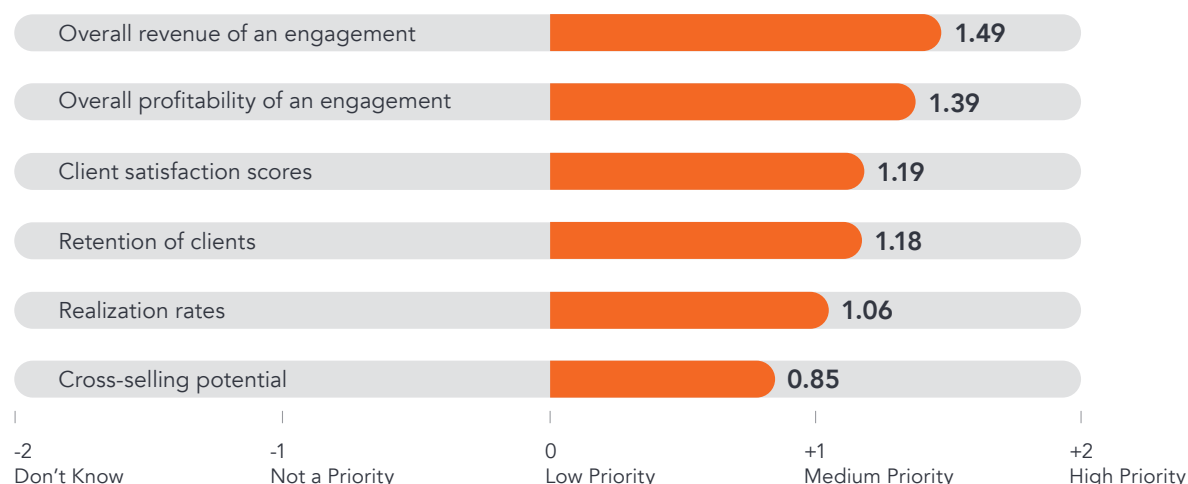
We asked our respondents about their financial priorities in M&A engagements.

Their highest priorities were the overall revenues of an engagement and the overall profitability of an engagement. Client satisfaction and retention of clients were seen as less of a priority, and the lowest priority were realization rates and the cross-selling potential of an engagement.

This suggests that M&A practice, like much of legal practice in general, is still driven by the top and bottom lines: bringing in

revenue and increasing profitability. As technology permeates M&A practice over time, we might expect to see the other factors on this list increase in importance. Technology-based processes generate more data about operations; it's likely that the increased availability of data will allow firms to leverage that data to increase realization rates. For example, having more data may allow firms to provide better service and more accurately measure and leverage client satisfaction and retention; and identify more opportunities for cross-selling services to clients.

Financial priorities for M&A engagements



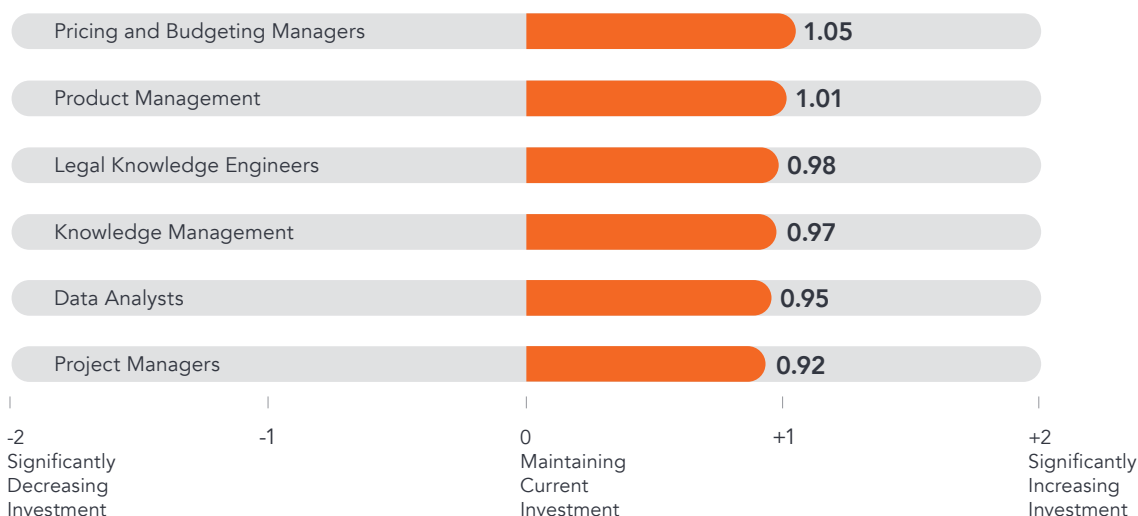
Staffing and Talent Management in M&A Practice

More Investment in New Professional Roles

The increase in the use of technology in M&A practice has led many firms to hire allied professionals to help manage technology and processes.

On average, respondents say their firms are increasing their investment in several types of professionals. Pricing and budgeting managers and product managers were the most common types of new roles, but similar amounts of investment are being put toward legal knowledge engineers, knowledge management professionals, data analysts, and project managers.

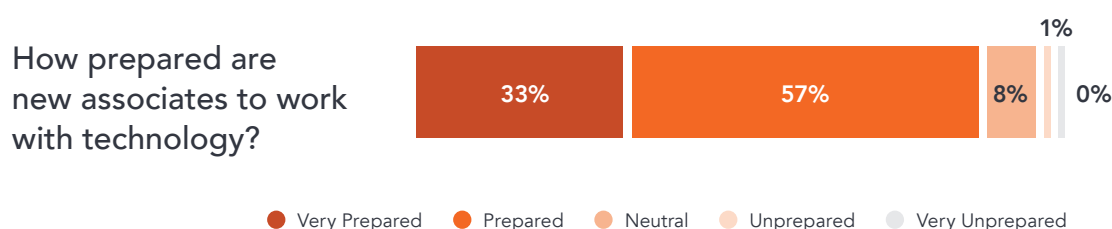
Investment in tech-related professional roles



M&A Lawyers Believe Incoming Lawyers Are Well Prepared to Work with Technology

90% of respondents think that younger lawyers coming into the profession are very prepared (33%) or prepared (57%) for using tech in legal practice. This may simply reflect the fact that the younger lawyers are seen as more technologically savvy and are engaged & interested in the use of technology in their practice.

This suggests that firms that are lagging on technology deployment will start to feel increasing pressure to build up their capacity to evaluate technology and encourage its adoption across the firm, as part of their overall efforts to recruit and retain younger lawyers.

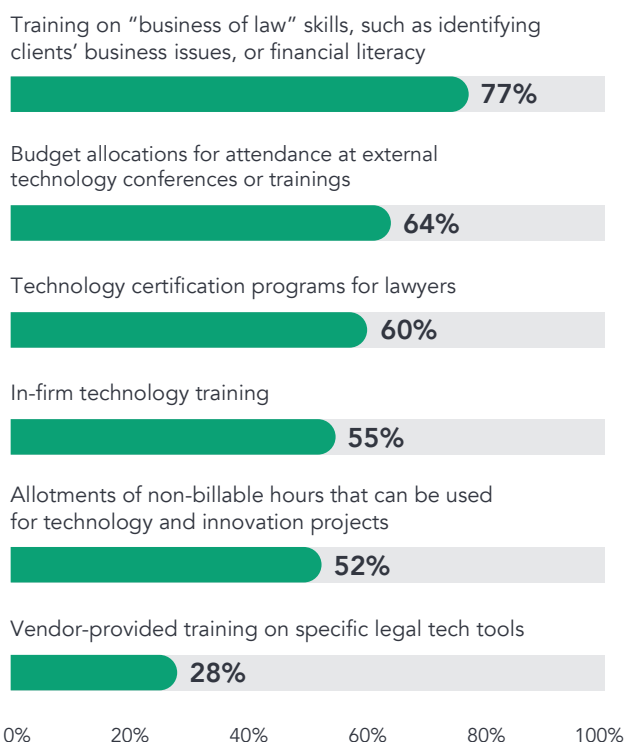


Firms Are Investing in Training to Develop Technology-Related Skills

Training on Business of Law skills, such as learning clients' business issues or financial literacy, the largest category of tech-related training, was offered by 77% of respondents' firms. This suggests that lawyers are becoming more engaged in their firms' business strategies, and that those business and technical skills are now part of the overall service delivery solution provided to clients, not just legal knowledge and practice experience.

External technology training and conferences (64%), and certification (60%) are also widely used. Over half of respondent firms offer non-billable hours for technology and innovation projects (52%).

Steps taken to develop technology skills



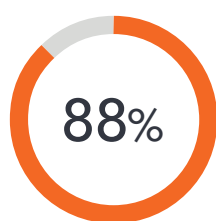
The Role of Artificial Intelligence in M&A Due Diligence

Technology and Client Relationships

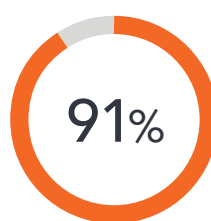
Technology is taking a centralized role in M&A due diligence processes. Questions about several aspects of M&A work revealed that technology and AI are changing the way work gets done, and that discussions around technology are providing opportunities for additional engagement and consultations with clients.

Here are four signs that AI is important in the day-to-day of relations with clients and planning and scoping work:

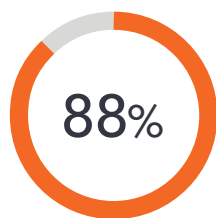
Technology is reshaping client relationships



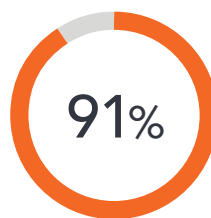
of respondents say they regularly discuss with clients the tradeoffs between manual review of material document subsets vs. automated review of more comprehensive set of documents.



say they use technology as a differentiator and competitive advantage in attracting M&A business.



say they include specifics on their use of AI-based technology for contract review when submitting RFPs or making pitches for new M&A work.

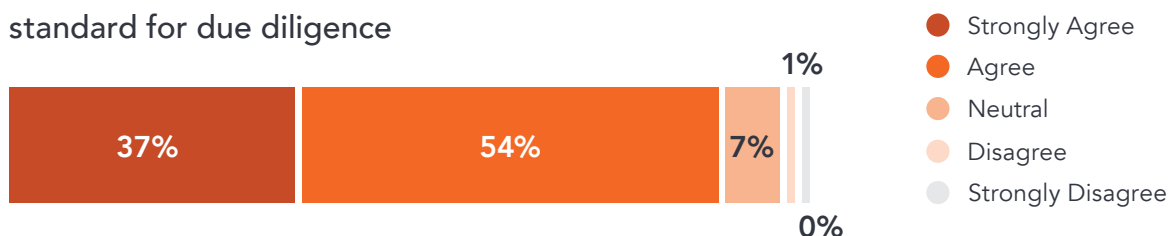


have developed expertise in using technology-assisted contract review for M&A due diligence.

The Ubiquity of AI in Due Diligence

91% of respondents expect that artificial intelligence tools for document review will become a standard part of most M&A due diligence processes. 37% of them “strongly” believe that to be the case.

AI-assisted document review will become standard for due diligence

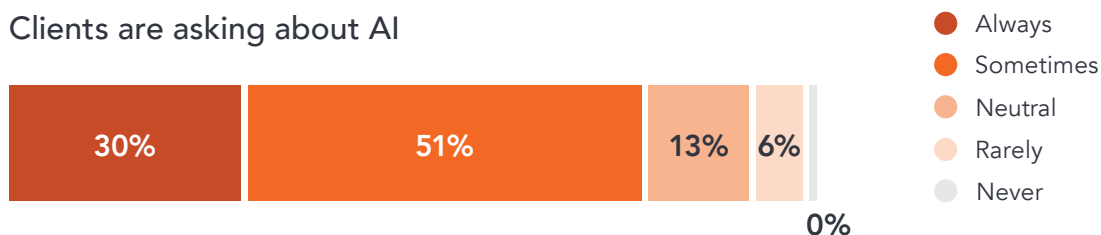


Clients Are Driving AI Conversations with M&A Teams

30% of the respondents say that clients “always” ask them about using about AI technology for their due diligence reviews; another 51% say that clients “sometimes” ask. This is another sign of the mainstreaming of AI in diligence.

This data is a wake-up call to M&A teams to be prepared for those client inquiries. Teams need a clear understanding of when and how AI can be deployed, and of the pricing and staffing decisions that go into transactions where the expectation is that diligence reviews will involve AI.

Clients are asking about AI

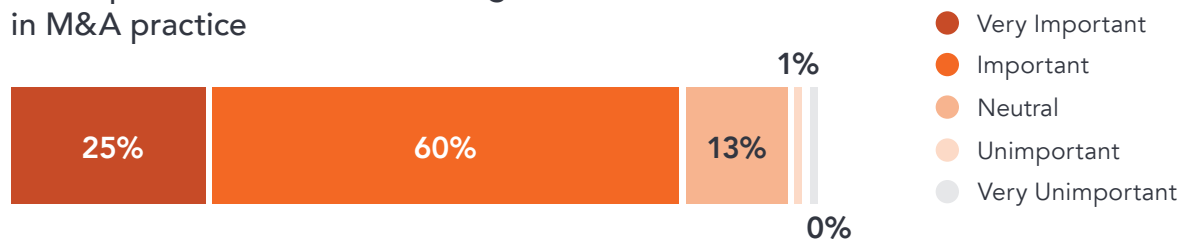


M&A Teams See the Impact and Value of AI-Based Tools

AI Is Becoming a Ubiquitous Component of M&A Practice

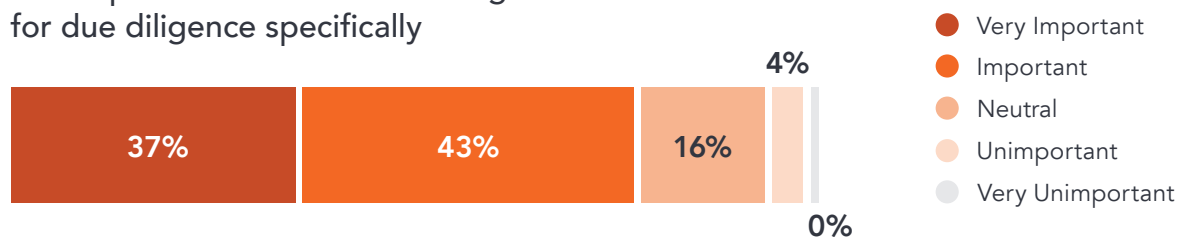
AI is not just an emerging technology – it’s already here and is a mainstream part of many M&A teams’ work. 60% of respondents consider artificial intelligence to be “important” for their overall practice, with 25% saying it is very important.

The importance of artificial intelligence in M&A practice



A similar share of respondents, 43%, consider AI to be “important” for their Due Diligence activities specifically, with 37% calling it “very important.”

The importance of artificial intelligence for due diligence specifically

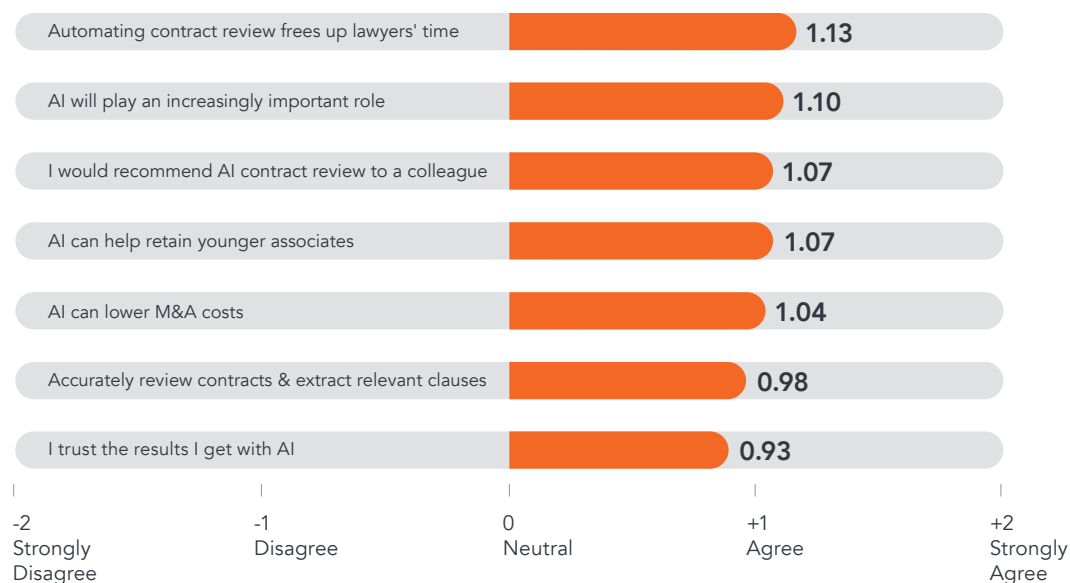


The Specific Impact and Value of AI

Respondents expressed a high degree of agreement with several statements about the benefits of using AI-powered tools for contract review. AI is seen as helping to free up time and cut costs and is expected to play an increasingly important role in contract review.

When asked about whether they trust AI-based review and whether they believe it to be accurate, their responses were still quite positive, but slightly less positive than for other aspects of AI. Some lawyers still express some wariness about AI while generally being enthusiastic about its benefits.

Confidence in AI's benefits

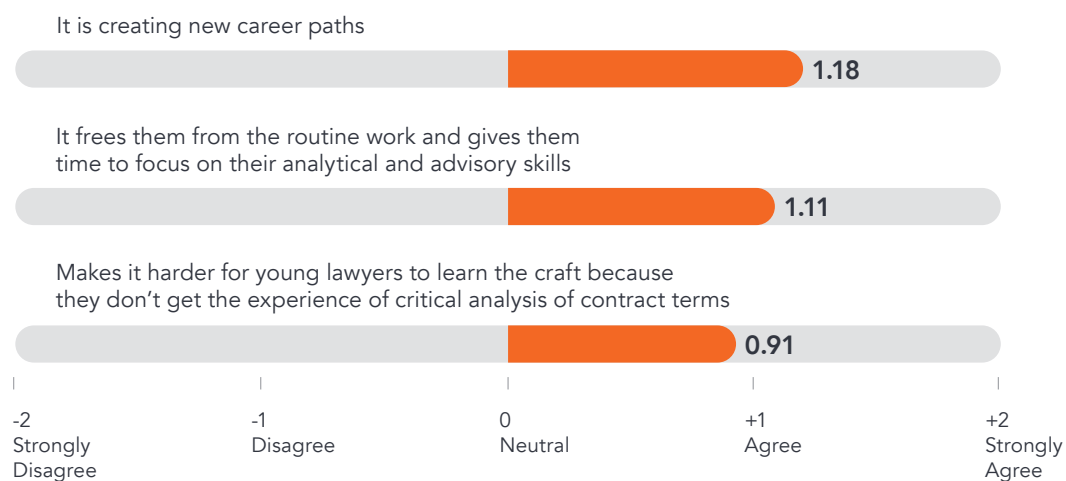


AI Will Have a Positive Impact on Legal Careers

While many lawyers still view technology, and AI in particular, as a threat to legal jobs, M&A teams are generally positive to the impacts of AI on career prospects. They see AI creating new career paths as lawyers learn new technology-related skills. They also see technology freeing lawyers from routine work, giving them more time for analysis and liaising with clients.

A significant number, however, are concerned about the risk that AI will take away the learning opportunities that manual review previously provided to younger lawyers.

AI's impact on legal careers

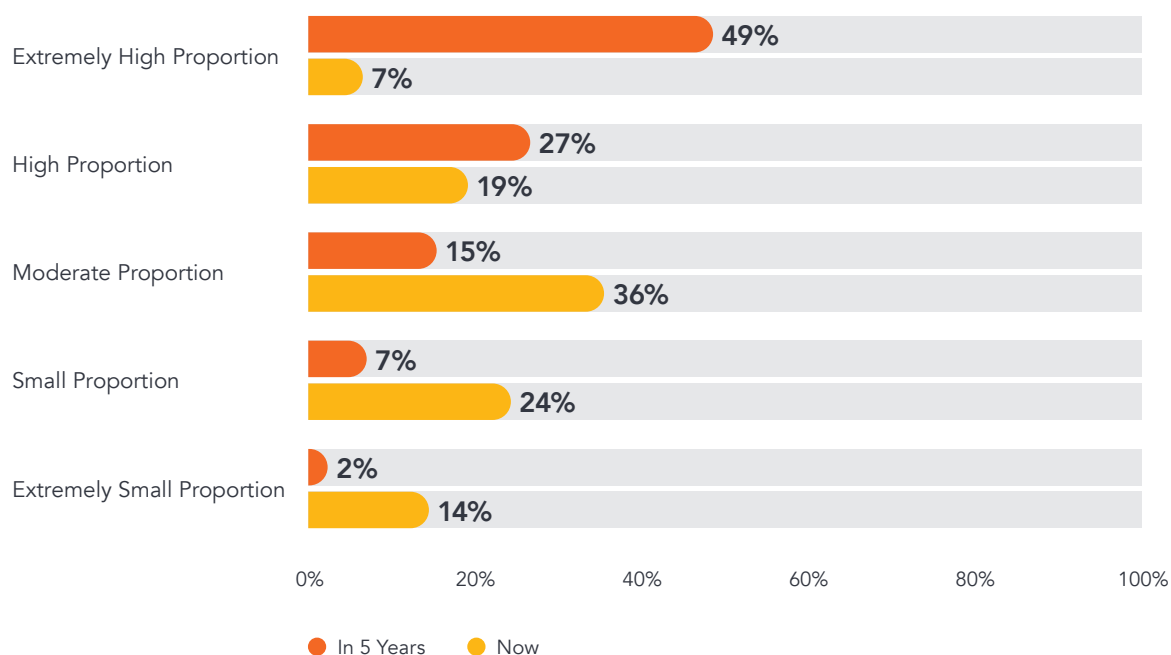


AI Will Be Ubiquitous Five Years Out

M&A lawyers expect to see the use of AI increase in their practices. The proportion of M&A engagements completed using AI-based technologies is expected to increase significantly over the next five years.

Some already think a high percentage of their work is supported by AI. Looking ahead five years, 92% expect either an extremely high proportion or a high proportion of M&A engagements in their own firms to be supported by AI.

Expected prevalence of AI in M&A work



Methodology

This report is based on a quantitative survey conducted in late 2021. The survey sample included over 200 lawyers whose practices focus on M&A transactions, in firms of over 80 lawyers, in three countries: US, UK, and Canada.

For purposes of this research, we have limited the focus to technologies targeted specifically to lawyers engaged in M&A processes. We did not, for example, ask about generalized productivity tools such as Microsoft Office Suite, general collaboration tools such as document management systems, or video conferencing applications, even if those tools are used very extensively in M&A practice.

In preparing this survey, we had the benefit of a project from the American Bar Association's Technology In M&A Subcommittee, which is documenting the wide range of technologies that are specific to M&A Practice.

The project identifies technologies in five broad categories, each with several subcategories. The categories are summarized below, with a few representative providers, but the full Directory of M&A Technologies is available at the ABA website. The examples below are for illustrative purposes only; the full Directory encompasses over 100 distinct products designed for the M&A Market.

In any categorization or list like this, there are clearly overlapping categories and product offerings, but we found the Directory to be a useful way to segment M&A technologies.

Categories and Sub-Categories Directory of M&A Technologies

Diligence	Virtual Data Room (e.g., Intralinks) Diligence automation (e.g., Kira, Diligen, eBrevia)
Drafting	Document assembly (e.g., Contract Express, DocAssemble) Contract Review (e.g., Litera Contract Companion, TR Drafting Assistant, LawGeex) Document manipulation (e.g., Adobe Acrobat, Redact Assistance) Market comparison (e.g., Deal Point Data, FactSet, Intelligize, TR Practical Law)
Negotiating	Document comparison (e.g., compareDocs, Exari Compare) Negotiation platform (e.g., Litera Transact, Avvoka, Legalitics)
Closing	Digital signature (e.g., Docusign, Adobe Sign) Closing management (e.g., Closing Folders, Litera Transact)
Organization	Capitalization table management (e.g., Carta) Knowledge management (e.g., ContractStandards, iManage RAVN, Seal Software) Project management (e.g., HighQ, Trello, Jira) Collaboration (e.g., Basecamp, Slack) Experience automation (e.g., Neota Logic, Kim Technologies, Bryter)

Learn how you can leverage AI-powered document review to streamline your diligence process and close deals faster with an end-to-end solution for your M&A deals.



Better Informed

Uncover key risks in your contracts faster using Kira's AI Technology



Better Managed

Manage transactions securely, efficiently, and collaboratively using Litera Transact

Better Service

TALK TO AN EXPERT



About Litera

Litera has been a global leader in legal technology for 25+ years, helping legal teams work more efficiently, accurately, and competitively. As a leader in document workflow, collaboration, and data management solutions, we empower legal teams with simplified technology for creating and managing all their documents, deals, cases, and data.

For more information about Litera visit litera.com or follow us on [LinkedIn](https://www.linkedin.com/company/litera).