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M&A during a pandemic – Alterations of processes

A case study on a Swedish strategic serial acquirer in the tech industry

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Abstract

Through a single case study, we expand on pre-existing M&A research by examining how M&A processes have been affected by the increased information asymmetry as a result of the Covid-19 pandemic and what implications it will have on these processes going forward. By conducting a case study on a strategic serial acquirer in the technology industry, this thesis shed light on how firms within this industry react towards such a market shock and alter processes in order to adapt to the new circumstances. Based on a triangulation of document analysis and interviews with key employees of the case firm we find that the M&A strategy in terms of screening process and target criteria was not changed due to the pandemic. The most affected processes are the initiation of contact with target companies and the due-diligence process. There is a perceived loss of deep insight into target firms, trust and relationship building due to the vanishing of physical meetings, which is argued to be the largest change to the firm's M&A processes. In addition to this, specific Covid-related aspects are taken into consideration, such as a more intense and differentiated focus on the liquidity and generation as well as origins of cash flows of targets during the due diligence process, compared to before the pandemic. Further, implications for the future mainly concern the possibility of increased productivity, inclusion and alignment of interests in the post-merger integration work, and the importance of trust and long-lasting relationships as an inherent part of the M&A strategy.

Keywords: M&A, process alterations, Covid-19, external shocks, asymmetric information

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1. Introduction

1.1 Background

Mergers and acquisitions (M&As) are one of the most intensely researched areas within the subject of corporate finance, where the issue of whether or not the activity is value creating for the firms engaging in it has been one of the most examined ones, often through the evaluation of the long and short-run post acquisition performance of firms (Jensen & Ruback 1983; Agrawal et al., 1992; King et al., 2004; Eckbo, 2008; Zollo & Meyer, 2008). The incentives for an acquiring firm to indulge in M&A activities are multifaceted, but most often the main goal is to create shareholder value, that may take the shape of different kinds of synergies that comes as a result of the merger and integration of the two companies (Marks & Mirvis, 2001; Ficery et al., 2007). Some companies have made this an inherent part of their operating activities, often referred to as serial acquirers, as they are conducting acquisitions on an ongoing basis, often several times per year (Schipper & Thompson, 1983; Amburgey & Miner, 1992). These serial acquirers can also be further divided into strategic or financial acquirers, where strategic acquirers can be defined as companies conducting several interrelated acquisitions, often directed at certain industries or markets, as part of a larger corporate strategy with a long-term focus (Laamanen & Keil, 2008; Degbey, 2015). For strategic serial acquirers (hereafter referred to simply as strategic acquirers), short-term or even medium-term financial motives are not the main guiding principle for acquisitions and they very seldom sell the acquired business, in contrast to the category of financial acquirers that simply indulge in acquisitions for financial reasons (Feix, 2020). Further, one of the main determinants of the value creation of a merger lies in the ability of the bidding firm to accurately assess the potential value that can be created as the result of a merger in terms of financial and operational synergies and cultural fit. This is an activity where the internal M&A processes among bidding firms governing the undertakings of these assessments are crucial. Many strategic acquirers also tend to perform much of the M&A work inhouse, and therefore, their decision-making processes are of high importance for the success of a deal (Aktas et al., 2020; Feix, 2020).

M&A activity in general has historically shown signs of being rather cyclical and periods of more intense M&A activity have appeared several times in the last century, a phenomenon often referred to as merger waves (Kleinert, 2002). These waves are often driven by external shocks to the economy, bringing with them increased information asymmetry, such as rapid regulatory changes, significant commodity price changes, pandemics, or temporary widespread corporate mis-valuations causing "merger mania" (Schleifer & Vishny, 2003; Rhodes-Kropf et al, 2004; Hartford, 2005; Feix, 2020). These external shocks are cyclical, but very different in the shape they take, and serial acquirers have continuously been forced to adapt to them throughout the twentieth and twenty first centuries (Allen & Gale, 2009; Salsberg, 2020). Six main waves have been identified in the last century and research indicates that we are currently in the midst of the seventh one, with the number of M&A transactions having increased steadily, both in numbers and in deal value since the financial crisis of 2008, however, with a smaller slowdown in the period of 2018-2020 (Imaa Institute, 2020). This seventh wave is argued to be fueled by the supersaturation of liquidity on the global market, combined with the disruptive technological development and innovation of business models by many companies and has continued throughout the year of 2020 (Feix, 2020). This is a trend seen even in the wake of the economic turmoil of the current global Covid-19 pandemic, following a sharp drop in activity during the first and second quarter of 2020 (Feix, 2020; Thomson et al., 2020). The disruptive technological changes driving this seventh M&A wave and the increase in M&A activity among software and technology companies, are changes that have been accelerated even further by the ongoing pandemic (Levy et al., 2020; Fietz & Arntzen, 2020; Suidan et al., 2020). There has, for a long time, been consensus among researchers that there is a connection between corporate valuations and M&A activity, dating back to Nelson (1959). As this study is being written, the global stock market valuations are at an all-time high, an aspect that in combination with the large amount of attention attributed to technologically driven business models further drives the high frequency of M&A activity, especially among tech companies.

Against this backdrop highlighting the importance of the quality of M&A processes to determine the outcome of a deal, a cyclical M&A market and a current economic landscape where valuations are at an all-time-high, strategic decisions taken by acquirers in the market are of interest (Aktas et al., 2020; Feix, 2020). These decisions could take the shape of whether or not to rely on internal M&A teams or external advisers when conducting a deal, how high of a premium that is determined to be reasonable, how, when and for how long negotiations should be allowed to be conducted or which aspects to evaluate further in a due diligence process, to name a few (Boone et al., 2014; Fralich & Papadopoulos, 2018; Aktas et al., 2020). Relationship building is also a crucial component in M&A activity and how to nourish and develop relationships is an important strategic process due to its close connection to trust among the parties involved in a deal and in many cases it is the aspect deciding whether a deal goes through at all (Evans & Bishop, 2002). The importance of relationship building between the acquirer and target firm in M&A can also affect which acquirer the target ultimately chooses to accept an offer from, and in some cases this does not necessarily have to be the acquirer offering the highest bid, but the acquirer that have managed to build the most trusting relationship with the target (Ferrer et al., 2013; Feix, 2020).

Further, access to information is a crucial component when conducting M&A transactions since it has a great impact on valuations of risky assets, such as potential target companies (Krishnaswami & Subramaniam, 1999; Draper & Paduyal, 2008; Officer et al., 2009). The tech sector is already a sector with a rather high degree of information asymmetry due to, among other things, the large concentration of intangible assets. With an external shock carrying the magnitude of the current ongoing pandemic, information flow in the market is affected through a heavy increase of uncertainty, initially making valuations of targets more difficult (Levy, 2020). Internal processes in the likes of M&A decisions are to a large extent affected by this, making new strategic decisions and responses necessary to consider and adopt for companies (Kengelbach et al., 2020; Levy et al., 2020; Neely et al., 2020). This is especially evident for strategic acquirers, whose strategies strength and resilience have been put to test by the current environment (Herndon & Bender, 2020). Factors that have changed and may affect and force alterations of these processes manifest themselves in terms of, for example, potential protracted deal cycles due to the more or less elimination of in-person meetings and potential contractual considerations to protect the firm from hostile takeovers that may result from the unstable valuations and increased importance of bridging value gaps in the situation of a deal proposal (Bengera & Adler, 2020). Also, patterns of changed usage of external advisers have been observed, where many strategic acquirers use external advisers to a lesser extent or in different ways compared to before the pandemic as a way of streamlining the acquisition process (Shah et al., 2021). With the previously mentioned increased activity on the M&A market of tech companies, a market already exposed to information asymmetry, now combined with the even higher degree of information asymmetry caused by the pandemic, the basis for decisions governing internal processes among strategic acquirers are shifting and changing even more rapidly.

1.2 Problem discussion and research question

For strategic acquirers, M&A activity constitutes a crucial method in order to acquire assets, reach new markets, obtain new technology, patents and knowledge (Berk & DeMarzo, 2017; Waldman & Jensen, 2019). In this thesis, we aim to focus on the M&A process and the decisions taken within the frame of it, and what effects the Covid-19 pandemic has had and still has on these acquirers. M&A is an important part of the operational activities of these companies (Feix, 2020), and how the external shock of a pandemic resulting in increased information asymmetry might affect these processes is of high interest due to the importance of M&A as a strategy for growth and value creation in this sample group of companies. In addition to the operational and strategic importance of acquisitions for strategic acquirers, the current market environment and the seventh technologically driven M&A wave that is currently unfolding, makes for an interesting case to specifically focus on companies active in the tech industry, an industry with an already high rate of information asymmetry. Further adding to the importance of the problem is the fact that research has predicted that new pandemics potentially as severe as Covid-19 in terms of effects on global health and economy will arise and happen again with some level of cyclicality due to, for example, deforestation, more dense living in many parts of the world and climate change (Garrett, 2005; Osterholm, 2005; Osterholm & Olshaker, 2020; Hook 2020). In other words, research imply that the situation strategic acquirers were put in front of in the year 2020 could arise again in the future and exploring how these acquirers perceived the challenges that the pandemic imposed and what process alterations that was undertaken and their effects, could therefore serve as important knowledge for potential future similar situations.

As previously mentioned, as this study is being written, early in the year of 2021, stock market valuations and market activity are at an all-time high and tech companies have particularly taken the lead regarding high valuations and increased M&A activity (Amiot, 2020; Fietz & Arntzen, 2020; Levy, 2020). Examples of some recently conducted high profile strategic acquisitions is Tesla's acquisition of Maxwell Technologies in 2019 (Tesla, 2019), the acquisition of Wavy in 2020 by Swedish cloud communication firm Sinch (Sinch, 2020), Salesforce's acquisition of workplace software company Slack for 35 billion dollars (Salesforce, 2020) or Nvidia's acquisition of Arm for 40 billion dollars (Nvidia, 2020). Common to all of the above examples of listed acquiring companies is that in addition to the fact that they can all be defined as tech companies, they have also seen their valuations increase sharply in the last couple of years, with an extra sharp increase in the pandemic-marked year of 2020. The combination of the high M&A activity among tech companies, the current favorable market conditions of low interest rates and high liquidity in the markets, the information environment and long run effects of a pandemic that never has been witnessed before and the large effects it imposes on such a crucial part of the operational activities of strategic acquirers in this specific industry makes for an interesting and important case to explore further. Hopefully, the study can bring new knowledge that could complement the current body of quantitative and qualitative research within the research field of M&A.

Thus, the aim of this thesis is to examine how a strategic acquirer in the tech industry has experienced the increased information asymmetry and changed transaction environment as a consequence of the Covid-19 pandemic and investigate how M&A processes have been affected accordingly. Market disruptions leading to higher information asymmetry between transaction parties occur with some form of cyclicality, the result of this study can therefore shed light on how strategic acquirers adapt M&A processes to increased information asymmetry in general.

Moreover, this thesis aims to explore the potential future implications it might have on the conduction of acquisitions within this industry. Accordingly, the research question that aims to be answered is the following:

- How have the M&A processes of a Swedish strategic serial acquirer in the technology industry been affected by the Covid-19 pandemic and what implications will it have on future acquisitions?

2. Literature review

With the purpose of exploring the pandemic's effect on strategic acquirers' M&A processes, the body of literature that could support the understanding of the acquirers' actions in this setting is the theory of asymmetric information and its widespread use in M&A literature. Information uncertainty naturally affects decision making processes by firms, and the relationship between bidding and target firm in a M&A context is a typical setting for describing the issues related to information asymmetry. However, what makes it even more relevant for this particular case study is the context of the pandemic. External shocks tend to change the information flow between parties in a transaction (Mishkin, 1990) and research shows that past shocks such as financial crises have led to increased information asymmetry between bidding and target firms (Latham & Braun, 2011; Fralich & Papadopolous, 2018). This raises the question of potential adverse selection in the market for M&As during a pandemic, a subject that is further outlined and discussed through previous literature in this section.

2.1 Theory of asymmetric information

The market phenomenon when parties in a transaction do not share the same information have engaged researchers for decades. The ground theory of asymmetric information in business and economics, developed independently by Akerlof, Spence and Stiglitz in the 1970s and onwards has been used and explained in numerous different settings and contexts. Akerlof (1970) illustrated how markets might break under extreme information asymmetry by describing the market for used cars, commonly known as the lemons problem. This phenomenon, when one party in a transaction exploits the situation of information asymmetry and engages in a trade which benefits him-/herself at the expense of the other party is called adverse selection, a commonly known problem in the theory of asymmetric information (Runesson et al., 2018). The problems of information asymmetry such as adverse selection have, to a large extent, been used in M&A literature when explaining certain decision makings and outcomes, such as inadequate valuations, leading to either an overpayment or the missing out of an attractive deal, and in the long run this can explain the absence of value creation in M&A deals (Reuer, 2005; Reuer & Ragozzino, 2008; Fralich & Papadopolous, 2018).

2.1.1 Information asymmetry, valuation and type of transaction

Based on the theoretical idea of information asymmetry and how parties engaging in a transaction can exploit it, valuations are one of the areas within M&A where the effects of this become clear. Rhodes-Kropf and Viswanathan (2004) explain how mergers waves are related to misvaluations, and they show with their model that even if the motivation for the merger is of any other kind, such as deregulation or innovation, the issues with valuation will impact M&A in one or the other way. Both bidding and target firms might have market values that do not reflect the true value of the firm's assets, and this misvaluation can be caused by either firm-specific or market-wide factors (Rhodes-Kropf & Viswanathan, 2004). The expected synergies of the merger should be embedded in the price, but the target wants to filter out the market-wide misvaluations and adjust the bid. However, due to lack of information on what causes the misvaluation the target struggles with the assessment. Even if the rational target is right on average, it cannot distinguish between the market-wide and the firm-specific misvalutations that lead to an overvaluation. The model developed by Rhodes-Kropf and Viswanathan (2004) tells us that the more the market is overvalued, the more will the target overestimate the proportion of firm-specific misvaluations and will not calculate with enough proportion of market-wide misvaluations. Thus, the bid tends to look higher in such a situation. The opposite occurs when the target is overvalued due to firm-specific reasons. The higher the target overvaluation, the more the target will overestimate the proportion of market-wide misvaluations and will not calculate with enough proportion of firm-specific misvaluations and thus the bid tends to look lower.

Scholars have also explored how information asymmetry can affect the acquisition to different extents depending on aspects and characteristics of the acquirer and target company, as well as the motive of the acquisition. Coff (1999) argues that industry knowledge affects acquisition processes and may be linked to information problems. He develops this reasoning by highlighting that knowledge is often a key acquisition driver in that it is the most important asset to acquire and investigates how information asymmetry may affect transactions where knowledge is acquired. He points to aspects such as the difficulties of assessing quality, transferability and synergy potential in these acquisitions. Further, the author finds that pre-acquisition company relations, type of industry and prior industry knowledge are important aspects determining the level of information asymmetry in a specific deal, and concludes the information asymmetry to be most severe in a case where the buyer and target are unrelated in knowledge-intensive industries, whereas acquirers with financial motives that do not plan to integrate the two firm, are at a lower risk of information issues and does not need to apply coping strategies.

2.1.2 Information asymmetry and trust

In connection with the above-discussed findings by Coff (1997) pointing towards firms in similar industries and with previous knowledge of each other having a lower degree of information asymmetry is also the theoretical aspect of inter-firm trust. When evaluating information asymmetry in relation to M&A activity, the issue of trust and its consequences for the success of mergers is an aspect that is of high importance, especially when examining cross-border M&A. Trust is generally a remedy for information asymmetry and a high degree of trust between two actors in a transaction can be detrimental to the success of a deal, something that several scholars have explored. Stahl and Sitkin (2005) point out that there is a large body of research that suggest the importance of trust in M&A deals, where aspects such as common perceived competence, openness and integrity among the parties play an important role for the relationship building and trust in an early stage organizational relationship such as an initiation of a deal. Further, Currall and Inkpen (2002) also highlight the importance of trust and the establishment of strong relationships between firms, often in advance of a collaborative proposal, for the success of international joint ventures. Joint ventures and M&A situations share many similar processes in terms of establishing trust and building strong relationships between the involved firms and research regarding joint ventures can therefore be used and applied also in M&A situations when issues surrounding trust and relationship building are in focus (Stahl & Sitkin, 2005).

Ollie (1994) discusses the merger process and the issue of relationship building and trust from an international perspective as well as the importance of establishing a relationship based on an equal identity. The author points to the fact that the acquirer in many ways can be defined as the more powerful actor in an M&A situation and that a situation where the target company does not feel inferior to the acquirer and the relationship is characterized by mutual respect creates the best prerequisites for building trust. Findings by Graebner (2009) further develops the idea of trust asymmetries in an M&A setting and confirms that targets tend to favor acquirers that they trust, even over other important aspects of the deal such as the price. Hence, targets might choose an acquirer they trust even if it is not the highest bidder. The author highlights that this trust often stems from the attitude and signals sent out by the acquirer and situations where the acquisition evolves too much into a power struggle between the parties tend to destroy trust. Bereskin et al. (2018) also highlight the importance of corporate cultural similarity in determining the success of mergers and the following integration work. The authors use similarities in corporate social sustainability characteristics as a proxy for similarities between sample firms and find that firms that share similar cultures are more likely to merge and these mergers are more cultural and financially successful in the long term. Stahl et al. (2006) also point towards similar aspects when discussing what signifies successful relationship building and trust in M&A. However, aspects such as the friendliness of the takeover, previous contact between firms and a flexible approach from the acquiring firm in letting the target keep much of its anatomy and culture are introduced and highlighted as important. The author points out that an acquirer with a more collaborative and according to the target, sound ethical attitude, stands a better chance to gain trust.

Findings by Weber et al. (2012) confirm the view and, similar to Bereskin et al. (2018), bring in the connection between trust in a M&A and post-merger integration process. The fact that trust between the parties during a merger is an important denominator of the success of the integration process is pointed out. There is, however, some discourse within the research field and some scholars have found somewhat different results compared to the above discussed consensus. For example, Trapczynski et al. (2018) use a firm-level analysis on tech firms and find that trust does not necessarily have to emerge from both sides in a M&A situation in order to make it successful. The authors find that trust established with the target firm's managers has a positive effect on the acquisition success, but trust from the acquirer on the other hand, is not a significant predictor of the success of the acquisition, where the authors define trust in general as the level of autonomy that the acquiring firm leaves to the target.

2.1.3 Information asymmetry and external shocks

Whereas information asymmetry affects valuation and trust as mentioned above, information asymmetry is also related to external shocks in the market. There are several types of shocks in the market, ranging from, for example, recensions to new regulations. The shock of a recession naturally affects firms' growth strategy. The uncertainty regarding the time frame of the economic downturn complicates investment decisions, and unsuccessful investments made during a downturn tend to cause more problems for firms (Latham & Braun, 2011). These mechanisms do, naturally, also apply to acquisition strategies in different ways. One of the main issues facing firms that are conducting acquisitions in an environment marked by an external shock is the difficulties of valuing assets in a precise and correct way (Mishkin, 1990; Mishkin, 1992; Latham & Braun, 2011; Fralich & Papadopolous, 2018). Fralich and Papadopolous (2018) explain how the financial crisis of 2008 enhanced information uncertainty between bidding and target firms. The increased difficulties of separating market effects from firm-specific effects as a consequence of the crisis aggravated the valuation process for many firms, and especially firms that sought to capitalize on the situation of discounted prices experienced the difficulties with increased information asymmetry (Hotchkiss & Mooradian, 1998; Fralich & Papadopolous, 2018). Moreover, the hypothesis of positive correlation between premium price and information asymmetry was confirmed by showing that higher premiums were paid during the financial crisis of 2008 due to increased information asymmetry and uncertainty (Fralich & Papadopolous, 2018).

Malta and Winkler (2020) develop the idea of information asymmetry and its effects on M&A processes in one of the first articles relating the issue to the 2020 Covid-19 pandemic. The authors study, through a case study on a large American M&A transaction in the midst of the outbreak of the pandemic, how the standard contract design normally used in M&A practices failed to be sufficient in the situation of extreme uncertainty and information asymmetry which the pandemic imposed upon the market. The authors find that the interim period between the signing of contracts and closing of the deal to be most exposed to risks caused by uncertainty. This interim period is usually protected against market frictions and uncertainty through different kinds of insurance that allocates the risk of negative development of target value on the buyer and allows the buyer to terminate the deal only if certain conditions are met. However, as the authors point out, when uncertainty rises above a certain point it becomes an issue not only for the buyer but also for the seller, since the seller's put gets almost impossible to price and value. In these types of situations, both the seller and buyer have an interest in abandoning the deal entirely (Malta & Winkler, 2020).

2.1.4 Information asymmetry and premiums paid

Against the backdrop of information asymmetry often caused by external shocks such as a recession affecting valuations and with trust acting as a potential remedy to this asymmetry, a more concrete effect of information asymmetry in an M&A setting that has gotten the attention of researchers is the issue of how the premiums paid in an acquisition situation are affected. Dionne et al. (2015) contribute to this body of research by testing the connection by analyzing M&A as a dynamic auction process containing both private and public information, and highlights the importance of private information in determining premiums paid. In their model, blockholders of target firms represent the holders of private information. Becoming a blockholder or buying a toehold (i.e. a minority position of at least 5 % of the target firm's outstanding shares) is a way for bidding firms to mitigate information asymmetry in order to get access to valuable information and establish a larger stake through more offensive bidding. Albeit not that frequently used as a method, it is found to be effective when intangible assets are of high value, when the target is foreign and/or from a different industry (Aintablian et al., 2017). Dionne et al. (2015) further conclude that information asymmetry between the parties of a corporate transaction significantly influences the premium paid and the blockholder participant that holds the private information pays around 70% lower premiums. This is explained by the fact that the participants that do not hold private information are afraid of getting caught in the winner's curse and win the acquisition process by bidding too high.

However, there is discourse regarding the connection between information asymmetry and premiums paid. Previous research by Fralich and Papadopolous (2018) shows that targets with high information asymmetry are priced at discounts by the market, as the potential bidder knows less about the long-term quality of the firm in terms of asset quality and potential synergies. Any acquirer with better access to information about that target than the market naturally wants to exploit the situation. To secure the acquisition and to avoid bids from other firms, a premium over the target's market price is offered. A win-win situation occurs where both the target and the acquirer are satisfied. In this situation, the target receives a premium which the "uninformed" market would not have paid and the informed acquirer knows, even though a premium is paid, that the deal is a bargain due to the knowledge of the target's true net value and the potential synergies of the merger. Hence, some studies point towards information asymmetry to be associated with higher premiums paid, based on the idea that some acquirers will have access to better information than others and want to exploit the situation (Cheng et al., 2016; Fralich & Papadopolous, 2018).

3. Methodology

3.1 Research approach

Previous research within the area of M&A mostly rely on quantitative methods, a phenomenon that to some extent may be derived from the group of researchers conducting the research, who often come from the field of finance and therefore may prefer quantitative methods (Meglio & Risberg, 2010). This thesis, however, has approached the subject area and proposed a research question from a qualitative research angle. This is motivated partly by the way that the research question is formulated, where the aim is to explore experiences and how an unfolded situation or phenomenon has been perceived and reacted towards, and partly due to the fact that the explored phenomenon is new and have not been studied previously, an aspect of a research area where qualitative research methods can serve as a good foundation for further explorations (McCusker & Gunaydin, 2015). This thesis applies an interpretivist paradigm where a single case study-approach has been used to understand and discover how a phenomenon unfolds and explore individuals' opinions, attitudes and other social constructions within the spectrum of the chosen research question (Collis & Hussey, 2013). Further, a method of triangulation has been used, which means that different methodologies have been combined in the study of the same phenomenon (Denzin, 2017; Bowen, 2009). The triangulation method serves the purpose of ensuring validity and a more in-depth understanding of the research area (Yin, 1994; Carter et al., 2014; Merriam, 2015). In this case this composition of methods has consisted of interviews and document analysis. The documents studied in this research were data about how the case firm conducts M&A, including the whole process from growth strategy and screening to closing and integration, provided by the case firm. These documents will occasionally be referred to as the M&A playbook. Moreover, the case firm and the respondents are treated anonymously throughout the thesis.

3.2 Interview methodology

The interviews were chosen to be conducted in a semi-structured manner. As discussed by Bell et al. (2019), a semi-structured interview is often conducted based on an interview guide including questions on several topics which are aimed to be covered during the interview. However, it opens up for flexibility, both in terms of how the respondent can reply but also in which questions that are asked and in which order. It allows the interviewer to stay within the research area and ensure comparability between samples simultaneously as it creates flexibility and opens up for unexpected discussions (Bell et al., 2019), something that was considered favorable for the thesis. In accordance with the description provided by Collis and Hussey (2013), prior research was undertaken on each specific respondent situation, and questions on the main topics were prepared accordingly. However, follow up questions were brought up when appropriate or needed. The timeframe of the interview, as well as the number of premeditated questions and the order in which they were asked, was also adjusted in order to accommodate unprepared questions when necessary, without letting it affect the overall quality of the interview through, for example, a lack of time or flexibility. The semi-structured approach was used with the aim to find answers to the logic of the different situations that the respondents acted in accordance with, and the sometimes confidential nature of the information, a way of using the method in situations where it is highlighted as effective by Easterby-Smith et al. (2012). The interviews were conducted online through a video-call service. The choice of this method was mainly taken due to the Covid-19 pandemic and the constraints it implied on physical encounters.

When conducting the interviews for this research, a critical incident technique was applied. The critical incident technique is an interview strategy and a procedure for obtaining the respondent's own experiences from certain situations and events (Collis & Hussey, 2013). The technique enabled the respondent to come into the right mindset and recall and describe certain events, actions and behaviors rather than describing a hypothetical situation, which is suitable for the research purpose of investigating perceived challenges and strategic decisions experienced and witnessed by the respondent. When applying this method, the aim was to accommodate a situation where respondents recall the different chronological stages of how the situation unfolded, how processes were interrupted and potentially changed, as well as how strategy was formulated and the reasoning behind it. The interview guides are found in Appendix 2 and Appendix 3.

3.3 Motivation of chosen case firm

There are several motivations constituting the foundation to why the case company of this study was chosen, which will be explained further in this section. It was established early on in the process that a company that could be defined as a strategic serial acquirer was the best fit for the study. This decision was motivated by the fact that companies that perform acquisitions on an ongoing basis, as a part of their operating activities with strategic motivations, would benefit the study to a larger extent compared to companies that perform M&A activity sporadically. This conclusion is derived from the fact that strategic acquirers with a higher frequency of acquisitions tend to have processes in place regarding internal decision making surrounding the M&A activities (Feix, 2020), and one could also assume strategic acquirers to have more acquisition experience. This theoretical argument proved to be true in the case of the chosen case company for this study, since it had fundamental processes and guidelines in place regarding how the acquisition work was to be conducted as well as a lot of experience. The structured acquisition process was expressed in the company M&A playbook.

Another aspect motivating the choice of the case company is the industry in which it operates in, which is the technology sector. During the Covid-19 pandemic and the wave of disruption on the M&A market that it caused, companies in the tech- and software business in general have been involved in a very large number of acquisitions compared to many other industries where the activity instead slowed down (Page, 2020). This is partly due to the disruptive digital change that the world is facing that has been fast-forwarded by the consequences of the pandemic and high-tech business models having gotten even more of the global highlight (Amiot, 2020; Levy, 2020). Based on the above reasoning, a company conducting numerous acquisitions as a part of their strategic operations in an industry with a high level of M&A activity, that have been disrupted but yet continued to grow during the pandemic were deemed the most desirable, and based on this reasoning, the company was chosen. In addition to the above-mentioned factors, the company is largely involved in cross-border M&A and acquires companies in different European countries and in North America. This is an aspect which affects the rationale behind the choice of the case company, as cross-border activity has been very limited during the pandemic and the potential operational- and process related effects of not being able to cross borders might have had an effect on the chosen company. Moreover, the case firm has been active in its current form for around thirty years. This means that the Covid-19 pandemic is not the first crisis and rapid increase of information asymmetry that the company has experienced. Having gone through external shocks before, the company might be in a better position to assess the severity of the Covid-19 pandemic compared to other previous shocks, as well as potentially being more able to reflect on the crisis and its effect on processes in light of other similar events.

3.4 Respondent selection

When selecting the appropriate respondents for this study, a number of contributing factors and aspects were considered in order to guide the choice of respondents towards a sample that could benefit the study as much as possible and give an adequate answer to the proposed research question. The M&A team of the case firm at the time of the study consists of three individuals: The Head of Business Development, the Vice President of M&A, and one M&A Associate. The first two have worked for the company for a longer period of time while the latter was recruited during the autumn of 2020. The team has also from time to time received support from other functions of the firm regarding valuations and modelling. Normally, the integration process of an acquired company involves other departments at the case firm, such as finance and marketing. The reason why we chose to not interview employees from these departments is mainly due to the fact that the Vice President of M&A holds the overall responsibility for integration, and the M&A department is the one leading that process. The contact was established primarily with the Head of Business Development who also provided us with the internal documents. The entire team was interviewed for this study. However, since experiences and responsibilities differed between the respondents, two interview guides were formed. The first interview guide (Appendix 2) was used during interviews with the Head of Business Development and the Vice President of M&A while the second interview guide (Appendix 3) was used during the interview with the M&A Associate. The rationale for interviewing respondents on different levels within the organization is to get a more comprehensive understanding of the internal processes of the organization, seen from different organizational perspectives. Table 1 shows the respondents who were interviewed, how they are referred to in Chapter 5 and date and duration of the interviews.

Table 1. List of respondents

Title	Description	Reference	Date	Duration
Head of Business Development	Member of the Executive Committee and has the overall responsibility of the strategy development of the company and all M&A activity that is conducted.	Respondent B	2021-04-21	60 min
Vice President of M&A	Lead and coordinate M&A projects and is directly responsible for the operational M&A work.	Respondent A	2021-04-13	60 min
Associate, M&A and Corporate Development	Conducts market research of new targets and assist on valuation and modelling work in current projects.	Respondent C	2021-04-29	45 min

3.5 Data collection and processing

The data collected for this report were obtained through a variety of methods. Serving as a fundament of the data collection, interviews with all the members of the M&A team at the case firm were conducted. We aimed to verify the data obtained through these interviews with a further collection of data, consisting of internal documents regarding M&A-procedures and decision-making processes of the case firm. These two main sources of data were then complemented with secondary sources such as press releases, information from the company website and related news articles. This research method of triangulation where one uses different data sources and combines and compares the data is an established research method that aims to ensure the validity of the obtained data through the convergence of information from different sources and create a more comprehensive understanding of the research area (Yin, 1994; Carter et al., 2014; Merriam, 2015). Systematic procedure of reviewing and evaluating documents may be of use in the case of qualitative studies that focuses on providing detailed descriptions of certain phenomenon (Yin, 1994; Bowen, 2009), something that this study aims to do. The main rationale for using document analysis as a complementing method in the data collection of this study was threefold. First, it served a purpose in order to gain useful knowledge of the respondents and the company for the preparation of conducting interviews, in order to formulate better questions and contract more useful data from the interviews. Second, to provide additional data to the overall analysis and provide additions to the knowledge base as well as to bring context to the data collected during interviews. Third, document analysis conducted served as a way to verify the findings from the interviews. Should there have been a significant mismatch between the evidence contracted from documents and that of the interviews it is often a reason for the researcher to investigate further (Bowen, 2009).

The interviews were audio-recorded and organized into transcripts. These transcripts were then processed through coding, with the aim of sorting and organizing it further. The aim of the process of transcribing and coding the data is ultimately to make it more manageable and through that process, distinguish themes, concepts and patterns in order to make a trustworthy analysis (Nowell et al., 2017). As highlighted by Auerbach and Silverstein (2003), researchers may be overwhelmed by the data collected in post interview transcripts, making them at risk of either miss out on important patterns simply because the dataset is too large, or include irrelevant information due to a concern of the risk of missing important facts. A structured coding of the information obtained can be a remedy to these potential problems and lead the researcher from a set of raw data, to a crystallization of themes which hopefully leads to an understanding of theoretical constructs and narratives, which finally leads to concerns for the research conducted (Auerbach & Silverstein, 2003).

In order for us to organize the data, be able to draw connections to literature and analyze it, the method of thematic analysis was used for coding. Thematic analysis can be seen as a qualitative method for itself, used to organize, describe and analyze different themes and concepts found within a data set (Braun & Clarke, 2006). Nowell et al. (2017) present in their article how to conduct thematic analysis in a trustworthy manner. The analysis process in this study is presented below, in line with the description of thematic analysis presented by Nowell et al. (2017). The authors present six phases of the coding process, from initial overlook of the data to the production of the report. In this thesis we have chosen to combine some steps to make the process more straightforward and easier to follow, therefore only five steps are presented below. The model, including quotes, codes and themes can be found in Appendix 1.

Step 1

Prior to the interview, the M&A playbook in combination with external material about the case firm were read through in detail in order to grasp all the aspects of the firm's transaction process and be able to form the interview guide. When all interviews were transcribed, we started to go through the transcripts in order to document our first interpretations, analysis thoughts and potential questions. At the same time, we read through the M&A playbook again, in order to remark on the respondents' view in relation to the documents that were provided to us and begin the triangulation of the different data sets. This was performed by making comments and notes on different sections in the transcripts, where also our initial thoughts about the codes and themes for this study was written down, in order to be developed further in the next step.

Step 2

Based on our initial analysis of the data, the next step involved the first production of codes, systematically performed on every interview transcript. This means that we identified important parts of the transcripts where the respondent stated something of interest, followed by a concretization of the statement where labels (i.e. codes) were put on these statements. An inductive approach was used, which means that no predefined coding framework was applied, instead codes were created based on the data itself and our own initial analysis of important aspects found in the data (step 1). This is an iterative process, which forces the researcher to go back and forth when codes don't match between samples. This is a more time-consuming method but due to the nature of our study where the aim was to understand and discover a certain phenomenon and individuals' experiences and actions, we believed this to be the best suited way of conducting the analysis. However, it should be added that due to the fact that our respondents have different roles and responsibilities within the case firm the interview guide was modified to suit each respondent. Thus, some codes were only applicable on one or two of the data sets.

Step 3

After some revision of codes, we moved forward to the third step which was to sort the coded data into themes, which means that we draw connections between different codes and make sense of them in a larger context, related to the research question of our study. The generation of themes was also conducted on an inductive basis, meaning that we had no predefined themes based on theory and literature, instead themes were extracted from the raw data. When grouping codes into themes we found some codes that did not fit with any of the themes. In line with Nowell et al. (2017) we made a temporary group of "miscellaneous themes" in order to not disregard codes that could be important for the study. As discussed by Gioia et al. (2012) the number of codes can seem overwhelming for the researcher and the difficulty lies in making sense of the data. However, by systematically seeking differences and similarities between codes we were able to eventually group all the codes that were deemed important into themes.

Step 4

In the fourth step, all the themes and their related codes were refined, which means that we went through all the data again to determine whether the themes really reflect the meanings of the data set as a whole. This made us reflect on our findings from a larger perspective and we could for example decide when a code was superfluous and could be deleted or if an important aspect was not covered by a code. It also became evident which themes that were more supported by one respondent and less by others, and which themes that had a lot of support throughout the whole data set. After making sure that every important aspect in the data was reflected in any of the themes, we made the final adjustments to the themes before starting to produce the analysis. This included deciding on the most appropriate name for the theme, in order for the reader to quickly grasp the meaning of the theme. We also wrote a short analysis of each theme to define their meaning in order to see what role they played in the larger data set connected to theory and research question, something we had reflected on earlier in the coding process but was now written down in order to use it for the production of the report.

Step 5

When all the themes were established and the whole coding process was performed, we began the production of the report. We described and accounted for the findings of the triangulation of data, we made the analysis by connecting the themes to theory, literature and research question and when necessary we quoted respondents to clarify our interpretation of the data and show how the statements are relevant for our study.

3.6 Limitations

At the time of writing this study, the world is still in the middle of the Covid-19 pandemic. This, in combination with a geographical distance to the interviewees, forced the authors to rely on computer mediated communications in order to perform interviews and collect data. The interviews were conducted through an online video call service, allowing for both verbal and visual exchange. This type of communication serves many advantages, such as facilitating the crossing of barriers of geographical distance, offering flexibility and comfort to the interviewee as well as providing a similar environment to that of an in-person interview. Although, as highlighted by Nehls et al. (2015), when the interviewer and the respondent do not share the same physical space the opportunity for the researcher to observe and respond to body language is limited.

Regarding the respondents, the choices made were grounded in the idea that we desired to get an in-depth understanding of the perceptions of the challenges and process alterations of the firm's M&A activity as a consequence of Covid-19. In order to gain this knowledge we had to interview individuals working within the M&A department of the case firm. This group of respondents included individuals from different managerial levels and with different responsibilities, which gave us a broad understanding due to their different expertise. For example, the Head of Business Development has a holistic view and is responsible for the company's overall growth strategy while the Vice President of M&A is more familiar with technicalities such as the valuation and due diligence process. However, even with a broad selection of respondents, there is always a risk that we might not be able to extract all the relevant information due to confidentiality issues or that the respondent, consciously or unconsciously, leaves out information. Moreover, one of the rationales behind our choice of case company, the continuous high M&A activity among tech companies even during the pandemic, makes sense in the way that it helps us gain knowledge about the operational changes of M&A processes due to the pandemic, since we know that the activity has not stopped completely. However, due to the pandemic's accelerating effect on the disruptive digital change and the potential positive effect it might have had on companies in these industries, there is a risk that by looking at a case in this sector, challenges of the pandemic could be more neglected compared to if we would look at cases in other industries which may have suffered more from the pandemic. However, this study aims to discover process alterations, both positive and negative, and thus we believe that we overcome this problem by asking open questions and allow for reflection.

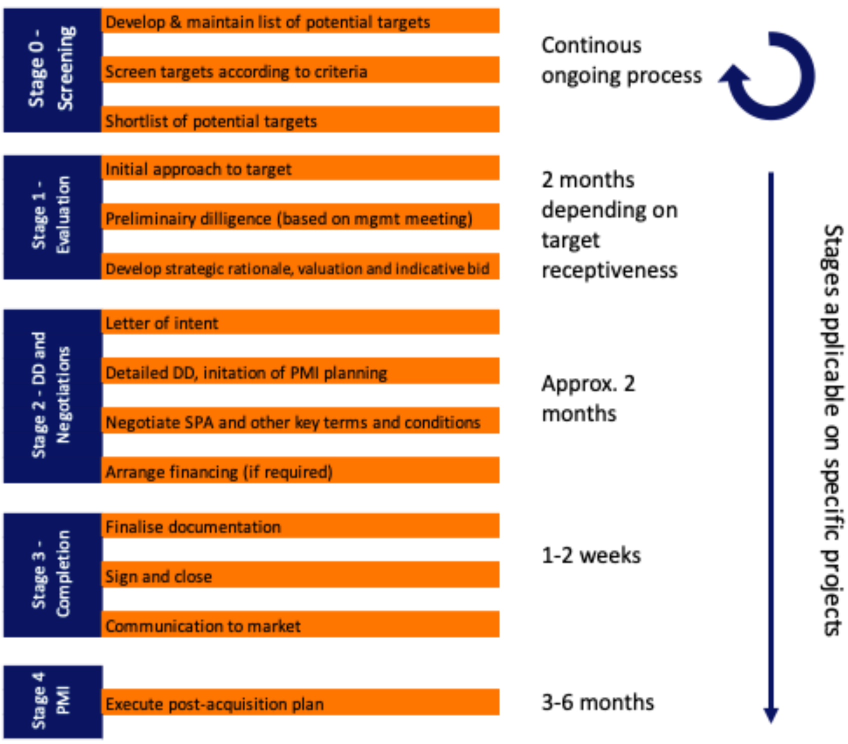
Using documents as part of a method of triangulation serves a purpose in a single case study, as described previously in this chapter. However, the documents provided by the case company also present an aspect to critically reflect upon, since these represent an important underlying source of data. First, there is a risk that the documents may not provide us with enough details in order to grasp all the aspects of the M&A processes. As highlighted by Bowen (2009), this problem may be a result of the fact that many documents are produced for other purposes than research and may therefore lack certain details that can be of high importance to researchers conducting a study. Moreover, there is a risk that the reader of a document misinterprets the data, the context and purpose of the document (Hodder ,1994). However, the documents provided are the fundamental documents produced by the M&A team to assist all M&A work, and the interviews also give opportunities to raise questions regarding uncertainties, which we believe mitigate this problem at least to some extent. Further, as Bowen (2009) points out, there is also a risk associated with using internal company documents, which is the risk of subjectivity or biased selectivity. This may often be expressed through the fact that the documents tend to be aligned with company policies, values and procedures. However, in this case the documents are only used internally within the case firm which reduces the risk of adapting the material for marketing purposes.

In addition to the above-mentioned aspects, another limitation with the study could be the fact that only the perspective of the acquiring company is reflected. As highlighted by Trapczynski et al. (2018), for example, in issues regarding the importance of trust for the success of a merger there may be different views and valuations of the issue depending on which side of the transaction that is analyzed. To also study the perceptions of the target companies could potentially increase the width of the findings and further develop the analysis and contribution of the study.

4. Case study background

The case firm of this study is a large actor in the software industry, founded in Sweden but operating globally. The firm has been active for a few decades and has steadily grown during this period but experienced intense growth during the last couple of years as a consequence of new ownership and increased M&A activity. The company is privately owned. The M&A strategy of the case company consists of acquiring targets within the same industry. This is motivated in the strategy of finding targets where the company can either buy the target customers in order to grow, or to buy target products in order to complement the product- and service line of the company. The company does not conduct any acquisitions outside of this clearly stated strategy and does not acquire companies outside of its industry. An overview of the case firm's M&A processes are illustrated in Figure 1, based on the documents provided.

Figure 1. Staged M&A process



Note. From the M&A playbook, the design is adapted for anonymity reasons.

4.1 Screening

The screening priority areas and the target criteria are set by the M&A team in consultation with the case firm's CPO/CEO. The screening process is both conducted on a proactive basis (outbound), namely through cultivating relationships or other direct approaches (desk-research is also carried out), and through inbound opportunities initiated by boutique advisers focusing on the industry in which the case firm operates in. A majority of past acquisitions originates from the outbound approach, where the process begins by initiating a meeting with the target company to discuss strategic opportunities. During the first meeting the case firm tests the interest of the target firm by making a pitch on the strategic fit, cultural fit and potential value creation. Focus is put on building a relationship where the target's interest might grow by time.

4.2 Evaluation

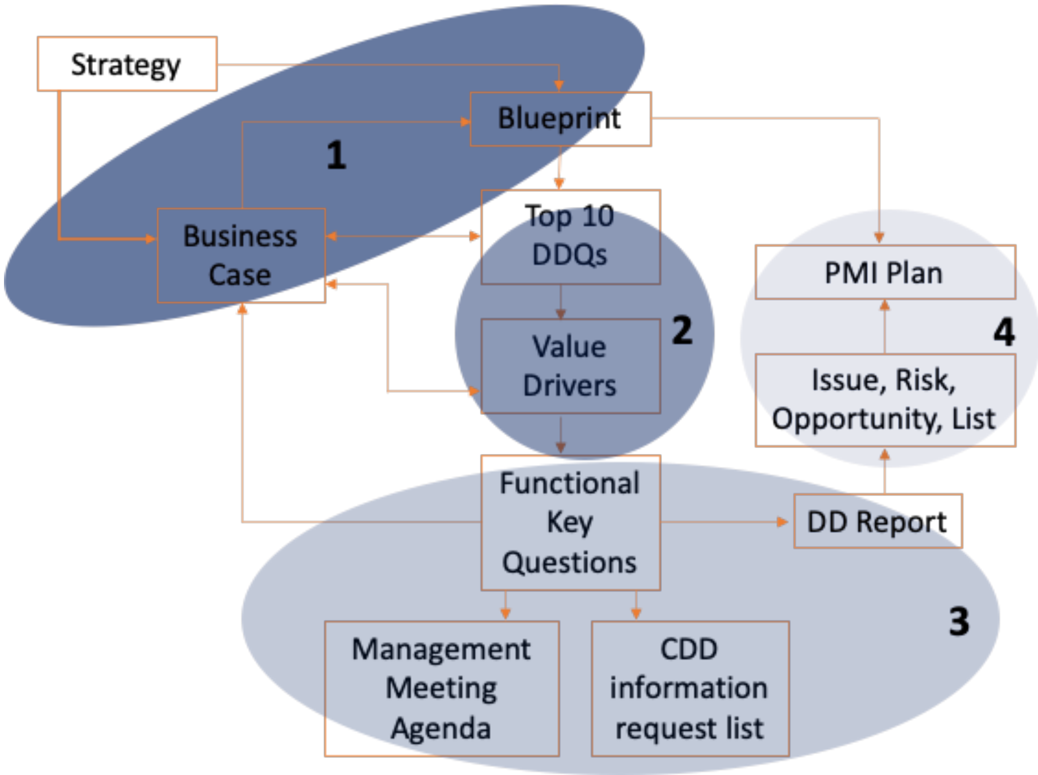
When interest is established, data on the target firm is transferred to the case firm either through an Information Memorandum (IM) or a Request for Information (RFI) (depending on the structure of the process) including ownership structure, financial information, customer and organization details and valuation expectations. The preliminary diligence includes a review of IM/RFI response and 1-2 management meetings where the goal is to gain better understanding of and identify key risks or constraints to value creation and synergy potential and be able to build a business case. The acquisition rationale can be divided into 1, buy customer base or 2, product add-on. The first is driven by cost synergies where the target's products are replaced over time, while the latter is revenue synergy driven aiming to integrate the target's products into the current offering. The valuation is determined through triangulation, where a discounted cash flow analysis (DCF), multiples of precedent transactions and a return analysis based on a leveraged buyout (LBO) calculation are performed. Highlighted aspects of the valuation process are for example the business case projections, integration costs and synergy analysis. The triangulation is visualized through a football field-chart to determine the fair value and a sensitivity analysis is performed.

Moreover, in this stage of the process the non-binding key terms are determined in the Letter of Intent (LOI), where potential earn-outs are a key aspect. As a part of the preparations for the due diligence (DD), advisers are contacted in order to enable fast start if needed. The financial, tax and legal DD is often outsourced to advisers as well as the customer DD, called Voice of the Customer (VoC), while commercial and operational DD is performed in-house. Advisers are chosen based on the case firm's owners' contracts and agreements. A detailed weekly DD plan including all the areas are outlined and communicated to all involved parties. The blueprint, the document in which the post-merger integration (PMI) strategy is developed and captured, together with the business case form the "Top 10 questions" which drive the DD process in the next step.

4.3 Due Diligence & Negotiations

The DD process starts with a kick-off meeting with the DD team and M&A team at the case firm. The plan is also communicated to the target firm and all stakeholders involved. The overall objectives of this process are to avoid later surprises, assess viability of the acquisition and guide valuation and post-acquisition integration. The DD approach is illustrated in Figure 2.

Figure 2. Due diligence process



Note. From the M&A playbook, the design is adapted for anonymity reasons.

In model 1 and 2, the business case and the blueprint are interlinked, where the business case includes assumptions about revenue and cost synergies and the blueprint sketches out the operational model, organization and integration strategy including key risks to be addressed in the DD and integration. Based on both the above, the "Top 10 questions" represent a summary view of the DD focus. The value drivers are identified as the key mechanisms that underpin the value creation in the business case. The purpose of identifying value drivers is to outline the key facts that need to be proven to support the value driver and the associated risks which need to be evaluated.

In model 3 and 4, management meetings are conducted on-site to get a good understanding and feeling of the organizational and operational model of the firm, identify key risks and opportunities, to check facts and to connect each DD stream to the value drivers of the firm and understand how they affect it. When deeper knowledge of the target firm is gained the case firm decides whether to execute the acquisition or not, if yes the blueprint is revised based on the findings and the PMI plan is shaped in accordance with it.

4.4 Completion

The completion stage refers to the finalization of documents, the signing and closing of the deal and communication to the market. In contrast to much of the academic literature where completion refers to the entire M&A project from start to finish, completion in this case refers to the last 1-2 weeks of the acquisition process.

4.5 Post-merger integration

The key success factors of integration are outlined below.

1. Tightly link the DD process with the PMI process
2. Define a detailed PMI plan ready to be implemented day one after closing
3. Set stretch targets
4. Disciplined and rigorous execution supported by solid governance model
5. Pursue revenue synergies as diligently as cost synergies
6. Track performance through PMI

The M&A team of the case firm is not responsible for conducting all aspects of the PMI process, instead various roles are appointed within the organization and these individuals are involved earlier in the acquisition process as well, mainly in the DD process. There are several different lead executives responsible for the target performance and overall execution of the PMI plan, with a leading role in division of responsibilities taken by the Vice President of M&A and minor roles taken by executives from different departments such as sales, marketing, finance, HR and R&D that are responsible for the development and execution of the PMI plan within their respective departments. Typical issues regarding the integration could be to establish a baseline organization structure with all the data on the employees as quickly as possible (HR) or support the target in understanding the case firm's internal systems and processes which they should integrate into (finance). Overall, it is essential to involve the PMI team as early as possible in the acquisition process to create a smooth transition and a good execution.

5. Empirical results and Analysis

5.1 Phases of Covid-19

During the interview respondents A and B explained how the situation unfolded in March 2020 when the pandemic erupted. The firm was in the middle of an acquisition process at that time, which got interrupted as a consequence of the high uncertainty that suddenly came to characterize the market for corporate transactions. As described in various literature (Mishkin, 1990; Latham & Braun, 2011; Fralich & Papadopolous, 2018), the impact or the potential impact on valuations is the main issue M&A actors face during an external shock, and this was the case during the beginning of the pandemic, according to the respondents. Respondent A describes the particular deal that was in a rather early stage during March 2020, where both the seller and the buyer had motives for disrupting the deal. The seller was afraid of how the pandemic might affect its valuations and for the buyer (case firm) it made sense to pause as well due to the high uncertainty regarding their restrictions and policies (from owners) for conducting acquisitions moving forward. However, Respondent A describes that there were two possible scenarios that played out during that time within the M&A sector. The first is the one described above where the increased information asymmetry caused disruptions in early-stage deals. However, the second scenario implies the opposite. Respondent A explains that sometimes there were motives for getting the deal done as soon and fast as possible, on both sides of the transaction. This alternative scenario mainly occurred when the deal was at a later stage. The urge of selling before the downturn reflects in the numbers is argued to be the motive for the seller, while the buyer's motive is that it trusts its own analysis of the target firm and believe that it has not changed. Respondent A argues that the reasoning can often be "if it was a good company before, it's still a good company now", and describes the whole situation as very paradoxical. Respondent C made similar reflections regarding the possible scenarios that played out during the first couple of months. These two opposing scenarios make for an interesting discussion, since previous literature (Mishkin, 1990; Latham & Braun, 2011; Fralich & Papadopolous, 2018), mostly have emphasized the initial market disruptions as a consequence of an external shock.

Respondent B explains the situation by dividing the Covid-19 timeline into three distinct phases. The first phase (March-June) was characterized by high information asymmetry and uncertainty leading to a lot of disrupted acquisitions. During the second phase (July-December) the M&A activity started to increase and many of the deals that got paused began negotiations again and a lot of acquisitions were made in the last quarter of the year. During the last phase, from the end of 2020 until now, the M&A activity has reached an extremely high level. Respondent B states 'It's hysterical, every company is for sale and everybody wants to sell". Respondent A explains that he was surprised with how fast the market recovered since nobody really knew what the real impacts of Covid-19 would be, but continues by explaining that within technology M&A the big force is the large amount of dry powder (cash reserves for investments) private equity firms possess. He explains that the uncertainty and risk was still there, but the extremely high willingness and capacity to invest forced people to go to market and continue negotiations. Respondent B confirms the view of respondent A and respondent C made similar reflections regarding the driving forces within technology M&A.

5.2 Impact on M&A processes

Respondent A explains the screening process and refers to it as a very strategic process where indicators and criteria which set the ground for the case firm's long list of potential targets are based on the specific profile of the case firm and what they believe to be a strategic fit. These criteria have not been affected by Covid-19, claim all the respondents. The profile of an attractive target is the same as before the pandemic since it is based on a long-term strategy which has been shown to be successful, argues Respondent A. Respondent B explains that a large number of the potential targets are known and have been contacted by the case firm previous to an initiation of an acquisition, they are strategically aligned with the case firm's acquisition strategy in terms of being in the same industry and developing the same products and services, which confirms the acquisition strategy explained in the M&A playbook. Coff (1999) argues information asymmetry to be higher in cases where the buyer and target are unrelated in knowledge-intensive industries. This can be related to the situation of the case firm, which operates in such an industry and is also only acquiring firms within that same industry, often based on previous contact and long-term relationships. Thus, indicating a lower base case for asymmetric information. Even though the pandemic has not affected the screening process in terms of indicators and criteria, it has changed the initial conversation with the target in terms of which questions that are raised and discussed. The case firm always asks what impact Covid-19 has had on the target firm. "Are they honest enough to tell us that there has been an impact and help us understand it? And can they describe how they potentially have come out of that and can they see how things will develop?", Respondent A tells us regarding the first meeting with a potential target. This view is confirmed by Respondent B.

One affected process according to all respondents is the DD process. Respondent A describes that they have an increased short-term focus during this process where more emphasis is put on cash flow and liquidity as a consequence of Covid-19. Respondent A illustrates with an example:

> What happened to cash flow? Often what you find is that they have not lost customers, but customers have stopped paying them or delayed payments. So you see accounts receivables have spiked so sometimes they say "all the customers are still with us, no problems" but suddenly there is no cash.

Moreover, they have an increased focus on sensitivity analysis, where more weight is put on the potential downside and also the pandemic's impact on the business case, argues Respondent B. These implications to the DD process can be seen as a consequence of the increased uncertainty which many firms suffered from, especially in the initial stage of the pandemic. Naturally, more focus is put on risks related to the pandemic by the case firm during the DD process. Although, the single biggest challenge and change that Covid-19 has brought with it is not being able to meet in person, according to all respondents. This is due to the fact that M&A is about building relationships and trust. As Respondent A puts it:

> M&A, the way I think about it is a very human process. Maybe half the companies we talk to are owner managed, the founder maybe set up the company in their 20's and have runned it for 20 to 30 years and initially didn't want to sell it but we have convinced them to sell and it's an emotional process for them to go through. For us, every step of the M&A process depends on building trust.

Respondent A explains that a lot of weight is naturally put on the numbers in the DD and valuation process, but when a decision has to be made it comes down to trust, on both sides of the acquisition. Respondents B and C confirm this view, and Respondent C specifically highlights the very early stage when deals are initiated and the last stages of the M&A process when contracts are to be formalized to be subjected to implications due to remote working. This because these are the two stages of the process most dependent on trust and relationships, as Respondent C puts it:

> When looking at the whole picture, in the initial stage and at the very end of the deal are negatively impacted. If you meet someone physically and look them in the eye there is more trust and a personal relationship is built, which is critical in the beginning when you're trying to convince someone of committing to something. This is also important at the end when you try to get the best deal for both sides.

These statements and views by the respondents are in line with the findings by Ollie (1994), Stahl and Sitkin (2005) and Graebner (2009), who emphasize the importance of establishing trust between acquirer and target firm in order to decrease information asymmetry and for the deal to be successful. On the other hand, the respondents argue that they believe they have managed the negative effect on trust and relationship quite well, but that it is difficult to tell at this point of time. The issue of trust and relationships is an aspect that will be further analyzed later in this chapter in relation to future implications, but it is an aspect that clearly is important for the case firm also in the initiation- and due diligence stage of the M&A process.

Respondent A adds that the transition to virtual meetings has different implications on different stages of the acquisition process. During stage 0-1, when the firm initially approaches a target and the first meeting is planned this has, as above mentioned, a negative impact on the trust and relationship building process and it might decrease the target receptiveness. But later on, during stage 2 and the DD process, it's more about getting a deeper insight into the target firm, which is difficult when it's done remotely. Respondent A exemplifies with a scenario:

> I think you can often get much better insights from detailed management meetings, in a room with the right people because you can see body language. The CEO is often a very charismatic person with great stories to tell and you watch the CEO but in the corner of your eye is the technology guy and you can see him squirming, then you know the CEO is lying, what he's just told you is kind of an aspiration and not the reality. You can do that in a room but you can't really do that online and also when you walk around at the target and you see this technology guy at the coffee machine, just go over and strike up a conversation, of course you won't be able to tell straight out if that guy is lying but you can get a sense and feeling for the overall stage they are in and the health of the company. That is the kind of thing that you miss.

Beyond the discussed issues above, on-site meetings are normally an important part of the DD process in order to check and evaluate the target firm's assets, and especially physical assets such as properties and inventories. Both Respondents A and B explain that this has not been a big issue for them due to their M&A strategy and focus on acquiring intangible assets, where online video chat services have managed well in providing services for online software-demos.

Both respondents A and B explain that the M&A team tends to perform most of the work related to the acquisitions themselves and advisers are mainly used for legal, financial and tax-related DD, whereas corporate finance advisers are rarely used. The reason for this is twofold, firstly the team is experienced and the required knowledge exists in-house, secondly it builds a pathway for integration since more divisions of the company become involved in the acquisition when it is handled by the M&A team, compared to outside advisers. Both Respondent A and B express the opinion that this strategy has not been affected by the pandemic. However, even if the strategy deciding how advisers are used has not changed, what the advisers look at have done so. As Respondent A puts it, "What has changed is what those advisers are looking at particularly on the finance side. Liquidity, understanding and normalizing the liquidity and cash flows, and "delete" the Covid-effects out of it." Research indicates that strategic acquirers avoid advisers to a larger extent now compared to before the pandemic as a way of streamlining the acquisition process (Shah et al., 2021). In regard to the case firm, one could argue that they already had this strategy in place, but the pandemic made them even more aware of the advantages with this strategy.

The discussion regarding advisers can be connected to the discussion regarding valuations and prices paid for target firms. All respondents argue for the industry to have very high valuations as of today, which can be connected to the fact that the industry is in the midst of an M&A wave resembling those described by Rhodes-Kropf and Viswanathan (2004), and that it has been a continuous further increase in valuations since the drop in March 2020. Although, they witness no connection between the higher premiums paid and the increased information uncertainty as a result of the pandemic. Both Respondents A and B argue it to rather be a consequence of the acceleration in importance of technological solutions and the overall increased interest (and capacity) to invest in technology, resulting from a mega trend of digitalization being accelerated further by the pandemic. However, the respondents argue that they have managed to avoid large premiums due to their strategy regarding using (or not using) advisers. Many acquirers receive offers from advisers on potential targets and these advisers run the entire acquisition process as an auction, a method rarely used by the case firm. Based on several previously mentioned macroeconomic aspects and the pandemic itself, the demand and prices for the type of companies the case firm wants to acquire have risen dramatically and this is especially evident in auction sales handled by advisers. Thus, by avoiding such an acquisition process, the case firm has been able to avoid aggressive biddings. Respondent B states "We have managed to pay surprisingly low multiples for the latest acquisitions. If those processes had been driven by advisers, we would have paid a lot more."

In summary, the single largest change to the case firm's M&A processes is the transition to remote working, affecting the firm in terms of a negative effect on trust and relationship building with targets but also in terms of less deep insight into target firms during the DD process. Moreover, more focus is put on liquidity and cash flow in the DD process due to the pandemic. While the pandemic has caused certain implications for the case firm, such as restrictions on physical encounters and enhanced uncertainty leading to increased focus on the target's liquidity and cash flow, the case firm has also been able to continue its M&A operations with many parts of the strategy remained, for example in terms of screening criteria and the use of advisers. The respondents witness their strategy of acquiring industry-related companies based on long-term relationships rather than going through advisers to be successful and it becomes evident that this strategy has been an advantage for the case firm during the pandemic, due to the above mentioned implications it has had on the transaction process.

5.3 Future implications and overall change

Regarding future implications that the pandemic might cause, the respondents point out in particular one big issue: the post-merger integration work. Respondent A highlights that even though he believes some quality is lost in the DD stage of the M&A process due to the absence of the human element, these are issues he sees as possible to overcome as soon as the pandemic is over. However, as he points out the future PMI process is what worries him the most, as he puts it, "It's probably integration where I am most concerned". This is based on the idea that the integration process is to a larger extent centered around physical meetings, and this is something that starts during the M&A process and continues long after the acquisition is completed. He elaborates further on the issue:

> Integration is very much about bringing people together and finding common ground, it's a slow process. I think that it's more and more difficult to do remotely. It will be interesting to see, if we continue like this for another 12 months, will we extract the same synergies and outcomes that we would have expected to get compared to similar earlier transactions.

Respondent A illustrates this with an example of an annual sales event that the company hosts, where they always invite and involve their newly acquired companies and a lot of time and money are invested in making them feel as an important part of the firm. He explains it as:

> Often if key people from the target have been unsure about the company and what it means, but when they come to that event, they become positive, energized and almost kind of converted, so our aim with that is to make them feel included and part of the team.

This view by Respondent A and the overall worry that less physical meetings may result in a higher degree of information asymmetry and hence, less trust can be connected to the research by Ollie (1994), where emphasis is put on establishing mutual respect among acquirer and target, and not creating a situation of hierarchy where the target is subordinate to the acquirer in order to raise the chances of trust between the parties and by that, a successful merger. It is also in line with the findings by Graebner (2009) that highlights the importance of attitudes and signals sent out by an acquiring firm to determine trust by the target. The findings by Ollie (1994) and Graebner (2009) however, are mostly focused on trust building in an ongoing M&A situation and less on integration. However, Weber et al. (2012) confirm many similar aspects that the authors point out and draw a direct connection to the success of PMI. The case firm seems to be striving for a situation similar to that explained by Weber et al. (2012), which in that case could serve them well in the future in their integration work with the targets.

Respondents B and C confirm the view of Respondent A highlighted above and also point to the potential issues surrounding integration work performed digitally, especially going forward into the future. As Respondent B puts it:

> I think it is safe to say that the integration phase gets more affected, compared to other parts of the process. You are going to shut down and relocate offices, merge groups of people and unify them in the culture and strategy of their new employer, this is to a large extent physical work where real meetings are crucial.

A view that is also shared with Respondent C, stating the following:

> I think personal contacts are more critical for integration to make sure everyone is onboard and believe in the vision and strategy of our company. That needs to be an ongoing continuous work and I think the results are better if that is done in person.

Both Respondent A and B point out the difficulty in evaluating how Covid-19 has affected their integration processes at the time of the interview, when the pandemic is still ongoing. They do both, however, highlight the importance to evaluate these aspects in three to five years' time, or as Respondent B puts it, "Our PMI work hasn't been that affected so far, but to draw any real conclusions, that is something to analyze in five years and not today".

Looking ahead, analyzing aspects and issues that have changed and the new knowledge this has brought to the M&A team and what this might mean for the future, the respondents give fairly similar answers that can roughly be divided into three main aspects. The first aspect is the fact that the productivity of the team has not decreased but rather increased. Respondent A explains it as:

> We are probably more productive. I have spent so many hours sitting on a plane, an airport and so on so we have been able to do more during this time. So, if you, so to say, want to squeeze more out of the workforce, we've been more productive.

The second aspect is something all of the respondents recognize, and that is how quickly the M&A team was able to continue to work and adapt to the new situation. Respondent B explains what kind of notion he and the team will bring with them in the case of a new pandemic:

> Keep working and don't stop, not even for a week. Continue to talk to people, make calls and share your fears and your prospects for the future. Be humble in that the risk-willingness decreases and that process takes more time but continue to work as usual because then you will be able to get out ahead and that will serve you well down the road, it did serve us well.

This notion regarding not stopping because there are disruptions in the market is also brought up by Respondent C who argues:

> From the buy-side perspective, if companies don't want to sell it's not much to do, so in times like that I think it might be better to go in stronger and build relationships and convince attractive targets that you still are willing to pay what their companies are worth. That might give you an advantage in building bilateral relationships that will follow you down the road, so in the next pandemic I think the best thing to do is just to go in stronger, continue working and give that confidence to the sellers that the deals will close down the line.

Respondent A indicates a similar view to respondent B and C and confirms that the company quickly went back to conducting their M&A work which helped them close deals later in the year 2020, he does however, highlight that underlying macroeconomic factors probably played a role as well, at least in the way the market bounced back. He explains it:

> The macroeconomic cycle irrespective of Covid is strong I think, it may be very different in 5 years. A lot depends on the final analysis when we look back at this period in 3-5 years. Maybe when we look back, we realize that we don't need to stop due to a pandemic, we might just say "ok, pandemic, let's just continue as usual but digitally, we might have a playbook for it, we know that it will be a V-shaped recovery so just model that in and move on.

The third and final aspect regards the importance of relationship building and trust. Even if the case firm increased their productivity and did not slowdown in their M&A work, the pandemic and the move to remote working increased the importance of long-term relationships with potential targets where trust already had been built. The company could then leverage these relationships when the pandemic hit, something that made them able to continue conducting deals without meeting the targets physically, since the trust was already there. This was an aspect also affecting the prices of the targets, since the pandemic puts a lot of focus on the need of digital solutions such as the ones the company is selling, it caused valuations to further increase within the industry. This in turn made the importance of bilateral discussions and long-term relationships crucial, in order to avoid auction sales where the multiples of the potential targets went up very high. As Respondent C explains it:

> There are so many companies on the market and we get so many inbound offers so you do have the luxury of choosing. Especially in an auction situation, it's extremely competitive and prices are high. This increases the need for bilateral discussions and that you leverage the relationships that you have built during a long time rather than doing the competitive ones on the market. We have a good reputation in the market that we can build on.

This reasoning by the respondents clearly connects to the findings by Stahl and Sitkin (2005), where aspects such as perceived competence and integrity among the parties creates trust, but also aspects highlighted by Stahl et al. (2006) such as the previous contact between firms acting as an important fundament for future success in mergers, something that apparently has proved very valuable for the case firm during the pandemic. The view highlighted by Respondent C regarding the importance of bilateral discussions based on long-term relationships in order to avoid auction sales and very high prices is also supported by the findings of Graebner (2009), that highlights that targets often tend to prefer acquirers that they trust, sometimes even when these trusted acquirers does not offer the highest price.

Thus, even if the respondents witness a negative effect on trust and relationship building due to Covid-19, they also perceive that they have managed this problem quite well. As Respondent B puts it, "... compared to competitors we were able to at least execute deals even at an early stage." The case firm has had a clear acquisition strategy characterized by establishing long-term relationships with targets and avoiding external advisers long before the pandemic erupted, which has served them during this time. However, the pandemic has made them recognize even more how increasingly important these aspects are when conducting acquisitions, for all the reasons mentioned above. Yet, on the other hand there is the perceived increased productivity due to remote working. This combination of effects where productivity has increased but at the same time there are less opportunities for relationship building and trust is a key takeaway from the pandemic that probably will affect how the firm conducts M&As in the future, according to both Respondent A and C. As Respondent A puts it:

> It will be very interesting to see what happens when we are allowed to travel again, how will we do DD then? It's a lot cheaper having everyone sitting at home and not spending hours on an airplane. I think we will do a bit less than we did before, but I still think there is no substitute for that upfront meetings and initial relationship building.

5. Conclusion

5.1 Concluding remarks

Through a single case study on a serial acquirer in the technology sector, this study expands on pre-existing M&A research and evaluates the consequences of increased information asymmetry caused by the Covid-19 pandemic on the firm's M&A processes and its implications for the future. Three main phases of the pandemic were evident for the case firm, consisting of an initial total stop in activity with high information asymmetry in the few months following the outbreak of the pandemic, followed by a slow build-up of activity during 2020 and finally a complete explosion of market activity in 2021. While the initial disruption is in line with findings of previous literature, the results of this study also indicate the opposite reaction in the initial stage, where a lot of actors continued to make deals despite the huge uncertainty, a reaction driven by the extremely high capacity and willingness to invest, especially in the tech sector.

The M&A strategy of the firm was not changed due to the pandemic. In terms of processes, the ones most affected are the initiation of contact with target companies and the DD process, that is performed completely digitally. There is a perceived loss of deep insight into target firms and a perceived loss of trust and relationship building due to the vanishing of physical meetings, which is argued to be the largest change to the firm's M&A processes. However, due to the already established acquisition strategy characterized by a focus on long-term relationships and trust building, the case firm perceives that they have managed these issues quite well. In addition to this, specific Covid-related aspects are taken into consideration, such as a more intense and differentiated focus on the liquidity and generation as well as origins of cash flows of targets during the DD process, compared to before the pandemic.

Implications for the future in terms of an area of potential problem is mainly the post-merger integration work, where aspects such as inclusion and alignment of interests as well as strategy alignment among the two merging firms are highlighted. When considering the future, the result points out three main aspects. The first is that they have not seen any productivity loss, but rather an increase in productivity during the pandemic and this insight is something the case firm will bring with them into a similar situation in the future, but also adapt to when the situation goes back to normal. The second is that it is of high importance to continue working, networking and approaching targets during a market disruption of this nature, especially in the very early stage, as it was proven to be beneficial for the M&A activities conducted by the firm down the line. The third aspect is the importance of trust and long-term relationships, as these relationships were of high value for the firm in order to win deals and pay fair prices during the periods of higher information asymmetry and the importance of continuing to cultivate and nurture these relationships also in very unsure situations.

5.2 Implications for further research

The contribution of this case study lies in the different aspects which provide a foundation to conduct further systematic research regarding the effects of external shocks and information asymmetry, in a setting not explored previously. These potential further research areas could be examined using both qualitative and quantitative research methods. First, an area of interest with great potential scientific value that emerged throughout the collection of empirical data was the issue of the effect of Covid-19 on post-merger integration, as the empirical results from this study showed this stage of the M&A process to be the one united with the most perceived challenges as a result of the pandemic. This could be evaluated on any strategic acquirer(s) that has conducted M&A during the Covid-19 pandemic. As highlighted by the respondents in this study, this issue would advantageously be examined and evaluated in a somewhat later stage, maybe in one to three years, in order to fully grasp the potential effects on integration work.

Another suggestion for further research relates to the fundamental changes to the M&A processes that were implemented at the case firm and that this study has highlighted. Whether these changes in terms of, for example, negative and positive effects of remote working and changed focus in the DD process have been implemented widely in both the technology industry but also in other industries is something that could be examined. This could be performed in order to highlight potential patterns of responses for certain industries or companies. Finally, based on the insights that companies do respond and change their internal processes in order to cope with the Covid-19 pandemic, an interesting aspect to examine through further research could be how many of these changes that are kept and which are removed as the world returns to a normal stage. The results of studies examining these aspects could also then be compared between industries and companies. Such insights combined with the understanding of which companies made it through the pandemic successfully and which did not could make for a useful framework of knowledge, especially if or when the world faces the challenge of a new pandemic in the future.

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Appendix

Appendix 1. Coding table

Quote	First Order	Second Order	Aggregate Dimension
RA: " I think it was within a week from having that initial management meeting when it became very clear that the pandemic was going to hit but we obviously didn't know the impacts. Whenever there is uncertainty, the initial reaction is kind of "let's wait and see we don't know what's going to happen here". " "I think from the sell side they though "oh, this is gonna have a really bad impact on valuations so maybe now is not the time to sell"… Whereas for us as a buyer we needed to stop and think how this is going to affect our business, we didn't know if our owners were gonna pull the plug on any more acquisitions, so for us it also made sense to take a pause. This was right at the start of the process." RB: "The first phase from Mars until June/July was characterized by a total stop in the transaction market, there was high uncertainty and everybody pulled the brakes"	Stop/hold due to increased uncertainty	Reactions to Covid-19 during initial phase	Phases of Covid-19
RA: …" that any deal that was close to the line they wanted to get done as soon as possible. If you're a seller you want to get it done before the downturn reflects in the numbers…" "If it was a good company before, it's still a good company now. It's kind of paradoxical because most of the processes got stopped, but the ones close to the line the sellers and buyers pushed to get it done." RC: "…the processes never really stopped, companies still wanted to get public and go to market but they	Continue/push even though there's uncertainty		

wanted to see how their valuations would be affected…”			
RB: “In July processes that were on hold started to run again… a lot of transactions were made in Q4”	Resumption of transaction activity	Reactions to Covid-19 during the second phase	
RB: “Thereafter we see the last phase from the year end until now where the activity has completely exploded” “It’s hysterical, every company is for sale and everybody wants to sell”	Explosion of transaction activity	Reactions to Covid-19 during the last phase	
RA: “At least in technology M&A one of the big forces is that there’s is a lot of dry powder out there sitting on the balance sheets of private equity companies and that was still there kind of forcing people to go to market” “I was surprised with how fast it was. I thought do we really know what the impacts will be… it’s a calculated risk.” RC: “Digitalization would have happened anyway but the pandemic accelerated that because business clearer understood the need of digitizing. This drives up prices immensely and valuations are so high.” RB: “…with the amount of dry powder out there investments simply have to be made.”	High capacity and willingness to invest in tech	Megatrends driving reactions	
RA: “I think we still look mostly for strategic fits in the screening stage… Looking at the screening level, as a strategic buyer I don’t think it has changed our criteria.” RB: “Our strategy is the same, it hasn’t been affected by the pandemic.” “…often they are known to us and a relationship is built up gradually.” RC: “I think we have a clear M&A strategy figured out and what type of targets we’re looking at has not changed”	No change to screening criteria and acquisition strategy	Small or no change to screening/evaluation process	Impact on M&A processes

RA: "We will always ask "what impacts has Covid had on you?" "Are they honest enough to tell us that there has been an impact and help us understand it? And can they describe how they potentially have come out of that and can they see how things will develop?" RB: "One element that is new and always included is "how has this company managed Covid, and how will it handle it in the future?"."	Focus on Covid-impact during initial meeting with target		
RA: "What happened to cash flow? Often what you find is that they have not lost customers, but customers have stopped paying them or delayed payments. So you see accounts receivables have spiked so sometimes they say "all the customers are still with us, no problems" but suddenly there is no cash"." RC: "We are probably focusing a lot more attention on liquidity." RA (regarding advisers): "What has changed is what those advisers are looking at particularly on the finance side. Liquidity, understanding and normalizing the liquidity and cash flows, and ''delete'' the Covid-effects out of it."	Increased focus on liquidity and cash flow in DD process	Some change to DD process	
RB: "We also run more sensitivity analysis on, for example, what happens if things don't go well but go the other way? What would that do to the business case?"	Increased focus on sensitivity analysis and impact on business case in DD process		
RA: "Yeah, not being able to meet is the single biggest change and challenge and it took us some time to get used to it to be honest." RB: "The transition to remote working is of course the biggest change…"	Remote working is the single biggest change to the M&A process	Remote working affects the process on several stages	
RA: "M&A, the way I think about it is a very human	Trust and relationship building is negatively affected due to remote		

process. Maybe half the companies we talk to are owner managed, the founder maybe set up the company in their 20's and have runned it for 20-30 years and initially didn't want to sell it but we have convinced them to sell and it's an emotional process for them to go through. For us, every step of the M&A process depends on building trust." "… I think we have managed it quite well, but it's hard to tell at this time." RC: "When looking at the whole picture, in the initial stage and at the very end of the deal are negatively impacted. If you meet someone physically and look them in the eye there is more trust and a personal relationship is built, which is critical in the beginning when you're trying to convince someone of committing to something. This is also important at the end when you try to get the best deal for both sides." RB: "The meetings are effective, but they do not have the same conditions for building a long-term relationship" "…compared to competitors we were able to at least execute deals even at an early stage."	working, but they believe they have managed it quite well		
RA: "I think you can often get much better insights from detailed management meetings, in a room with the right people because you can see body language. The CEO is often a very charismatic person with great stories to tell and you watch the CEO but in the corner of your eye is the technology guy and you can see him squirming, then you know the CEO is lying, what he's just told you is kind of an aspiration and not the reality. You can do that in a room, but you can't really do that online and also when you walk around at the target and you see this technology guy at the coffee machine, just go over and strike up a conversation, of	Less deep insight into target firm during mgmt meetings and DD process due to remote working		

course you won't be able to tell straight out if that guy is lying but you can get a sense and feeling for the overall stage they are in and the health of the company. That is the kind of thing that you miss.”			
RB: “We’re buying companies which do not own their own properties, no factories, no environmental issues regarding the properties and so on. This makes it easier.” RA: “Most of what we’re buying are intangible assets… Zoom and online-services are great for things like online-demos to be able to see the software we are buying.”	No large effect on on-site meetings due to their focus on intangible assets		
RB: “We use advisers for legal, tax and financial DD. We rarely use corporate finance advisers. This has not changed due to Covid.” RA: “We always do the commercial DD ourselves, in comparison to a PE firm that would outsource it. There are two reasons we do it ourselves, 1: because we can, we have that knowledge internally. Also, it’s about building the pathway for integration and this is important. If we include the other departments of our firm in this process the integration will be smoother… So, regarding your question if how we use advisers has changed due to Covid, I don’t think we do, the strategy is the same.	Strategy of using advisers has not changed due to Covid-19	No big changes to usage of advisers and valuations, but increased importance of long-term relationships and trust	
RB: “Access to capital is huge, the cost of capital is low, the tech sector is booming due to the underlying demand for digital solutions on all levels. This is what drives valuations rather than the pandemic. RA: “…everyone wants to pile into software and technology which have driven valuations and activity.”	Covid-19 has no direct impact on valuations		
RB: “We have managed to pay surprisingly low multiples for the latest acquisitions. If	Strategy of not using advisers has been shown to be successful in terms of premiums paid		

those processes had been driven by advisers, we would have paid a lot more." RC: "There are so many companies on the market and we get so many inbound offers so you do have the luxury of choosing. Especially in an auction situation, it's extremely competitive and prices are high. This increases the need for bilateral discussions and that you leverage the relationships that you have built during a long time rather than doing the competitive ones on the market. We have a good reputation in the market that we can build on."			
RA: "It's probably integration where I am most concerned". "Integration is very much about bringing people together and finding common ground, it's a slow process." "Often if key people from the target have been unsure about the company and what it means, but when they come to that event, they become positive, energized and almost kind of converted, so our aim with that is to make them feel included and part of the team." RB: "I think it is safe to say that the integration phase gets more affected, compared to other parts of the process. You are going to shut down and relocate offices, merge groups of people and unify them in the culture and strategy of their new employer, this is to a large extent physical work where real meetings are crucial" RC: "I think personal contacts are more critical for integration to make sure everyone is onboard and believe in the vision and strategy of our company. That needs to be an ongoing continuous work and I think the results are better if that is done in person".	Remote working is deemed to have a negative impact on integration due to the inherent characteristics of this process	Integration is the largest concern for the future	Future implications

RA: "I think that it's more and more difficult to do remotely. It will be interesting to see, if we continue like this for another 12 months, will we extract the same synergies and outcomes that we would have expected to get compared to similar earlier transactions." RB: "Our PMI work hasn't been that affected so far, but to draw any real conclusions, that is something to analyze in five years and not today".	Too early to see a change to integration, should be evaluated in a couple of years		
RA: "We are probably more productive. I have spent so many hours sitting on a plane, an airport and so on so we have been able to do more during this time. So, if you, so to say, want to squeeze more out of the workforce, we've been more productive". "It will be very interesting to see what happens when we are allowed to travel again, how will we do DD then? It's a lot cheaper having everyone sitting at home and not spending hours on an airplane. I think we will do a bit less than we did before, but I still think there is no substitute for that upfront meetings and initial relationship building." RB: "We are extremely productive, soon we have made our third acquisition, completely digitally." RC: "Conducting it online is much more effective, you can schedule meetings a day ahead and everyone is ready for it, in person there is often more chit-chat and it takes longer to organise, and the time you lose by traveling etc, so in those terms we are more efficient now…but in the beginning and at the end, it really has a negative impact on trust"	Increased productivity is an impact which probably will affect future execution	Key takeaways for future strategy concern the balance between relationship building and productivity, and continue the process even during market disruptions	
RB: "Keep working and don't stop, not even for a week. Continue to talk to people, make calls and share your fears and your prospects for	Keeping the pace on all levels in the M&A process will probably be the future strategy in terms of similar events		

the future. Be humble in that the risk-willingness decreases and that process takes more time but continue to work as usual because then you will be able to get out ahead and that will serve you well down the road, it did serve us well." RC: "From the buy-side perspective, if companies don't want to sell it's not much to do, so in times like that I think it might be better to go in stronger and build relationships and convince attractive targets that you still are willing to pay what their companies are worth. That might give you an advantage in building bilateral relationships that will follow you down the road, so in the next pandemic I think the best thing to do is just to go in stronger, continue working and give that confidence to the sellers that the deals will close down the line".			
RA: "The macroeconomic cycle irrespective of Covid is strong I think, it may be very different in 5 years. A lot depends on the final analysis when we look back at this period in 3-5 years. Maybe when we look back, we realize that we don't need to stop due to a pandemic, we might just say "ok, pandemic, let's just continue as usual but digitally, we might have a playbook for it, we know that it will be a V-shaped recovery so just model that in and move on"."	Too early to know how to act in the future, should be evaluated in a couple of years		

Appendix 2. Interview guide 1

Background questions and generally on Covid-19

1. Tell us shortly about yourself and your role at the company.

2. Tell us about your experiences from last spring when the pandemic hit?
   - Did you have any projects in process when the pandemic started which got affected by the new circumstances? If so, tell us about your experiences from this.
   - With the background of your firm having been active for quite some time and experienced other crises looking at the past, did you have a plan in place for how to proceed and adapt to this type of situation?

3. How would you describe the situation during the summer and onwards i.e. the period when the market stabilized and transactions slowly started to occur again? What were your actions within the team?

4. How would you describe the situation as of today?

The M&A processes

Stage 0 - Screening

5. How do you find and get in contact with potential targets? (We see that both outbound and inbound opportunities occur but that outbound is most common) Is there different actions in the initiation of a transaction based on for example time frame and target type (size, product vs customer-driven, previous contact etc.)?

6. In connection with the overall acquisition strategy of the firm, do you believe that the screening process of potential targets has been affected by the pandemic? Do you look for different indicators/criteria now compared to before the pandemic?

7. We know that you conduct cross-border acquisitions, how has this process been affected by not being able to cross borders?

Stage 1 - Evaluation

8. How has the first meeting with the potential target been changed when conducted digitally, compared to meeting in person? Has it changed the receptiveness of the targets?

9. Has it had an effect on the relationship building process with the target company (trust issues etc.)?

Stage 2 - Due diligence & negotiations

10. How has the pandemic affected the DD process in terms of which factors you look at? Have you for example added any parameters or aspects?

11. How has the transition to virtual meetings affected the need for on-site meetings? For example as a part of the DD process?

12. What is your attitude towards using advisers? Looking at your playbook it seems that you normally outsource the DD process to advisers?
    a. Has the pandemic affected your attitude towards using advisers and if so, how?
    b. Has the pandemic affected the DD process in terms of the amount and type of work you outsource?

13. Do you to a greater extent include earnouts in the deal contract?

14. Against the backdrop of current research regarding premiums and discounts - Do you believe that the pandemic has affected the price you pay for potential targets?

Final general questions

15. We believe your company to be an interesting case since you have been around for a while and have experienced other external crises, such as the financial crisis of 2008. Can you tell us your thoughts on which stage (stages) of your acquisition process you believe to be most vulnerable in the case of misinformation?

16. Has this external shock (pandemic) been different from other shocks you've experienced and if so how?

17. In retrospect, would you say that the pandemic and its consequences have benefitted or disadvantaged your M&A processes as a whole?

18. How will you strategically respond to a similar event, (such as a new pandemic situation), if it would arise again in the future?

Appendix 3. Interview guide 2

Background questions and generally on Covid-19

1. Tell us about yourself, your role at the company and your experiences of working at the firm so far?

2. The company has experienced an increased focus on non-organic growth during the last couple of years, together with the fact that tech/software is a very hot market and it becomes increasingly important both for firms and investors, what are your thoughts about being an M&A actor in this industry at this time?

The internal M&A process

Stage 1 - Evaluation

1. If you have been participating in any first meeting with a potential target, how have you experienced doing this digitally?

3. Do you believe that the relationship building process with the target company has been affected by the pandemic and the conversion to a digital process? If so, how?

Stage 2 - Due diligence & negotiations

1. To which extent do you participate in the DD process?

If not → skip questions

If yes:

2. Do you believe that the DD process has been affected by the pandemic? What are your initial thoughts about the different issues and aspects that are brought up during the DD processes you have experienced so far?

3. How do you perceive the way advisers are used in M&A at XX?

4. Against the backdrop of current research regarding premiums and discounts - Do you believe that the pandemic has affected the price you pay for potential targets?

Final general questions

5. In retrospect, would you say that the pandemic and its consequences have benefitted or disadvantaged your M&A processes as a whole?

6. Do you believe that companies will act differently in the future if a pandemic would rise again and if so how?