M&A in the AI Era: Future Trends in Deal-Making Tech

in association with the Technology in M&A Subcommittee of the American Bar Association's M&A Committee

Executive Summary

Law firm leaders are navigating an increasingly competitive landscape for deal-making amid a slowdown in global merger and acquisition (M&A) activity. This competitive landscape ups the ante for the adoption of cutting-edge technology that holds significant potential to make M&A lawyers more productive, and law firms are widely embracing artificial intelligence (AI) for M&A transactions. **On average, legal professionals reported that their firms use AI-based technologies to complete around half (51%) of their M&A engagements.**

Reliance on AI tools is expected to grow. **The vast majority of law firm professionals (91%) anticipate that within the next 10 years, most M&A engagements in the legal industry will be completed using AI-based technologies.** With 97% indicating their practice has developed expertise in using tech-assisted contract review for M&A due diligence projects, the bar is set high to ensure their staff is up to date on the latest tech. Naturally, firms are investing in a wide spectrum of training and incentives to help lawyers deepen their technology acumen.

Of course, lawyers need more than know-how. **As 71% anticipate AI will play a role of high importance to the future of their M&A practice, firms will need to address a host of ethical considerations raised by the deployment of AI for legal work, ranging from obligations to protect data privacy to whether a firm should disclose their use of the technology to clients.** While nearly all (99%) include specifics on their use of AI-based technology for contract review when they pitch for new M&A work, just 52% include this all the time, indicating varying degrees of sentiment about AI usage amongst prospective clients.

To better understand how law firms are using AI tools in their M&A work and how they broach the topic with clients, Litera partnered with Wakefield Research on a survey of 300 legal professionals at law firms with M&A practices across the U.S., UK, and Canada. Discussions about the use of AI in deal-making are certain to rise to the forefront of client communications as law firms incorporate more AI tools into their M&A work.

Table of Contents

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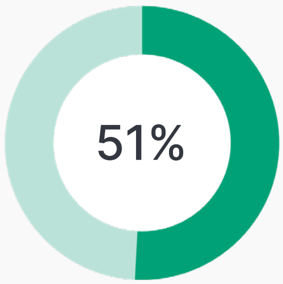
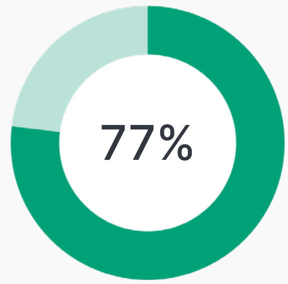
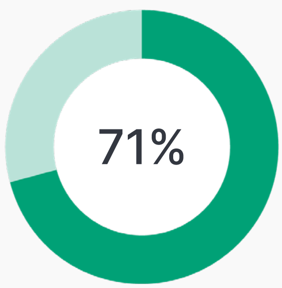
Key Findings



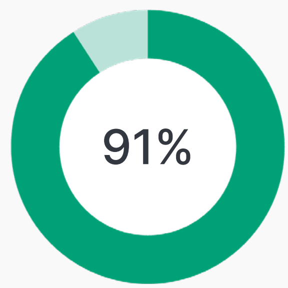
51% of M&A engagements are completed using AI-based technologies



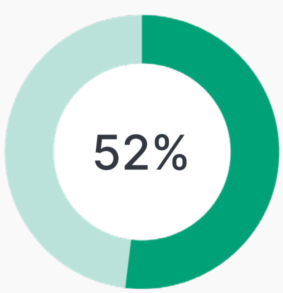
77% indicate that AI is highly important for their overall M&A practice



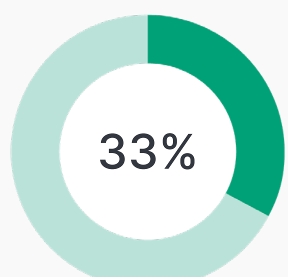
71% believe that AI will be even more important to the future of their M&A practice



91% anticipate that the majority of M&A engagements in the legal industry will be completed using AI-based technologies within the next 10 years



52% always include specifics on their use of AI-based technologies for contract review when they pitch for new M&A work



Legal professionals have seen a 33% improvement in the realization rates for their M&A deals from the use of technology

Expert Perspective

Daniel Rosenberg

Partner, Charles Russell Speechlys LLP

Daniel is recognized as a leading cross-border M&A lawyer and as a leading cross-border Corporate Governance lawyer in the independently researched Who's Who Legal: M&A and Governance 2024. He chairs the ABA Technology in M&A Subcommittee and is a director of BritishAmerican Business, the leading transatlantic trade association.

Daniel is General Editor of Sweet & Maxwell's Practical Commercial Precedents and is a regular speaker on topics related to international M&A.

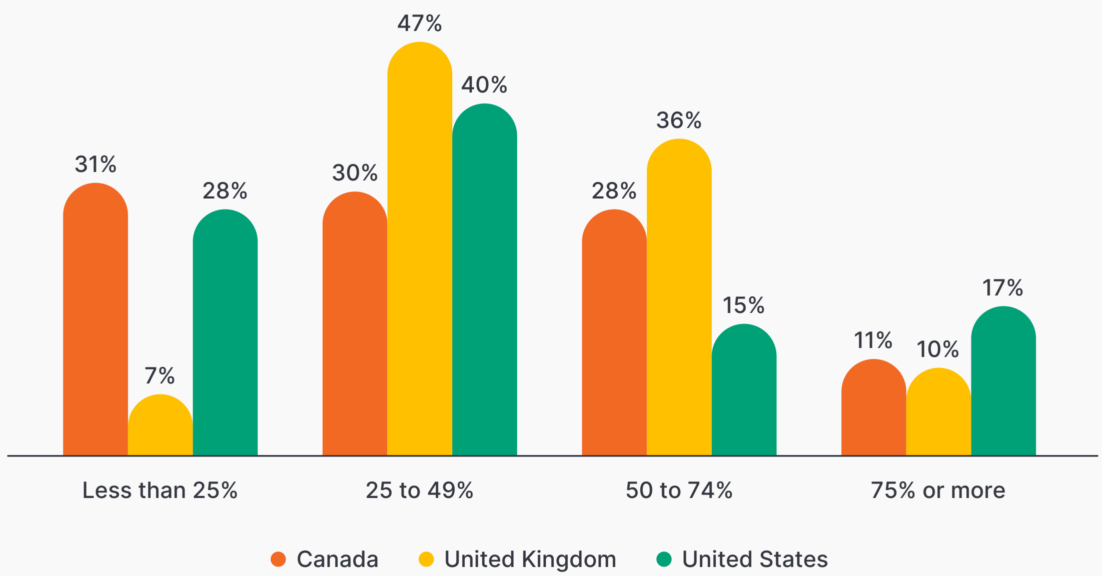
"The ABA's Technology in M&A Subcommittee is delighted to have collaborated with Litera in the production of this timely survey, which will be of interest to all of our members given their interest in developments in this rapidly changing landscape. The Subcommittee is providing vital thought leadership and up-to-date know-how on the use of technology in the practice of M&A, for example through the production of our Directory of M&A Technologies, and our Subcommittee continues to benefit from the input of technology vendors such as Litera in helping to spread the message."

– Daniel Rosenberg

1 AI Rising

Artificial intelligence is being embraced by law firms across the U.S., UK, and Canada for their M&A practices, with most viewing it as increasingly valuable to the firm.
On average, 51% of M&A engagements are completed using AI-based technologies. A higher volume of M&A work demands even greater productivity: at firms where M&A is the majority of their work, 64% use AI tech on at least half of their M&A engagements.

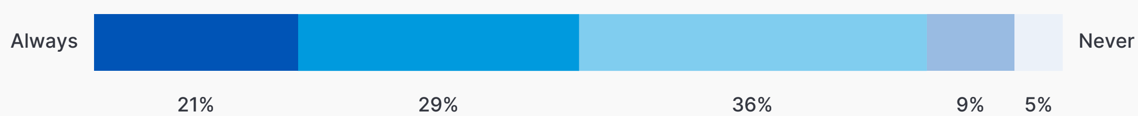
In your estimation across the entire legal idustry, what proportion of M&A engagements are completed using AI-based technologies?



The ability to use technology to assist is appealing considering that firms only review 43% of contracts, on average, during a typical M&A due diligence process. The deployment of AI could dramatically improve firms' capacity to review contracts, enhancing their ability to identify and mitigate potential legal risks that may impact the contemplated transaction.

Nearly half of firms (46%) collaborate with their clients to determine how many contracts should be reviewed, yet more work is needed to establish and connect AI solutions to the proportion of contracts to be reviewed. While most clients frequently inquire about specific AI technologies, discussions about the tradeoffs between manually reviewing a subset of documents and using AI to review a larger set happen only occasionally. Just 50% routinely broach the topic, though those who use AI for a larger portion of their M&A engagements are involved in these discussions more often. Close to a third of those who use AI for at least half of their M&A engagements (31%) always engage in these discussions.

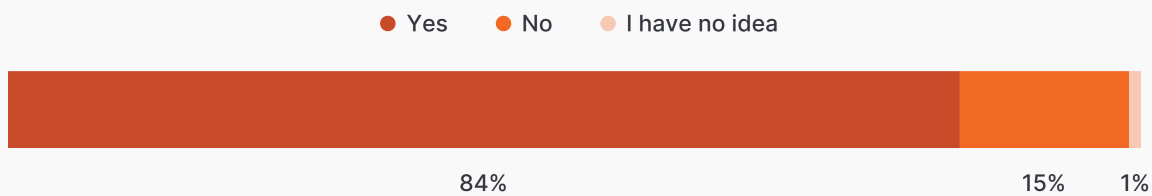
How often do you engage in discussions on the tradeoffs between manual review of a subset of material documents versus automated review of a more comprehensive set of documents?



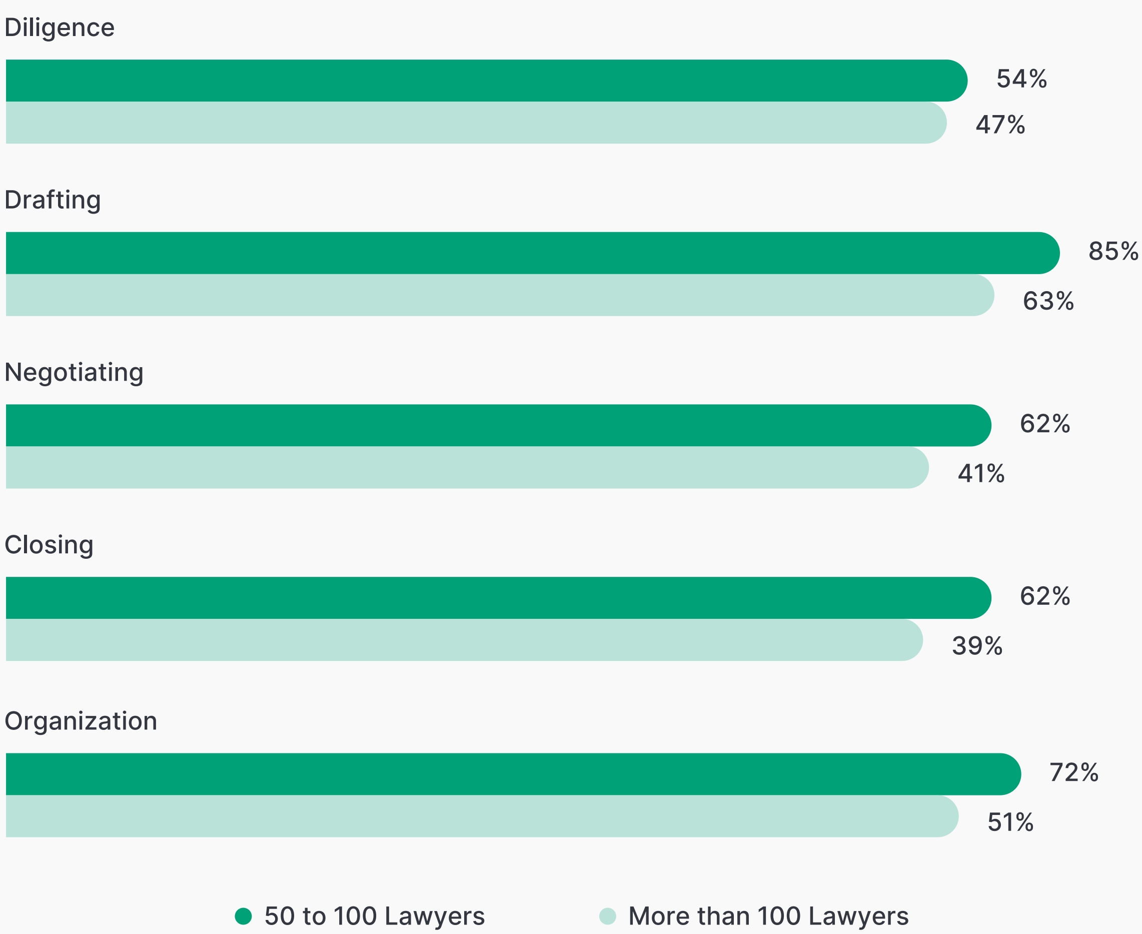
Despite the potential AI offers, firms recognize that not all clients are comfortable with it just yet, and they're tailoring their pitches to prospective clients based on their perceived comfort with AI. Just 52% always include specifics on their use of AI-based technology for contract review when they pitch for new M&A work, though nearly all (99%) include this at least some of the time. These disclosures are most common at firms focused on M&A work, where 60% always disclose their use of AI tech, compared to 40% at firms where M&A represents only some of the firm's work.

Plans to integrate Generative AI (GenAI) tools into legal work could help accelerate these discussions. The vast majority (84%) have plans to make use of GenAI solutions—or more GenAI solutions—for their M&A practice in the next one-two years. Contract review (30%) is the top use case legal professionals see for GenAI to add value to the practice, indicating a high level of commitment to leveraging GenAI to help enhance M&A legal work. Professionals at firms with 50 to 100 lawyers are more likely than those from firms with more lawyers to see GenAI as helpful to their firm's M&A practice for a variety of use cases.

Does your firm have plans to make use of GenAI solutions, or more GenAI solutions, for your M&A practice in the next 1-2 years?



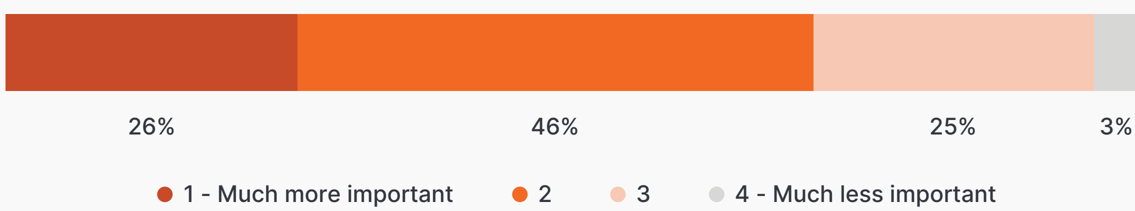
Which of the following use cases for GenAI in M&A practice would be most useful to your practice?



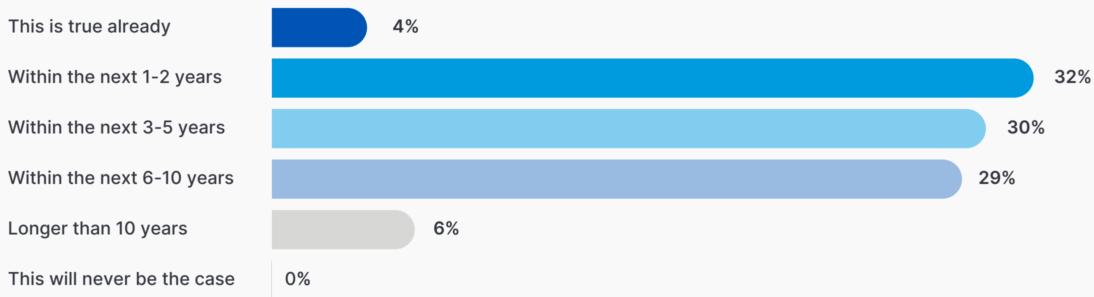
Daniel Rosenberg observes that *"although we have seen significant investment by larger law firms in the deployment and even development of these AI technologies, there are in fact significant potential benefits for smaller and medium sized firms. When those firms deploy AI on their deals, they can efficiently generate outputs that previously would have required larger teams, giving them the potential to increase their competitiveness opposite the larger firms."*

The value firms place on AI tools is clear. For 77%, it is highly important for their overall M&A practice, with 68% reporting the same regarding its importance for due diligence specifically. And they anticipate that their reliance on AI will continue to grow: 71% believe that AI will be more important in the future to their M&A practice. Indeed, 91% anticipate that the majority of M&A engagements in the legal industry will be completed using AI-based technologies within the next 10 years, including 62% who anticipate this will happen within the next five years. Nearly all law firm professionals (99%) anticipate that AI tools for document review will become a standard part of most M&A due diligence processes. Meaning we can expect to see an acceleration in AI adoption for M&A practice in the next several years.

Moving forward, how important will AI be to the future of M&A practice?



When do you anticipate the majority of M&A engagements in the legal industry will be completed using AI-based technologies?



Clients Request AI

Law firm leaders are not the only ones to recognize the impact that AI can have for M&A. More than half of legal professionals (59%) have clients asking their firm about using specific AI technologies or products in their M&A due diligence projects on a regular basis. This is a particularly common occurrence in the UK, where 70% report this happens frequently, compared to around half of those in Canada (51%) and the U.S. (55%).

How frequently have clients asked about using specific AI technologies or products on their M&A due diligence projects?

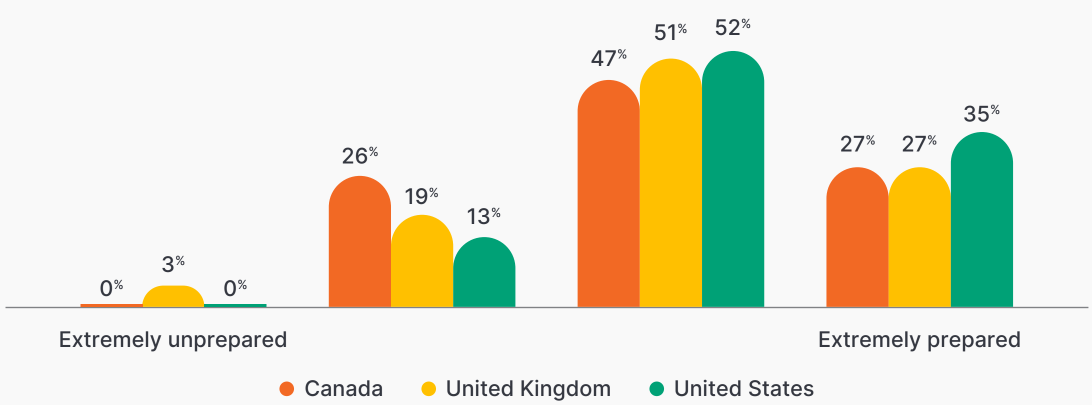
Rosenberg notes that *"it is no surprise that clients are increasingly asking lawyers to deploy AI in their transactions in order to leverage the significant efficiencies AI can generate. Those efficiencies are potentially so significant that lawyers should be more worried when their clients are not asking these questions—those clients are potentially going to be talking to lawyers who can offer these efficiencies on their own initiative."*

2 Equipping Lawyers with the Necessary Skillset

As new technology is introduced, training must follow. And law firms are investing to provide their legal teams with the necessary skillsets to navigate technology in today's competitive landscape. At the same time, 97% of legal professionals indicate their practice group has developed expertise in using tech-assisted contract review for M&A due diligence projects.

AI and other technology tools have the potential to greatly enhance productivity as well as the accuracy of M&A work. Yet they also pose risks when used by those who are untrained on the tools themselves or unfamiliar with their potential for errors and bias. While 80% of legal professionals believe the lawyers coming to their firms are prepared to meet the challenges that the increasing use of technology brings to their legal practice, just 30% indicate they are **extremely** prepared for this—a figure that drops to 27% in Canada and the UK, compared to 35% in the U.S.

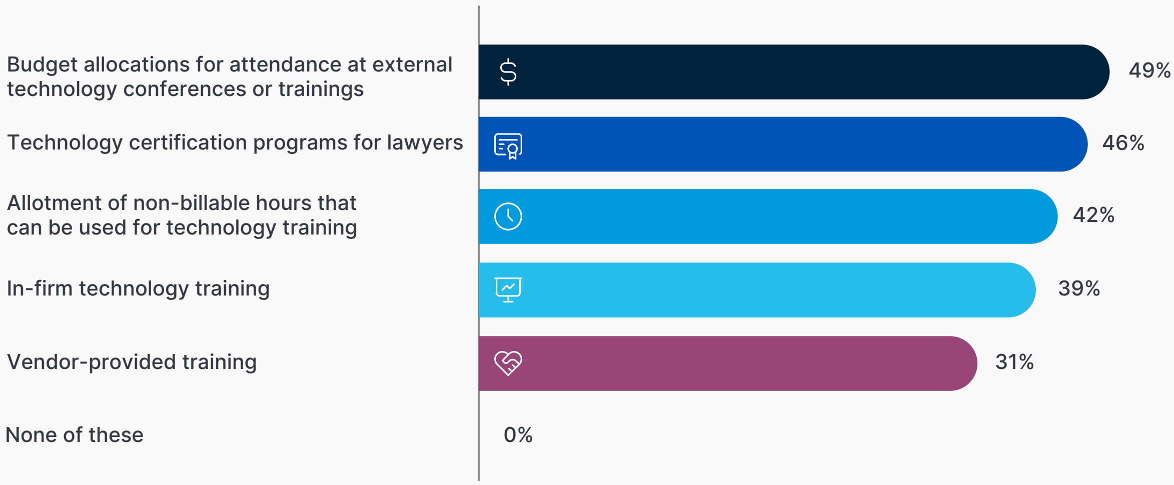
The increasing use of technology in legal practice requires new skill sets from lawyers. How well prepared are the lawyers coming to your firm for meeting those challenges?



As firms seek to ensure their lawyers have the skills they need to meet the demands of embracing new AI tools and other technologies, 49% are budgeting resources for lawyers to attend external technology conferences or trainings to enhance their skills. This is particularly common in Canada, where 59% of legal professionals report their firm uses this approach for professional development.

Options for training are plentiful, with 46% looking to technology certification programs for lawyers to obtain the technology skills they need, while 31% use vendor-provided training. Tapping into external training opportunities appears to be a cost-effective way for law firms to get their legal professionals up to speed. Outside of the U.S. (50%), only around a third (35% of those in the UK and 32% in Canada) use in-firm technology training to develop the technology skills of their lawyers.

What resources or approaches does your firm use for developing technology skills in your lawyers?



From his perspective, Rosenberg says *"we are seeing a rapid expansion in the availability of training solutions for lawyers using AI, both in terms of prompting and other skills and also to help them acquire skills and knowledge they would have acquired working on deals in the 'old-fashioned way.' Some of these are simulating the kinds of conversations they would have with a supervising partner but in a training scenario, a role for which Generative AI is well suited."*

While approaches to training vary between the U.S., UK, and Canada, their efforts demonstrate the significant emphasis they've placed on technology training—and how customary it will be in the near future. As they look to ensure their lawyers are keeping up to date on the latest technology and tools, 42% have even allotted non-billable hours that can be used for technology training as an added incentive.

Differing Views on the Impact of AI on Young Lawyers

Although most legal professionals agree that AI is good for the profession, their views differ on how it will impact those newer to the field. The majority (64%) of legal professionals believe AI will benefit younger lawyers by freeing them from routine work and giving them time to focus on their analytical and advisory skills. However, this viewpoint is far from universal, as some worry AI tools may deprive younger lawyers of learning opportunities.

Which best captures your view of how AI will impact the careers of young lawyers?

36%

AI makes it harder for young lawyers to learn the craft because they don't get the experience of looking for and analyzing critical contract terms

64%

AI is good for younger lawyers because it frees them from the routine work and gives them time to focus on their analytical and advisory skills

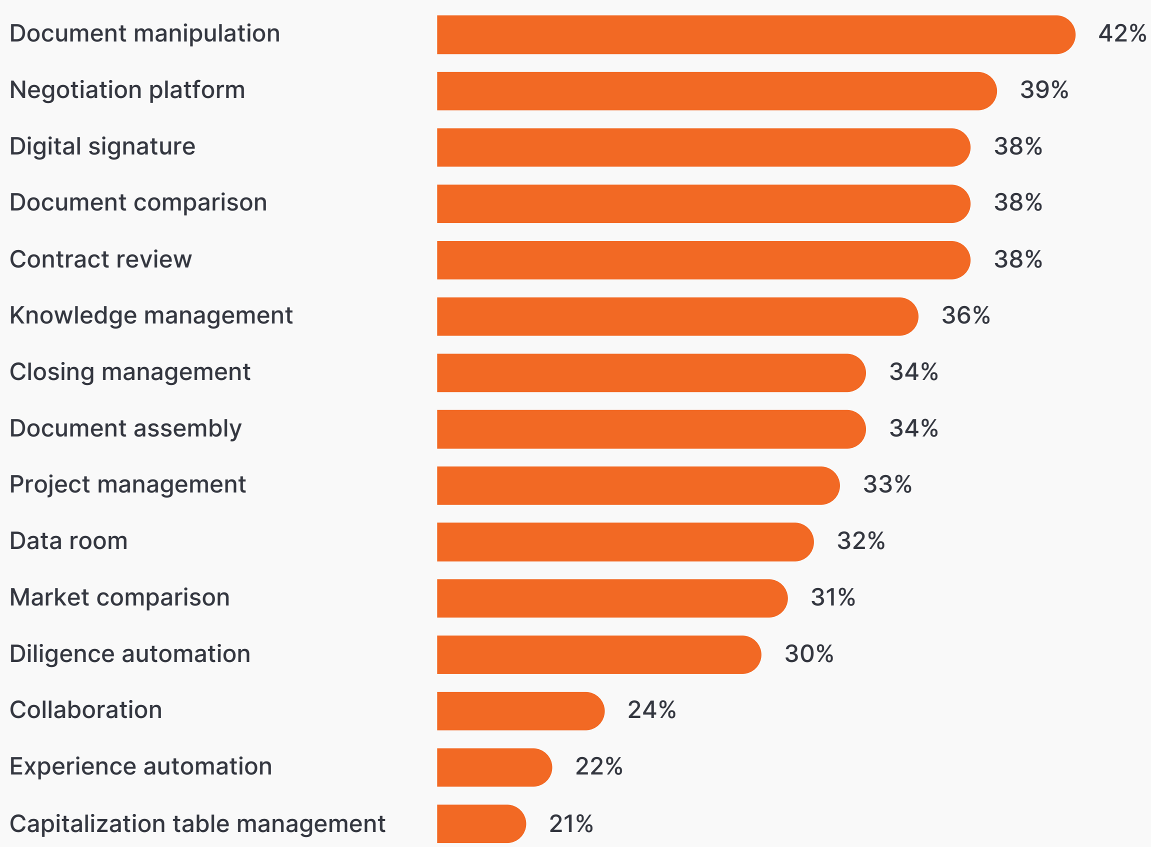
More than a third of legal professionals (36%), including 44% of those at the associate/attorney level, believe AI makes it harder for young lawyers to learn the craft because they do not get the experience of looking for and analyzing critical contract terms.

According to Rosenberg, his firm requires its junior associates to take on an innovation project every six months during their first two years after law school, as a means of instilling in them an innovation culture (and an openness to new techniques) at the very beginning of their careers.

3 Investments in Technology

Legal professionals use a wide array of technology tools, especially to help them draft contracts (89%) and organize and manage projects (72%). At present, fewer are using technology for diligence, though it seems this may soon change.

Which of these technologies does your M&A practice group use?



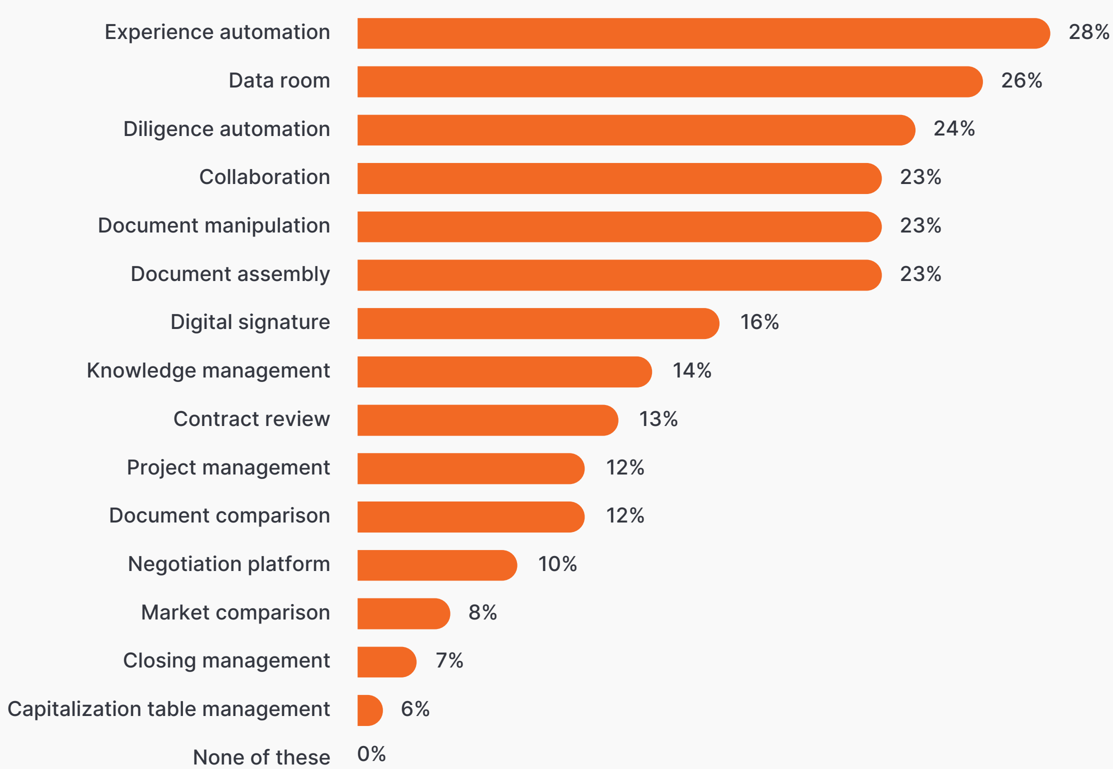
Legal professionals most commonly use technology for drafting, including document manipulation (42%), contract review (38%), document assembly (34%), and market comparisons (31%). Tools for document manipulation are especially common at firms in the U.S., where 54% use them, compared to 38% of those in the UK and 33% in Canada.

When it comes to organization, firms are using technology for knowledge management (36%), project management (33%), collaboration (24%), experience automation (22%), and capitalization table management (21%). Knowledge management (46%) and project management (44%) tools are particularly common among those in the U.S., while other tools are seeing similar use across the three markets.

Nearly half of legal professionals (49%) are using technology for diligence. Just under a third of firms are using data rooms currently (32%), while 30% use diligence automation at their firm. U.S. firms have an edge as they are more commonly using tech for diligence, with 65% doing so, compared to 39% of those in Canada and 44% in the UK.

Looking ahead to the next one to three years, 43% expect their firm to consider purchasing tools to assist with due diligence. And here we see the UK and Canada closing the gap, as 48% of legal professionals in the UK and 47% of those in Canada anticipate purchasing due diligence tools, compared to 34% of those in the U.S. Firms not already using these tools are still considering purchasing them in the next few years, including data rooms (39%) and diligence automation (34%).

Of the technologies you use, which are most important to your M&A practice group?



The Value of Technology

Legal professionals look for a variety of benefits when they implement technology into their M&A work. The top among these are freeing up time for analysis and client consultation (33%), affording more accurate reviews (32%), and allowing for greater analytics capabilities (32%).

When it comes to how well M&A tech has performed in helping firms achieve these goals, the data speaks for itself. On average, legal professionals have seen a 33% improvement in the realization rates for their M&A deals due to technology. At firms with 50–100 lawyers, this is even higher, at 38%, demonstrating the ability of technology to enhance M&A legal work.

Conclusion

Law firms are investing in technology to stay agile in a highly competitive market for M&A transactions, and they recognize that new tech brings the need for additional training. These investments involve sending legal professionals to external training sessions while also crediting them with non-billable hours to complete their training.

The majority of firms in the U.S., UK, and Canada are already using technology for M&A transactions, especially for drafting and organizing documents and for managing deals. These tools will continue to be top-of-mind in the next few years, with due diligence being another area where many expect to invest. With the breadth of possibilities technology and AI offer, legal professionals anticipate that AI use will become even more commonplace across deal-making within the coming decade.

This rapid adoption of cutting-edge technology raises important considerations for law firm leaders, especially as many migrate toward GenAI tools that could potentially insert bias or disinformation into legal documents. Disclosure of AI use to clients, who may appreciate the savings on fees, is imperative—coupled with realistic discussions about the tradeoffs these tools offer and assurances that data being processed via AI tools will remain confidential.

Appendix:
Technologies Used in M&A Practice

For the majority of this survey, we limited our focus to transaction-specific technologies. That reflects both our interest in supporting M&A lawyers and our recognition that certain tools—such as Microsoft Office Suite, email systems, videoconferencing applications, and collaboration platforms—are ubiquitous in the legal industry but are not specifically designed for M&A practitioners.

As with last year's survey, we again used the five broad categories of transactional technologies identified in a project from the American Bar Association's Technology in M&A Subcommittee. The categories are summarized here, with a few examples of each; the full list is in the Directory of M&A Technologies. While these categories overlap in some ways, this directory is a useful way to distinguish between the various phases of M&A transactions and identify the technologies used at each stage.

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)

Transform Your M&A Practice

Better Informed

LITERA Kira — Seamlessly collaborate with scalable AI contract review

FOUNDATION Insights — Leverage AI deal insights from your firm's collective experience

Better Managed

LITERA Transact — Gain total deal visibility with one comprehensive platform

Better Deals

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