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AN INVESTIGATION OF THE M&A PROCESSES: CHALLENGES AND POTENTIAL SOLUTIONS

Master's Thesis by the 2nd year student
Concentration — Management,
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ЗАЯВЛЕНИЕ О САМОСТОЯТЕЛЬНОМ ХАРАКТЕРЕ ВЫПОЛНЕНИЯ ВЫПУСКНОЙ КВАЛИФИКАЦИОННОЙ РАБОТЫ

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ABSTRACT

Master Student's Name	Shilov Maxim Sergeevich
Master Thesis Title	An Investigation of the M&A Processes: Challenges and Potential Solutions
Educational Program	Master in Management
Main field of study	CEMS
Year	2021
Academic Advisor's Name	Ioannis Christodoulou, Associate Professor
Description of the goal, tasks and main results	The main goal of this research is to understand how key steps within M&A process have changed during the COVID-19 crisis, what challenges new normality brings to M&A deal makers, and how potentially they could be solved. Based on the existing academic literature on the topic, the required field of study was identified and a research gap identified. The empirical study is based on 16 interviews with consultants and investment bankers working in the M&A market and responsible for such aspects of the transaction as: strategy, due diligence, deal management, legal advice, integration. The main findings of this work include evidence of how the stages of the M&A process have changed in terms of their speed, nature, and order. Moreover, the key covid-specific challenges were identified and developed the new framework that allows to overcome these new challenges.
Keywords	Mergers and acquisitions, process change, new challenges, overcomplexity, potential solution

АННОТАЦИЯ

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Название ВКР	Исследование процессов слияний и поглощений: вызовы и возможные решения
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Описание цели, задач и основных результатов	Главной целью данного исследования является изучение того, как ключевые этапы процесса слияния и поглощения изменились во время кризиса COVID-19, какие проблемы новая реальность ставит перед участниками сделок по слиянию и поглощению, и как потенциально они могут быть решены. На основе существующей академической литературы по теме была определена необходимая область исследования и выявлен пробел в исследованиях. Практическое исследование основано на 16 интервью с консультантами и инвестиционными банкирами, работающими на рынке слияний и поглощению, которые отвечают за такие аспекты сделки, как: стратегия, комплексная проверка, управление сделкой, юридические консультации, интеграция. Основные результаты этой работы включают доказательства того, как этапы процесса слияния и поглощения изменились с точки зрения их скорости, сущности и порядка. Кроме того, были определены ключевые проблемы, связанные с кризисом COVID-19, и разработана новый фреймворк, который позволяет преодолевать эти проблемы.
Ключевые слова	Слияния и поглощения, изменение процесса, новые вызовы, чрезмерная сложность, потенциальное решение

TABLE OF CONTENTS

INTRODUCTION

Relevance of the study

Mergers and acquisitions (M&As) are primarily a tool that many companies have in their arsenal and are ready to use and implement. A company always has a choice: to resort to an internal development using only internal resources, for example R&D processes and other internal improvements or the construction of new facilities, or rely on the merger or acquisition of another company which already owns all the necessary assets, know-how, local presence on a new market (for the candidate company). In any case, the company must always be ready to meet the needs of a changing market environment, to exceed the development of competitors and the market, or at least to maintain the current economic situation.

Consequently, M&As have become an increasingly broad-based phenomenon, and their numbers are growing dramatically elsewhere throughout the globe. A substantial goal of M&A is to create a synergy between the acquirer and the target and managers in companies across the world usually claim their M&A decisions are strategically important for increasing the value of the company. Every year companies spend huge amounts of money on mergers and acquisitions in spite of the fact that between 70 and 90 per cent fail to deliver shareholder value (Joshi et al., 2020) and 53% actually destroyed value (Marks & Mirvis, 2011).

As it was said before, company should always understand the reasons of potential merger, benefits and impacts of such a merger. What is more important that firms have also to think about future impacts on company overall performance, because there are many stakeholders, which are interested in superior performance of company, such as shareholders, owners of the business, debt holders, employees and government, who wants taxes from your business.

Taking all above mentioned into account we can observe a paradoxical picture: M&A is a phenomenon appears to be simple for the first sight, but is very complex in its true nature. Literature is vast, spanning over half a century of research endeavor and drawing upon multiple disciplinary perspectives, numerous mature paradigms and theoretical approaches to their implementation have been created (Eisenhardt & Zbaracki, 1992). Despite it, the field suffers from a lack of connectedness and consistency. There is limited understanding of the challenges of the M&A process (Gomes et al., 2013).

This becomes especially true if we look at the aftermath of the epidemiological and economic crisis that began at the end of 2019 and still continues to strongly affect the way things are. The industry of mergers and acquisitions did not stand aside and was heavily influenced as well, in particular, the processes of realizing the deals changed hugely. To get high-quality deals completed, companies in-flight adopt digital networking technologies to switch to the virtual working environment and recruit local stationed deal-making talent. Though technology can never completely overtake in-person deal making, many of the latest virtual ways of operating with M&A processes are here to stay (Harding et al., 2021). The last year saw the continuation and, in many cases, the hastening of longer-terms trends; certainly, the COVID-19 crisis played a big role in this. It may take several years before we fully understand the far-reaching ramifications of a year during which every aspect of the corporate M&A process was disrupted.

Overall, the following facts determine the *relevance* of the study:

- a big proportion of M&A deals are considered unsuccessful and the reasons behind it are still unclear and not enough investigated;
- challenges are still very fragmented and refer to different aspects and stages of the M&A process;
- the COVID-19 crisis impacted greatly the whole M&A industry and completely changed the way how the deals are made and these changes are here to stay.

Research gap

After studying the existing knowledge on the topic, the author identified that the knowledge field on the subject matter is rather disproportionate: while there's a solid research on the essence of M&A deals, their stages, common obstacles, and reasons to fail, there's almost nothing said about the impact that the COVID-19 crisis had on the M&A procedure as a whole and the new challenges it posed for M&A executors. Therefore, adaptability of the previous research results to current environment is on question.

Research questions and goal of the study

In response to this, the *research goal* of this study is to understand how key steps within M&A process have changed during the COVID-19 crisis, what challenges new normality bring to M&A deal makers, and how potentially they could be solved

In order to reach stated goal, the study is aiming to answer the following *research questions*:

- How the particular steps of M&A process have been transformed during COVID-19 crisis?
- What are the new challenges within stages of M&A process?
- Are there ways of potentially resolving the new challenges of the M&A process?

In general, this work is aimed at investigating the new aspects of M&A phenomenon and gaining more comprehensive knowledge of the entire process in the new reality of post-COVID era. As subjects of study, we will consider the difficulties that arise at all stages of the process. The results expected from the study include a new understanding of the challenges of the merger and acquisition process and the development of a model following which management can optimize the process to make it smoother.

The thesis is divided into four parts, each of which contributes to the study's goal and helps to answer research questions. The first part explores previous literature on the topics of M&A process in general, as well as on phases of the process, associated causes of failure, and challenges corresponding to each stage of M&A deal. In the second part the author presents the methodology used in the thesis, explains the research design, sampling criteria for the respondents, techniques used for data analysis, design of interviews and limitations of the research. In the third part the author provides the finding of the empirical study and present final conclusions and implications, including the results of the interviews and the list of managerial implications. The final part summarizes findings, present answers to the initial research questions, discuss theoretical and practical contribution of the thesis and provide recommendations for further research.

1. LITERATURE REVIEW

Generally we can see corporations have on their everyday agenda an aspiration to capture new markets and widen their portfolios due to the context of the accelerating globalization of the global market (Rozen-Bakher, 2018). In fact, these corporations still want to dominate not only in their home markets, but also to extend their margins, market share and dominance globally (Gupta, 2012). In order to apply and maintain such a strategy of expanding their influence and presence, companies have in their hands a wide range of tools that can help them fulfill their desires to capture new markets. Thus, mergers and acquisitions are one of the most common devices to enter and penetrate into new markets.

However, since last year we can contemplate an unprecedented pandemic crisis affecting all spheres of society which later became an economic crisis as well. Similar to every other area of business, M&A deal activity was heavily affected by Covid-19. During the first months of the crisis, M&A activity virtually ceased. Towards the second half of the year, M&A decision-makers realized how the world and consumers needs mutated, and the necessity of taking quick action to buy critical new capabilities that would help their business to adapt to the new normality and then emerge victorious from this carnage.

We can assume that this crisis will not pass without leaving a trace, and most likely it will make irreversible changes in how M&A deals will be conducted in the future. Therefore, in order to lay the foundations of my research and for better understanding of the nature of M&A in general, we need to consider exiting knowledge about several aspects of M&A deal.

Taking all abovementioned into account, in this literature review particular focus was placed in following areas. First and foremost, we need to sort out in basic concepts and definitions of M&A, on the basis of which we will consider further study. Then for more in-depth analysis we need to divide the process into its constituent parts – phases – and examine them as well as the connections between them separately. After scrutiny the theory on M&A phases, we will need to revise more substantively about the challenges that accompany each stage of M&A deal. Finally, we will explore the theoretical knowledge of what helps companies overcome obstacles to a successful deal and achieve the desired synergy, in other words, we will study the potential solutions for the M&A challenges.

Based on the results of a review of the existing literature on the topic, the author discusses the research gap and also formulates the aim of the research and research questions that are mentioned in the introductory part of this paper.

1.1 Basic concepts and definitions

The development of mergers & acquisitions is not an invention of recent times. The first appearance of M&A in a high frequency evolved at the end of the 19th century (Gupta, 2012). As a result the subject of mergers & acquisitions has been progressively inspected in the literature in the last two decades (Appelbaum et al., 2007) in response to the advance in M&A activities as well as the expanding complexity of such transactions themselves (Gaughan, 2002). In corporate world, mergers and acquisitions has always been one of the very important strategic tool used to achieve specific business objectives (Sudarsanam, 2003).

On the basis of lines of business activity mergers are often categorized into three types (Kishore, 2009). A horizontal merger occurs when two competitors combine. Vertical mergers are combinations of companies that have a buyer-seller relationship. A conglomerate merger occurs when the companies are not competitors and do not have a buyer-seller relationship (Gaughan, 2002). However, two more types have recently begun to be distinguished, such as: "market-extension" which is a merger between companies in different markets that sell similar products or services; and "product-extension" merger which occurs between companies in the same market that sell different but related products or services (Neumann, 2019).

Some consulting companies also use terms such as "scale deals" and "scope deals". The first of which involves a high degree of business overlap between the target and acquirer, fueling a company's expansion in its existing business. While in scope deals, the target is a related but distinct business, enabling an acquirer to enter a new market, product line or channel (Harding et al., 2014).

The terms "merger" and "acquisition" themselves are often confused and used interchangeably by business and financial executives. On the face of it, the difference may not really matter since the net result is often the same (Sherman, 2001). Generally, a M&A deal refers to any combination of two or more business entities, as a result of which a single economic unit is formed. At the same time, it remains one, and the rest lose their independence and cease to exist. In order to distinguish between two terms, we will rely on the following generally accepted definitions used by academia.

According to Gaughan (2002) a "merger" as a combination of two corporations in which only one corporation survives and the merged corporation goes out of existence. Although the buying firm may be a considerably different organization after the merger, it retains its original identity (Sherman, 2011). Consequently, the term "merger" is used in situations of consolidation of two companies on equal terms.

In turn, “acquisition” usually means a purchase of an asset such as a plant, a division, or even an entire company (Sherman, 2011). Thus, in acquisition deals, there is always a party – the *buyer* – that purchases the assets or shares of the *seller*. Wherein, a small company either becomes a subsidiary of a large company, or fully integrates with a large company thereby losing its identity.

In fact, “pure” mergers in reality are extremely rare (Rentsch & Schneider, 1991), most often we observe various forms of acquisition. The trick and consideration is, acquisition usually carries a negative perception and could possibly be demoralizing the morale in company being acquired, hence damaging future synergies expected post M&A (Kotter & Schlesinger, 2008).

Therefore, despite all kinds of theories and definition to differentiate merger from acquisition, both terms are generally being used interchangeably and abbreviated as M&A in business world. This is because mergers and acquisitions basically lead to the same outcome whereby two entities become one entity. Therefore, for this thesis purposes, in order to better outline the research scopes and study framework, I am going to use both terms interchangeably.

In order to be able to work more substantively on the topic of this study, it is necessary to decompose the entire M&A process into its component parts (phases), and to study the relationship between them.

1.2 Merger and acquisition phases

M&As are taking place all over the world irrespective of the industry, and therefore, it is also necessary to understand what phases or stages might be applied pertinent to this complex process, for this a study of existing knowledge was carried out. Over the entire period of existence of interest in this phenomenon on the part of the scientific community, several approaches have been formed. One of the first attempts at differentiation was made more than fifty years ago. Boland (1970) in his work presented his view on M&A classifications, and divided the process into two components: the premerger and the postmerger. Much later in their work Schweiger and Weber (1992) also prefer a simpler separation and distinguished only two parts of the M&A deal and singled out premier and implementation phases. With the development of interest in this phenomenon, more complex classifications with more than three components began to appear. Thereby advanced and extended classification was developed by Farley and Schwallie (1992), they argued the process has six phases: integration with the strategic plan, intelligent screening, evaluation of targets through creativity and analysis, understanding value and price, anticipating the postacquisition phase, and efficient implementation. In their work Kazemek & Grauman (1989) noted the presence of seven main stages of the process, namely: assessment, joint planning, issues analysis, structure selection, securing, approvals, final planning, and implementation. Salus (1989) succeeded in his endeavor to simplify the approach to classification and divided the process into 3 components: premerger, merger, postmerger.

In the 21st century, several more classifications have been contributed to the global academia knowledge, presented by various scientists; both classifications show the existence of 4 phases in the M&A process. Thereby as reported by Carpenter and Sanders (2006), the M&A deal includes four stages, such as: idea, justification (including due diligence and negotiation), acquisition integration, and results appraisal. In his latest work Kyvik (2013) sheds additional insight into the subject, arguing that M&A process includes five stages, such us: M&A as strategic option; preparation and selection of M&A-target(s); due diligence, evaluation & decision; negotiation of terms; post integration. Finally, Parenteau and Weston (2003) maintain that the M&A process has four typical phases – strategy planning, candidate screening, due diligence and deal execution, and the ultimate integration phase.

The final set of classifications of the phases of mergers and acquisitions presented in the existing literature is consolidated in table 1.

Table 1. M&A stage classifications and their references

M&A stages	References
Premerger and postmerger	Boland (1970)
Premier and implementation	Schweiger and Weber (1992)
Premerger, merger, postmerger	Salus (1989)
Idea, justification (including due diligence and negotiation), acquisition integration, and results appraisal	Carpenter and Sanders (2006)
M&A as strategic option; preparation and selection of M&A-target(s); due diligence, evaluation & decision; negotiation of terms; post integration	Kyvik (2013)
Assessment, joint planning, issues analysis, structure selection, securing, approvals, final planning, and implementation	Kazemek & Grauman (1989)

Integration with the strategic plan, intelligent screening, evaluation of targets through creativity and analysis, understanding value and price, anticipating the postacquisition phase, and efficient implementation	Farley and Schwallie (1992)
Strategy planning, candidate screening, due diligence and deal execution, and the ultimate integration phase	Parenteau and Weston (2003)

In general, we see that currently in the scientific community there is a discussion about a unified approach to determining the phases of the M&A process. In general, the phases in the M&A process are not so clearly defined, as the boundaries between them are not fully specified and the phases can be performed simultaneously or even in reverse order (Gomes et al., 2013). This brief selection of M&A phases clearly shows our field's ability to be "splitters" – that is, to analyze a phenomenon into component parts. However, this diversity also leads to the fact that scholars tends to look at parts rather the whole (Calipha et al., 2010). This introduces us to the situation that despite the fact that this phenomenon has been an object of research for more than several decades, most of the scholars study its individual elements, with particular attention being paid to the last stage – integration – which, despite being one of the most complex stages, at the same time is not the only element of the process (Cartwright & Schoenberg, 2006).

Regarding the interrelations and interactions of important phases within M&A process stages, there are few studies that examine the links inside pre-acquisition phase (Figure 1), but evidence suggests that this line of enquiry is worthwhile (Gomes et al., 2013). Existing literature indicates the importance of considering companies' size match on the initial stage of choosing and evaluation of potential strategic partner (1), in terms of resource complementarity and status similarity (Chung et al., 2000). The relationship between the size of the acquired firm and the method of payment (2) was investigated in the work of Fuller et al. (2002), they found that bidder gain when buying a private firm but lose when purchasing a public firm; additionally the return is greater the larger the target and if the bidder offers stock. The study of other interactions within the pre-acquisition phase may contribute to a better understanding of the M&A phenomenon, and also has potentially more important combinations that have not been studied until this time.

Relationships within post-acquisition process have just recently started to be explored, and there is still more work to be completed (Gomes et al., 2013). One of the first paper critically examining speed and post-acquisition integration strategy (3) was the work of Angwin (2004), where the empirical evidence presented suggests we should be careful of an uncritical acceptance of the benefits of speed in post-acquisition integration. One more relation within post-acquisition phase, in particular between integration management team and integration strategy (4), was examined by Angwin & Meadows. Their paper provides empirical support for the proposition that the prior organizational background of top executives is linked with different post-acquisition strategies (Angwin & Meadows, 2009). Another important interrelationship between corporate and national cultures and post-integration strategies as well as their influence on merger success also remained unaddressed until recently (5). Weber et al. (2009) came to the conclusion that cultural disparities play a critical role in the choosing of integration methods and proposed a new model for doing so. The proposed framework addresses the effects of cultural distance on various integration approaches and helps in analyzing, evaluating, and planning before the merger and in implementing the chosen integration approach after the merger. The presented scientific works confirm the need for further study of the relationship between elements within pre- and post-merger stages, which were previously considered separately.

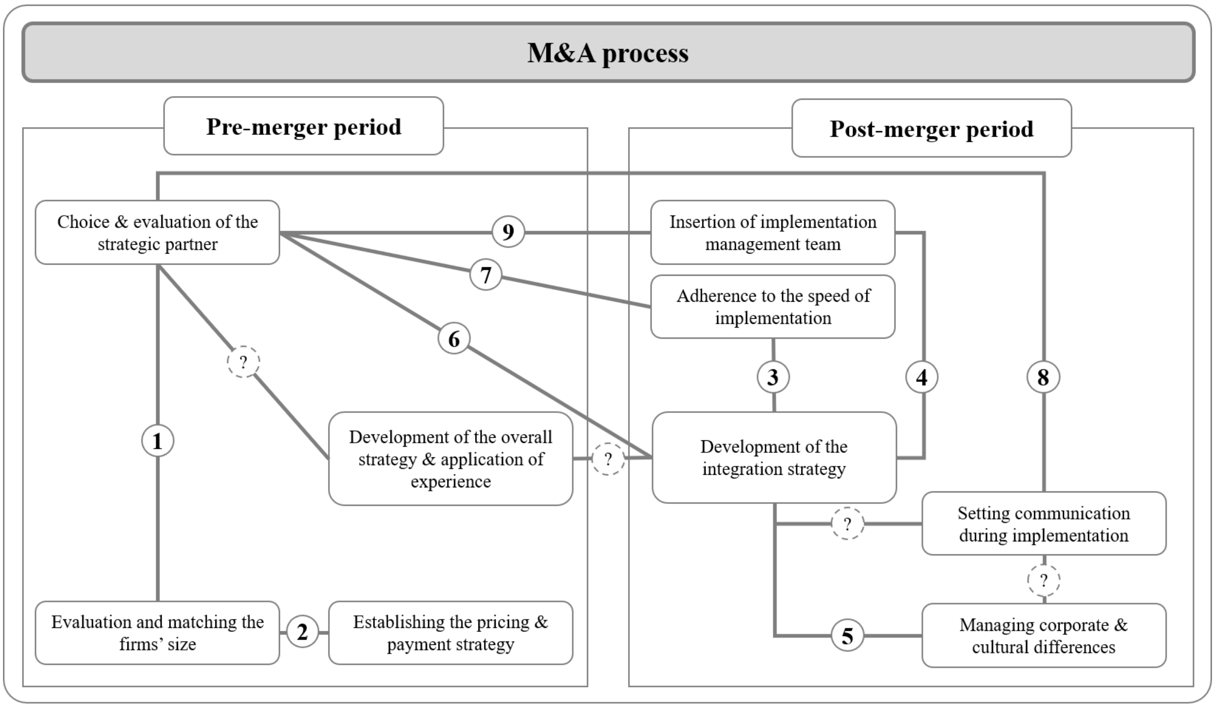

Figure 1. Summary of literature on interrelations of elements of pre- and post-merger phases

Additionally, in recent M&A research, academia emphasizes the lack of attention to studying the interaction of elements between pre- and post-merger stages (Weber et al., 2011). Only a few studies relates to this issues, one of them in particular indicates that at the stage of selecting and evaluating a strategic partner in the pre-merger phase, managers must take into account the integration strategy (6) that will be implemented in the post-merger period (Weber et al., 2006). Another study that contributes to emerging theory pertaining to the M&A integration process was presented by Ellis et al. They examined differences in contextual factors of pre-merger phase and their linkages to different integration strategies related to post-merger period. They found that the existence of several contextual factors which influence the potential for resource combinations differ significantly depending upon the integration approach used by the combined firm. Moreover, it provides evidence of the important linkages between pre-existing contextual factors, integration approaches (6), which in turns relates to speed of integration (7), communications (8) and involvement of target managers (9) in post-deal decision making activities (Ellis et al., 2012).

The importance of continuing to consider these interactions cannot be overemphasized. They should be seen as a source of potential improvement and, as a consequence, a way to make the entire M&A performance even more efficient. There is also great potential in the discovery and development of new unexplored combinations that potentially exist between elements, both within each stage and between them.

In the next subchapter of this work, the author discusses why despite the fact that there is an extensive list of success factors, this does not guarantee the success of the M&A itself, and that it is important to look at the causes of failure that can arise at various stages of the M&A process.

1.3 Pandemic effect on M&A phases

Despite the fact that the COVID-19 crisis has been raging in the world for the second year already, now it is possible to draw only intermediate conclusions about how it affected the stages of the M&A process. Probably because the pandemic is not over yet, there is now a large gap in academic knowledge. The existing understanding of this aspect of the M&A deal is extremely limited. However, the Big Three/Four consulting agencies mention some of the fundamental changes in the M&A deal in their annual research reports for the M&A industry.

For example, Ernst & Young experts mention as one of the changes that deals have become more flexible, and the boundaries between stages have become even more blurred (Leach & Kaske, 2020). As a separate item relating to the pre-merger phase of M&A, they highlight the need to develop and implement "creative solutions" for building relationships between the buyer and the seller.

Moreover, changes affecting the early stages of the preparation of the deal also include the increasing role of initial planning and the formulation of a clear strategy. Of course, companies that find themselves in the right place in 2021 will have many opportunities to make money. Planning and due diligence will be key for those who have maintained a strong position during the pandemic, thinking through the various scenarios and alternatives ahead of them and deciding what type of strategy they need to implement (Shah & Pinto, 2021).

However, at the same time, with increasing importance of preparation actions, the timing of transactions will be significantly increased as well. Each stage of a typical transaction, including preliminary discussions between the parties, agreeing on a letter of intent, due diligence, and the period to close, is likely to take longer (Harroch, 2020). These delays are due to a number of COVID-19 specific factors, such as:

1. Negotiations and due diligence last longer, especially because new crisis specific issues need to be addressed;
2. Acquirers and their executives are even more cautious, and reasoning for M&A opportunities need to be more compelling;
3. It takes longer to obtain antitrust or any other third-party approvals from government agencies or regulators;
4. Valuation of companies in a turbulent market is becoming overly complex, in part because comparable valuation is unlikely to be applicable.

Additionally, many experts in particular highlight the incredible shift due to the full-scale digitalization of the entire process. Indeed, rapid digitalization has underpinned the M&A recovery by enabling M&A processes to be conducted virtually, even as the world was in lockdown (Harding et al., 2021). Much of the due diligence in an acquisition is already being done virtually (Leach & Kaske, 2020), however COVID-19 accelerated M&A digitalization by many years (Harding et al., 2021).

One of the major changes in post-merger phase is undoubtedly virtual integration (Leach & Kaske, 2020). Perhaps in the future, this change will be perceived as one of the main problems for mergers in the era of a pandemic. Because at the present time it is still difficult to appreciate this change, in view of the fact that many companies that began the process of merging in the pandemic are now only approaching the stage of integration.

1.4 Reasons behind M&A failure

Now we need to look at the situation from the other side and consider the failures, and more precisely their causes. Why do M&A deals fail? The reasons are manifold; partly this is because there are as many opinions on M&A critical success factors as academics, researchers, and executives who work with this process. This diversity can be seen when comparing academic articles on this topic.

Calipha (2010) in her article provides the expanded list of well-developed success factors and categorizes them into 12 sections including such components as: strategic motive; type and/or degree of diversification; selection criteria; price; strategic fit; management involved in the process; human resource management; operating managers and key staff people; culture; difference in size; organizational structure; control system; comprehensive examination of all stakeholders; analysis of future capital need; ambiguity.

Whereas, Gomes (2013) tries to reduce complexity and structures the success factors into two groups: pre- and post-merger. Into the first group, he adds such components as: choice and evaluation of the strategic partner, pay the right price, size mismatches and organization, overall strategy and accumulated experience on M&A, courtship, communication before the merger, and future compensation policy. In turn, the post-merger group includes: integration strategies, post-acquisition leadership, speed of implementation, communication during implementation, postmerger-integration team and disregards of day-to-day business activities, and managing corporate and national cultural differences.

The fact that mutations happen constantly, in addition to the interdependency of factors, bring additional complexity and cause sufficient troubles. As a result, despite large contribution of academia, the whole picture is still not clear, otherwise the quality of successful M&As would increase pointedly if the success factors were known and well defined (Steger & Kummer, 2007).

In addition to this, the reasons of M&A failures are also not clear. We can easily observe that some companies are offhandedly neglecting certain success factors while remaining examples of a successful M&A deal. Consequently, we use a different approach to the reasons which are hidden behind the failures. By paying attention to the causes of failure, we can learn which challenges facing the executors of the M&A deal are vital and require the most careful attention to ensure success. In general, attributions for failure can be either internal or external ones. Surprisingly, failure is frequently attributed to external causes, while success is frequently attributed to the company's own actions and skills.

1.4.1 Unrealistic expectations

The key problem behind most unsuccessful mergers and acquisitions is the very perception of the merger process. Quite often, a deal is expected to produce something that it simply cannot deliver. As we have observed, the merging process itself is very time consuming, multilevel, and complex. However, taking into account managers often overestimate their strengths and underestimate this difficulty, thereby setting goals that often turn out to be unattainable. Thereby unrealistic expectations regarding business valuation is one of the factor contributing to deal collapse (Sales & Zanini, 2017).

To better understand this, let's consider the individual stages of M&A deal. We see that each stage is associated with a certain level of complexity linked with the tasks included into this stage. But what is more important here is how the associated complexity increases as you progress through the chain of stages (Figure 2).

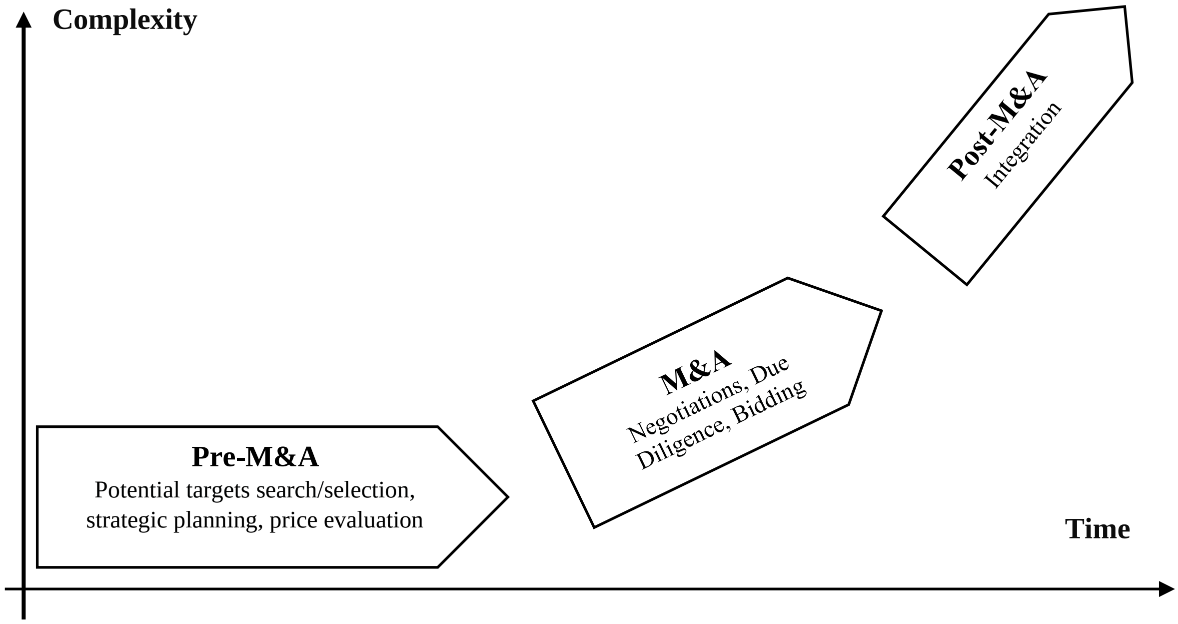

Figure 2. Task complexity on each stage of M&A process

The tasks associated with the first stage of the process are relatively simple, while those that are further in the chain are quite complex (Homburg & Bucerius, 2005). Despite their importance, the impediments that search for a target company and even merger itself place in front of executors cannot be compared with the challenges that managers face at the integration stage. Without a doubt, without these two parts there can be no process itself, but they do not determine the true success of the merger (Steger & Kummer, 2007).

In fact, at the integration stage, the resistance that is the result of underestimating the momentum of the company and people begins to play an important role. With resistance comes delays, and this is where all success can be squandered. Although the speed of integration is often seen as one of the most critical success factors (Ashkenas et al., 1998), the ease of integration is underestimated. Therefore, one can regularly observe a situation in which it is predicted that changes will be implemented and adopted faster and easier than in reality. The significant changes that are required for success are more painful to achieve and take a long time. Typically, the modifications made during starting phase of M&A deal are just a smear on the surface.

Although there are researches that prove the speed of integration may also be a problem and indeed slow integration helps reduce conflicts between parties involved in the process (Olie, 1994) or helps build trust among company employees (Ranft & Lord, 2002). In point of fact the costs of losing the momentum of a business are much greater than the costs associated with mistakes made through quick decisions (Light, 2001).

Along the integration process, more complex challenges appear, making synergies and other gains more difficult to obtain. Due to the large number of parties involved, unforeseen compromises must be made, blurring the initial playbook and its goals.

Undoubtedly, M&A is a situation that is unfamiliar and exceptional causing distress for both managers and employees. M&A is one of the most distasteful events in the life of today's manager (Lochmann & Steger, 2002). In addition to this situation, the unrealistic expectations can cause further distress and deplete cognitive resources (Steger & Kummer, 2007).

In a word, M&A attempts are often doomed to fail from the start due to ambitious expectations, particularly regarding the following factors: amount spent, speed, ease and rewards of change. These elements are often promoted by M&A intermediaries and brokers who ensure that everything will go smoothly, quickly, and successfully.

1.4.2 Principal-agency problem

Agency theory suggests a conflict of interest in the relationship between different business brokers and the firms they represent during merger negotiations (Kesner et al., 1994). Many companies today use the services of M&A "promoters" because of the need for professional assistance and to ensure the outcome of mergers and acquisitions that are expected. Research has shown that the main reasons to seek their help was the complexity of the acquisition deal and solutions and services that only they offer with their focus on a specific problem (Rupcic, 2003). This is in line with previous justifications for increasing complexity as the process progresses. Such promoters include such parties of the M&A landscape as: financial intermediaries in the face of investment banks and top management consultancies.

Financial intermediaries are specialists in information production and processing. As advisors to both targets and acquirers, financial institutions utilize their information gathering expertise to ascertain the reservation price of the merger counterparty, the potential for synergistic gains, as well as the risks of the transaction. In their role as lenders and advisors, banks can be viewed as serving a certification function. However, banks acting as both lenders and advisors face a potential conflict of interest that may mitigate or offset any certification effect (Allen et al., 2000). Thus, such conflicts may in turn result in outcomes that are unfavorable to the principals (Kesner et al., 1994).

Moreover, we see conflict and inconsistency in the ultimate goals of each of the parties to the M&A process. Kesner et al. (1994) in her article states that for target firms, the goal is usually to negotiate the highest possible premium over the premerger price of their shares. In contrast, bidding firms typically aspire to minimize the premium paid for target firms. Theoretically, then, the actions of the investment bankers representing each side should reflect these divergent goals-the targets' investment bankers should seek the highest possible premiums, and the bidders' investment bankers should strive for the lowest premiums. Interestingly, however, since the fees paid to bankers are typically a percentage of the total value of a deal (McLaughlin, 1990), the investment bankers of both target and bidding firms benefit more from higher premiums. Consequently, the bidding firms' goal of minimizing the premiums paid conflicts with their bankers' objective of maximizing fees for banking services.

Consulting companies are indispensable part of M&A process. In a word, they find companies that want to buy other companies and connect them with those who want to be bought or are attractive to be bought (Filipovic et al., 2012). Consultants assist managers during M&A process, develop tactics for the transaction, and evaluate the target company. Since M&A and all activities related to them are extremely profitable (Filipovic et al., 2012), consultants, in turn, also have a vested interest and push companies into M&A deals in order to offer their services. They provide the much-needed additional capacity to manage the M&A integration phase that companies usually lack. Evidence however tells us that promoters are far from being omnipotent. Most often, they do not cope with their duties, and cannot complete the entire process successfully (Steger & Kummer, 2007).

In this situation, it is very important to correctly define and evaluate the success criteria of each of the participants of the process, since promoters often see their fees and the completed deal as such a criterion. Sometimes they may prefer complex multilateral transactions with a lengthy process, where in case of failure it will be very difficult to blame them for failure (Steger & Kummer, 2007).

However, there is another factor – advice given by promoters is not always followed by managers. The ultimate responsibility lies with the management.

1.4.3 Overconfidence

Almost half a century ago, it became clear that confidence in the success of a M&A deal and in achieving its goals is one of the key components of potential success (Bandura, 1978). If this was not the case, managers would hardly make the efforts necessary for M&A projects. Those who believe that they can succeed are more likely to make the effort. First, they have the opportunity to succeed because they try. Second, confident managers who try are more likely to succeed than are managers lacking confidence who also make the same attempt (Steger & Kummer, 2007).

In contrast overconfidence has emerged as an important motive both for M&A activity and failure (Oancea & Kamau-Mitchell, 2015). Most often the behavioral financial literature attributes failed M&As to CEO overconfidence in particular (Hwang et al., 2020). C-suite overconfidence ties the value-destroying mergers to top managers' overestimation of their ability to generate value as combined firms, which frequently contributes to overbidding (Roll, 1986). This characteristic is often considered as an alternative explanation for managerial decision making that results in bad outcomes (Hwang et al., 2020).

There are projects that, under given conditions, are simply impossible to complete, and this does not depend on how hard the parties are trying (Steger & Kummer, 2007). The overestimation of control over the environment and the high personal standards managers set for themselves may lead to rash and hasty decisions, and consequently serve as explanation to engaging in value-destroying business combinations (Oancea & Kamau-Mitchell, 2015).

However, unfortunately, no matter how many incorrect decisions were made, most often the results of these decisions come to the surface and become a problem only at the stage of integration. Indeed, if the situation was different, perhaps the managers would be able to restrain themselves and not continue to make the wrong decisions and make unnecessary efforts (Steger & Kummer, 2007). Passing the first stages of the process, managers have the illusion of competence; this successes could develop managerial hubris – self-attribution bias (Billett & Qian, 2008). They begin to participate and persevere with even greater enthusiasm in a process that may fail. Thus, people who should be especially concerned about overconfidence do not seem to care and are likely to be overconfident. This could be another reason why there are a disproportionate number of M&As failures (Steger & Kummer, 2007). This phenomenon could be another explanation for the disproportionate percentage of M&A failures; the point is that overconfident managers try whereas rational managers don't.

1.4.4 Regulatory and political headwinds

Generally, with the help of M&A strategy, firms want to become more efficient and gain possible synergies and cost reductions, but sometimes governments can decide to get involved into the M&A deals. This is due to the fact that these deals are subject to federal rules, laws, and reviews, among other things. In his study analyzing the regulations of international M&As, Santiago Carbo-Valverde (2012) stated that how, why, and for whom individual mergers and acquisitions generate net economic benefits becomes an increasingly important policy issue as industries globalize and consolidate. These issues need to be taken into account in all cases when it comes to mergers and acquisitions, but they play a special role when the geography of the transaction goes outside the country. This is because different standards between different countries, as well as with supra-national regulations, presents firms with greater risks in cross-border deals that are likely to result in multiple regulator involvement (Duncan. Angwin, 2007). These remarks serve as a reminder that multinational mergers and acquisitions have been a topic of interest and debate that concerns not just the involved companies, but also the governments of the countries affected. This is yet another example of how government interference, especially in cross-border mergers and acquisitions, can be a significant and fascinating problem for businesses.

The role of regulation should not restrict competitive forces that companies eager to obtain. On the other hand, a regulatory framework is essential in order to gain consumer welfare and control possible competition violation and cartel creation (Dounis, 2008).

Despite the fact that the regulation of the M&A process should have a positive impact, in its recent study McKinsey (2019) mentioned regulatory concerns (such as too much market concentration) among the top 3 most popular reasons of M&A failure after an issue of mismatched expectations.

In general, the traditional situations in which regulation is necessary were formulated by professor John Coates (2014), who distinguish the following areas and ways of regulation:

- *Antitrust regulation.* Inasmuch as M&A is a fast way to achieve monopoly power, it is typically regulated separately under general antitrust laws to prevent or remediate such power.

- *Industry-based regulation.* It is aimed at preserving or stabilizing industries (banking, airlines, telecommunications, utilities) that produce public goods (systems of payment, communication, transportation, or energy production) that are vital to society and the economy. As one means to prevent private interference with those systems often include rules specifying who may obtain control over companies in those industries, and M&A is often regulated specially in those industries.
- *Foreign ownership regulation.* Owning of domestic business by foreign agents can raise political concerns that range from the cross-culturally intuitive to the less so, consequently cross-border M&A is often regulated specially.
- *Tax regulation.* M&A can be a way for owners to liquidate or realize cash from profits built up in a business, and in most income tax regimes, tax is typically linked to such realizations, and more generally, tax systems are often linked to transactions, including M&A.

However, since recently regulation has steadily expanded well beyond the traditional mandate of assessing the impact of a deal on market power and consumer benefit. Regulatory powers have moved into concerns such as national interest, data privacy, and the impact on future competition (Harding et al., 2021).

As the M&A regulatory landscape continues to evolve, M&A practitioners need to keep up with the latest regulations, both locally and in the addressable markets.

All in all, unrealistic expectations, principal-agency issue, management overconfidence, as well as regulatory and political aspect can potentially make a significant negative impact on the deal and even call its completion into question. By their very nature, these reasons for failure become such only after they have already spoiled a particular M&A project. Therefore, it is not so easy to prepare for them and predict their impact. However, the M&A process is aggravated and becomes even more complex due to the challenges that each phase of the process presents to managers and deal-makers.

1.5 M&A challenges

The volatility in today’s financial markets creates great challenges. But it also creates great opportunities for mergers and acquisitions. In uncertain times, there is a need to play it safe. But for some, it is also the ideal time to seize opportunities to make great deals.

The literature on M&A challenges is eclectic. This is largely due to the aforementioned variability of the surrounding context and rapidly changing economic landscape, which entails a constant overestimation of the importance of a particular challenge at any given time. For convenience, we will consider the challenges corresponding to each particular phase of M&A deal, taking as a basis a simplified 3-phase structure, including the pre-merger process, the merger, and the post-merger.

1.5.1 Challenges of a pre-merger stage

One of the challenges in the first stage could be summed up as "Lack of strong motive for the M&A" and it may arise long before the first work related to the deal is carried out. As soon as executives do not have a clear justification to the query “why are we doing this?” the M&A deal has just faced its first challenge and the probability of others arising are already supra as a direct consequence.

Next challenge of the pre-merger phase is resource related. It takes time and finesse to identify the right target company and the “right fit” in terms of product, financials, and people. Companies invest substantial resources in the M&A process, especially during the pre-merger and deal-negotiating phases (Schmid et al., 2012). Some executives mention that during this period they often need "more resources", others state that they "lack of experienced M&A talents" (Herndon, 2016). Unwillingness or inability to allocate and finance adequate resources, lead to deal postponement or a failure to achieve at all.

Another important challenge relates to integration, namely meticulous and forehanded preparation for it. Technically, integration comes at the last stage of M&A deal, but that doesn’t mean it should be an afterthought. At pre-merger phase managers spend time focusing on legal and financial aspects, they may downplay the hidden threats that often break an M&A success. An underestimation of cultural discrepancy can create an inefficient and even toxic work environment (Kison, 2021), in order to prevent bad consequences this should be worked out in advance to reduce the damage from potential issues. However M&A parties often don’t realize that an integration strategy must be developed during the initial stages of the process (Canina et al., 2010).

1.5.2 Challenges of a merger stage

The due diligence and bidding phases are critical in the M&A process (Schmid et al., 2012). The actions that need to be taken to ensure the success of M&A deal were studied cover to cover. Almost everyone is aware that these steps should be taken, but shortcuts are still common, therefore, the business community still sees it as one of the most common challenge faced in M&A process (Kison, 2021). Some researches note that more time to carry out due diligence enables a more detailed and accurate picture of the target to shorten the learning curve required after the acquisition to get to know the target company in-depth and so should reduce the length of time required for post-acquisition integration (Gomes et al., 2013). However, participants in the due diligence step often underestimate potential biases that can later prove fatal in the integration phase (Schmid et al., 2012). Thus, inadequate due diligence can underlie many issues and can generate a chain of challenges with which managers deal at this and subsequent stages of M&A deal.

One of the problems, which can be spawned by hastily carried out due diligence, relates to assessment of synergy. In simple terms, synergies appear when one plus one is greater than two. Most often this means either increased revenue or cost saving, or both, as a consequence of the transaction. Obviously, they are a strong motivator for many deals, but they are also often overestimated (sometimes by tens of millions of dollars). The biggest problem here is that usually it cannot be eliminated for the rest of the life of the transaction (Kison, 2021).

Without a doubt, one of the most important problems faced at this stage is the overpayment for the company. On the one hand, this can be the result of an incorrect evaluation of the company's assets or its potential. On the other hand, this is due to the fact that, as we see, most M&A deals stress the company, thereby destroying the value of the company, and making overpayment almost unavoidable. One more common issue which follows M&A deals – managers of target company only claim you when you are not paying enough, but never when you are paying too much (Kison, 2021).

In existing academic literature, the value of pulling the plug on a deal is largely overlooked. Of course, with every hour and dollar spent on the preparation of the deal, it becomes more difficult to admit that the work was done in vain; there is a temptation to go ahead with a deal after a certain point has been reached. Moreover, for many parties of the deal, signing it is actually the finish line and they can push closing in order to get their bonuses. The ability to notice such situations and, more importantly, the ability to pull the plug out the deal is another challenge associated with this stage of M&A deal.

1.5.3 Challenges of a post-merger stage

The failure rate of M&A sits between 70 and 90 percent (Martin, 2016), because M&A integration is complex, and difficult at best (Schmid et al., 2012). Integration is not an optional extra and should be seen as an independent and vital part of an M&A deal because in its own right integration issues may destroy deal value (Kison, 2021). Integration has many important points, but as it was said, the most important aspect is its duration, namely, the accompaniment of the merger transaction throughout its duration, in other words integration should be planned in detail before the ink has dried on the deal contract.

This lies in the fact that at the pre-merger stage executives should consider and develop high level strategic integration plan. At the subsequent stage of merger, it is vital to review the strategic integration plan, to adjust if needed, and to build a more robust M&A playbook (Herndon, 2016). Moreover, at this phase first steps on integration plan implementation should be considered. At the last stage – post-merger – it is time for the practice; the biggest challenge here is to execute the integration plan by prioritizing the functional areas based on the strategic integration’s plan objectives (Schmid et al., 2012).

1.5.4 Challenges throughout the entire process

Among the challenges that may arise at any stage of the transaction, first of all, the problem of communication is highlighted. This challenge has received much attention in the academic literature and still widely discussed. In recent studies, some executives claim that communication to employees should be carried out all the way from announcement to closing the deal (Herndon, 2016), and the sooner it starts the better (Schmid et al., 2012). This provides a smoother transition and mitigates the aspect of cultural differences that could lead to the failure of the M&A deal. Many researchers also note that incomplete communication or its absence as such can become a reason for the emergence of discontent and, as a result, loss of trust on the part of important stakeholders. Human capital is a significant part of most modern businesses, and yet many acquirers pay this fact scant attention, leading to more M&A challenges (Kison, 2021). At all phases, and especially at the stage of integration, employees feel the heaviness of the uncertainty. Consequently, keeping them engaged, and informed of what is happening and what is about to happen is not only best practice, but also ethical (Schmid et al., 2012).

M&A process is complex and challenging, yet also rewarding. There is not a simple answer to the question "what challenge we need to address first?". Many practitioners are currently highlighting the importance of integration planning, culture, and change management which means these are very common pain points that companies might not be able to recover from (Kison, 2021) other argue that challenges might start even earlier on the stage of initial M&A consideration (Steger & Kummer, 2007). Undoubtedly there will always be M&A challenges and issues; only timely addressing of all the aforementioned challenges through the pre-merger, merger, and post-merger phases of M&A deal can ensure a success.

1.6 Conclusion

All in all, the challenges are manifold, interconnected, and rapidly changing. Despite the fact that many of them are known to managers in advance, they still excite them, thereby making the process of mergers and acquisitions intricate (Table 2). The existing literature offers insufficient answers on how deal-makers can potentially combat these challenges. Additionally, some insights are provided by business practitioners, who reflect on this topic and share their opinions in applied articles.

Talking about motive for M&A, researches argue that it is important that an M&A's motive is strategic, failing which the acquisition will likely not be compatible with the corporate capabilities and goals (Calipha et al., 2010). At this stage, it is important to determine if the motives are managerial self-interest (or materialism) or hubris, and take measures to exclude their influence (Seth et al., 2000). Practitioners advise to spend more time on strategic planning in mergers and acquisitions, saying that going back to the beginning and figuring out what you want and whether M&A is the only way to get it is a safe way to prevent this issue (Kison, 2021).

Table 2. Summary of challenges during each stage of M&A process

M&A process		
Pre-merger	**Merger**	**Post-merger**
• Lack of strong motive • Shortage of resources • "Homework" on Integration	• Inadequate due diligence • Overpaying • Overestimating synergies • Failing to pull out	• Failed integration
Insufficient communication		

The problem of resources involved in the process of mergers and acquisitions has several variables. Some, as already mentioned, talk about the lack of talent involved in the preparation and implementation of the project (Herndon, 2016) that in turn leads delay, mistakes and additional resource drain. Speaking about financial resources, many experts mention that loading up on debt to purchase any company creates a pressure to cut costs and it is never a good start for a deal, and often the beginning of the end (Kison, 2021). This was also confirmed in the recent study of Chen et al. (2020), they found that equity-financed M&A transactions lead to significantly better performance than debt-financed transactions. Perhaps this problem can be overcome only by correctly assessing all types of necessary resources (human, time, financial) associated with each stage of M&A process and timely allocating these resources to the right place and time.

Another big challenge many organizations face in mergers and acquisitions is a lack of planning around integration in advance (Barrows, 2018). Therefore, practitioners insist that at the every early step of transaction, managers and deal-makers need to keep track on where and how each parts of the business will be integrated and to take these observations into account in the future if and when the deal is closed (Kison, 2021). The best way to avoid a failed integration – which is universally recognized as one of the biggest value destroyers in M&A – is to develop a high-level integration plan the earlier the better, and then review and adjust it on deal-closing phase (Schmid et al., 2012).

Due diligence directly relates to success of integration. More time to carry out due diligence enables a more detailed picture of the target at the point of ownership to shorten the learning curve required after the acquisition to get to know the target company in-depth and so should reduce the length of time required for postacquisition integration (Gomes et al., 2013). Another issue that occurs during this step of M&A deal is that the acquirer is depend on the target company to provide knowledge that isn't always favorable to their management. Outside advisers from investment bankers or consultants say "whatever drags get dirty" around M&A, thinking that efficiency is crucial for success in M&A deal (Kison, 2021). Efficiency is efficiency, just as due diligence means due diligence. That is why the issue of inadequate due diligence may be easily prevented – there is simply no excuse for not organizing accurate and detailed due diligence.

Price is one of the most important criteria by which the success of a M&A deal is assessed (Kitching, 1967). Many researchers agree that it is essential to accurately evaluate the target's assets in order to justify their market value; this thorough assessment will help the acquirer to offer a fair purchase price and maximize the benefits of the deal (Calipha et al., 2010). Later in the final stage of the transaction, a good way of avoiding overpayment is by looking at a suitable value for that firm as a limit, but not a target. It's crucially important to set this limit before negotiations start and stick to it to minimize the chances of overpaying (Kison, 2021).

Overestimating synergies goes hand-in-hand with overpaying in a transaction; they seem strong on paper but are seldom realized as they were calculated. Sometimes the prospective buyer may make incorrect assessments: the purchasing company judges the target from its own (and often different) viewpoint (Steger & Kummer, 2007). According to practitioners, the best way to solve the problem of overestimating synergy is a conservative approach to its evaluation, the following simple example can illustrate this approach. In their opinion, when it seems that the estimated deal would save one million dollars then it is needed to divide this amount by two. If there is still the synergy that makes the deal worthwhile, then it may be worth pursuing (Kison, 2021).

As mentioned earlier, the closer the actual signing of the deal, the more difficult it is to abandon it. However, you need to stay cool to the end and resist the emotional urge to close the deal. Avoid this M&A challenge by ensuring that the aim of due diligence is to let you know exactly what you're acquiring. If it turns out to be something you don't like as much as you thought you did, don't be afraid to back out of the contract (Kison, 2021).

The anticipated value derived from M&A is merely elusive without adequate and successful integration (Schweiger & Goulet, 2005). Because of the complexity of integration approaches in M&A, several contingency frameworks or typologies have been created (Gomes et al., 2013). One of the widely-used post-merger framework for integration was developed by Haspeslagh and Jemison (1991). They presented four integration models – symbiotic, preservation, absorption, holding – each of which implies a different level of synergy and has different implications for the overall productivity and integration of people. Their work was later supported with the empirical study in the paper of Angwin and Meadows (2009) and later was tweaked to account for the fact that adopted integration strategy is based on the cultural differences between the merging entities as well as the deal's synergistic potential (Gomes et al., 2013). From this probably we may conclude that in order to increase the chances of successful completion of the integration, management needs to follow the predefined steps specified in the frameworks. However, the question remains which framework to use in a particular case.

Communications play a central part in the entire acquisition process (Gomes et al., 2013). Preacquisition, companies need to put special effort into communicating adequately to avoid uncertainty among employees, because this information vacuum leads to uncertainty and the creation of rumors that can have harmful effects (Bastien, 1987). Additionally, the scholars also emphasize the importance of post-acquisition communication as it promotes the dissemination of the acquisition purpose and for the transmission of an integration message (Weber & Tarba, 2010). Schmid et al. (2012) in their article present the following best practices aimed at resolving the communication issues. According to them, most importantly to make sure that employees receive updates on merger and staffing issues. Employees would feel respected if they are informed about policy changes and future job opportunities in the newly merged business. This will result in a smoother transition and less organizational culture problems, which may lead to a failed merger.

As a result of literature review, the author founds out that the existing knowledge is vast, spanning over half a century of research endeavor and drawing upon multiple disciplinary perspectives. Despite this wealth of material, the field suffers from a lack of connectedness. There is limited understanding of the interconnectedness between failure factors and particular complexities of the M&A process, as the various streams of M&A research are only marginally informed by one another. Potential solutions to challenges are also partly explored, and are mostly in the nature of practical advice from practitioners of the M&A industry. As a result, the existing body of knowledge on M&A research remains fragmented. That is why there is a need not only to identify how different steps within M&A process have been transformed but also examine the newly came challenges and find resolutions. Therefore, in this study, the author will try to develop a holistic framework aimed at optimization of M&A process wherein reflecting the multidisciplinary nature of M&A and taking into account the full scope of that complex process.

2. RESEARCH METHODOLOGY

In this chapter, the author of the study presents the methodological base that was used for the empirical research. The study of existing knowledge, the results of which are presented in the second chapter of this work, made it possible to correctly determine the research gap and marked the boundaries of the research. This research paper aims to explore the complexities that the COVID-19 crisis has brought to the M&A process, and to identify potential solutions to these challenges. In the first half of this chapter, the author will designate the justification behind the choice of the qualitative methodology as well as the research design as a whole. Later in this chapter, the characteristics of the data sample, and data collection will be presented and explained. In conclusion, the author presents the methods of analyzing the obtained data, as well as the limitations of the chosen research method.

2.1 Research design and methodology

First of all, in order to call the research gap and acknowledge research questions it is necessary to apply suited research method and appropriate strategy for the study. According to Ayiro (2012) all research methods could be distinguished into three main categories: quantitative, qualitative, and mixed. The word qualitative implies an emphasis on the qualities of entities and on processes and meanings that are not experimentally examined or measured in terms of quantity, amount, intensity, or frequency; such type emphasize the value-laden nature of subject and its given meaning (Denzin & Lincoln, 2005). Qualitative research typically implies using unstructured or semi-structured methods, to discover patterns in thinking and opinions and to delve deeper into an issue. In this type of research, the sample size is smaller than in quantitative one. In contrast, quantitative methods emphasize objective measurements and the statistical, mathematical, or numerical analysis of data, focusing on generalizing it across groups of people or to explain a particular phenomenon (Babbie, 2012). This type of research is used to measure beliefs, thoughts, and habits, with the aim of generalizing data from a small sample to a wider population. Quantitative data collection approaches are more systematic than qualitative data collection methods, and imply greater sample sizes.

Both methods have both positive and negative sides in nature. Qualitative methods allow for a deeper understanding of the relationship in the problem under study, taking into account the context with which this problem is associated (Daniel, 2016). At the same time, this approach does not allow generalizing the findings, moreover errors in the interpretation of the results of the research are possible. In turn, quantitative methods are better suited in situations where it is necessary to test specific hypotheses, the results of which can also be generalized.

However, the weak point of this type of research is that it is difficult to include the behavioral aspect and context.

In his study Kuada (2012) argues that qualitative research design is used for inquiry aimed at providing additional insights into the phenomena under study, instead of confirming current hypotheses by statistical methods. Therefore, the current study will follow an exploratory qualitative research design. According to Chizzotti (2003) exploratory studies often clarify situations in order to raise the awareness about them. This research method was applied because it allows to gain a broad understanding and describe the fundamental definition (Zikmund, 2003), and provides specialized techniques for information gathering (Bauer & Gaskell, 2000). Such information leads to a rich and meaningful description of the phenomenon under study; all these are highly required in this study.

Regarding the sources of primary qualitative data they may be summarized to the following short list: observations that yield a detailed, "thick description" [in-depth understanding]; interviews that capture direct quotations about people's personal perspectives and lived experiences (Berg & Lune, 2012) (interviews also include focus group, which is a non-standardized, one-to-many sub-type of interviews). The author of this study use semi-structured interview approach as it helps to explore research questions and at the same time allows to collect additional comprehension that might appear withing interview session (Brinkmann, 2013).

According to study of Sales and Zanini (2017) M&A talks often collapse due to a number of objective and subjective reasons, as a result any type of information that relates to failure reasons or challenges that companies faces within M&A process is often confidential and treated with a lot of discretion, since it may violate reputation of the company.

In this work the issue of management bias is setting a significant problem as deal-makers from inside the acquirer or target company tend to overrate positive things and water down negative aspects of deal or even be unwilling to present them. And taking into account the fact that one of the objectives of this study is to reveal the challenges introduced by the COVID-19 crisis, which companies face and which, perhaps not always, they manage successfully, the author need to avoid the influence of management bias.

Another concern of this work is also the fact that interviews cannot provide anonymity, which could potentially neutralize the previously mentioned effect of management bias. An anonymous survey could be an option for ensuring anonymity and consequently reinforcing credibility, but this is not in line with the exploratory nature of the study and therefore cannot be taken as a solution. In addition, a survey does not provide a broad perspective on the issue and makes it impossible to obtain valuable insights (Longhurst, 2003).

As a result, it was agreed to perform interviews with outside M&A deal advisors (investment bankers and consultants) to reduce the impact of the associated management prejudices. Outside experts are working closely with both acquirer and the target companies' management on each stage of M&A deal, from pre-deal, deal, and then post-deal accompaniment. They partly act as observers and probably have less reason to hide and distort information about the course of the transaction, providing a more objective view of the entire process. In their work Sales and Zanini (2017) use a similar method of collecting data, investigating the deal making failure in M&A from dealmakers perspective. They managed to conduct 16 in-depth interviews with dealmakers from different backgrounds, including advisors and investment bankers.

The author considers this stage of the study aims to investigate the transformation of the entire deal flow during COVID-19 crisis, to explore the newly minted challenges of the process, and to identify potential resolutions of these complexities.

2.2 Data sample

As it was mentioned in order to avoid the influence of executives' impressions, bias experiences with M&A that have collapsed, it was decided to collect primary data through the interview with M&A advisors: consultants or investment bankers. With an eye to have a homogeneous sample of respondents purposive sampling was chosen for the research. A sample of 16 interviewees were deliberately chosen. As a sampling criterion the author considers respondents' background and the role, they played in the M&A deal process, as well as the minimum required number of transactions in which they participated. Keeping in mind the goal of the study was to investigate the entire flow of M&A process and to recognize the interconnection between different steps, as well as challenges between them, the sample includes five categories of professionals (Figure 3) according to their role (Sales & Zanini, 2017). Such approach will allow to look at the process from different angles and at the same time ensure that the entire process is covered from initial M&A consideration to close the deal.

Experts on *strategy* are expected to be involved in the process from the outset and are in contact with management up till the actual closing of the deal and sometimes even after, at the integration stage.

Due diligence experts control the transaction evaluation. They allow the buyer to confirm pertinent information about the seller, such as contracts, finances, and customers. Due diligence generally commences when the letter of intent (LOI) is signed.

Deal management team includes individuals in charge of coordination the entire M&A process: negotiation, valuation issues and liaising with attorneys.

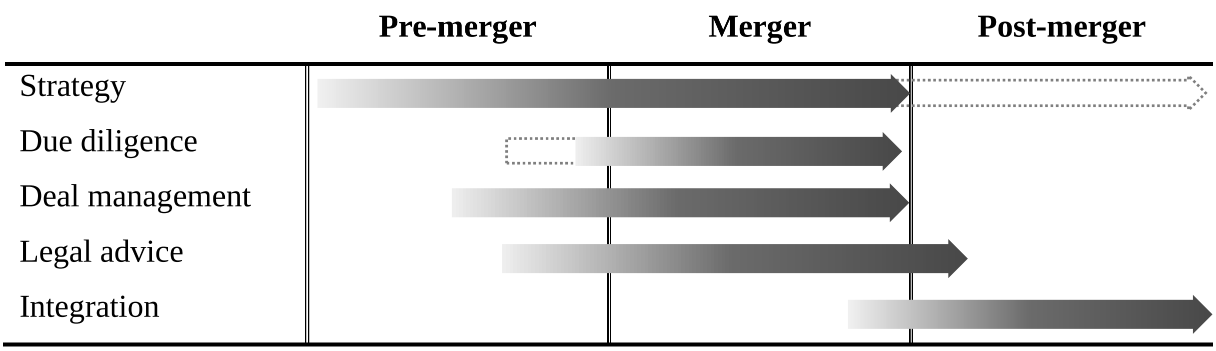

Figure 3. M&A deal cycle

Legal advisors are in charge of development sale and purchase agreement (SPA) and conducting legal due diligence. Their role increases significantly in cross-border M&As, when the factor of the additional legislation appears.

In order to carry out post-merger integration, companies seek help of *integration* consultants. These professionals are often brought in during the due diligence phase, and responsible for smooth and favorable intertwining the DNA of two companies.

The sample was categorized according to sampling criteria, the final profile of the sample you can see in table 3, which includes: the respondent's ID (the names of the interviewees were omitted for confidentiality reasons), the focus on the M&A deal, level of participation, total number of projects, and number of failed projects.

Table 3. Sample profile

ID	Focus	Participation level	Projects in total	Failed projects
P1	Strategy	High	5	1
P2	Strategy	High	12	2
P3	Strategy	High	17	5
P4	Due diligence	High	21	7
P5	Due diligence	High	15	3
P6	Due diligence	High	24	11
P7	Due diligence	High	8	3
P8	Deal management	High	7	3
P9	Deal management	High	5	0
P10	Deal management	High	11	3
P11	Deal management	High	14	5
P12	Deal management	High	9	2
P13	Legal advice	High	13	5
P14	Legal advice	High	22	9

P15	Integration	High	6	0
P16	Integration	High	8	0

2.3 Data collection

Primary data was collected using in-depth semi-structured interview approach with outside M&A advisors: investment bankers and consultants. Conducting interviews is superior to running survey in the sense that this method allows to get more in-depth information on the topic, while it does not exclude the influence of the behavioral and contextual factors (Merriam & Tisdell, 2016).

A shortlist of outside advisors selected according to the above criteria (their focus in M&A deal) was collected through the author's professional networks. Further, the author contacted them directly using online messengers (Telegram, WhatsApp), where, within the short conversation, the main aim and subject of this research work were presented and explained. Those who were willing to participate in the interview were provided with links to closed interview rooms. The conversation was conducted using the capabilities of online video conferencing platform (Zoom) as well as using built-in audio calls in messengers (Telegram, WhatsApp); some interviews were also collected using the audio message service in the aforementioned messengers. The interview was hold in Russian or in English. All received audio materials was recorded with permission of interviewee, transcribed, and translated if needed.

The aim in the interviews was to set an open, friendly and trustworthy tone. Therefore, taking into account the fact outside advisors is subject to non-disclosure agreements with their employers and clients, the author assured them that all information (names of interviewee, names of executives, clients' firms, and any other specific details of the project) is gathered only for the purpose of this study and no confidential information will be disclosed in the thesis.

In total, 16 audio recordings of conversations were collected. The duration of each recording varies from 37 minutes to 1 hour 12 minutes, interviews collected using audio messages have been combined into one file and also vary in duration from 17 to 42 minutes. A total of 12 hours and 42 minutes of audio recordings of the interviews were collected.

2.4 Interview design

In order to find answers to the formulated research questions, the interview was divided into relevant parts. Each part begins with more general questions that immerse in context, and ends with specific questions that facilitate the search for answers to research questions. Overall, the interview has the following structure:

- Pilot questions
- Flow, phases, and steps within each phase of M&A
- Challenges associated with each phase of M&A and in between
- Potential solutions of M&A challenges

This approach also made it possible to be in the focus of a specific aspect of the problem under study and not to leave the context.

The interview questions were formulated in relatively open manner so to facilitate and encourage interviewee to provide additional insights on the topic. They were partially adapted from ones which have been used in previous study of Sales & Zanani (2017). For each interview, they were adjusted to take into account the interviewee’s profile, personal experience and willingness to share. Moreover, semi-structured interviews imply that some of the follow up questions were posed based on previous answers and therefore are not reflected in the structure. The interview guideline was built on the results of the reviewed literature, which presented in the relevant chapter of this thesis, and presented in the Appendix 1.

2.5 Data analysis

Interview data was recorded using built-in tools of online conferencing software (Zoom) and built-in audio calls in messengers (Telegram, WhatsApp). Further, the data was transcribed and analyzed. Initially, the author considered the use of specialized software for data analysis, however, given the relatively small sample size, as well as the small amount of collected data, it was decided to use the manual method of analyzing the results obtained.

As a guideline for analyzing qualitative data, the author resorted to using a carefully designed and detailed plan of Thematic Analysis (TA) developed by Braun & Clarke (2012). According to them TA is a method for systematically identifying, organizing, and offering insight into, patterns of meaning (themes) across a dataset, it is rapidly becoming widely recognized as a unique and valuable method in its own right.

The point of this guideline is to apply a 6-phase approach to TA (figure 4).

Figure 4. Flow of 6-phase approach to thematic analysis

Following this approach, at the first stage of the analysis, the author continued to immerse himself in the data obtained and in the accompanying context. This was achieved through repeated listening to the tapes, as well as reading and re-reading the transcripts of the interviews that were originally prepared. Also, during this stage, the author made notes to highlight items potentially of interest. This kind of active, analytical and critical reading encourages thinking about what data means and read data as data (Braun & Clarke, 2012). The key goal of this phase was to get a more detailed look at the data and understand those things that are relevant to the research questions.

In the next step, the author identified important items in each interview and assigned them the appropriate codes. Codes identify and provide a label for a feature of the data that is potentially relevant to the research question, each code provides a pithy summary of a portion of data, or describe the content of the data (Braun & Clarke, 2012). This stage ended when all the data had been thoroughly read and the appropriate codes assigned, while capturing the diversity and making it possible to trace patterns in the data.

The third phase of the analysis implies giving the raw data an initial rough shape. The author identified themes that capture important things about the data in relation to the research question, and represent some level of patterned response or meaning within the data set (Braun & Clarke, 2006). This process involves studying previously defined codes in order to find an overlap, similarity, which becomes the basis for determining a broad topic around which the codes collapse.

At the following stage, the author checked the formulated topics. This process involves a recursive process of matching the pieces of text under the code included in the topic as well as the entire data set with the way the topic itself is formulated.

After reviewing potential themes, the author developed the table outlining the verified set of themes with corresponding codes and extracts of text from the data set. Moreover, following the guideline, the author prepared a set of quotes to illustrate specific aspects of the research subject, and developed straightforward and clear "storyline" for each topic for presenting in the following chapter of this thesis.

Table 4 provides an excerpt from the processing of the original data. Initially, statements are categorized by generating initial codes, then, within each code, more specific themes are identified to which each statement relates.

Table 4. Sample of data processing in thematic analysis

Respondent's statement from interview	Assigned initial code	Final theme
"The speed of decision making has increased. Since there is no need for offline meetings. People are more willing to use online calls, which take less time. No need to waste time on trips and offline meetings".	Changes related to the flow of M&A process (MAC)	MAC: Speed
"Well, of course, the phases have become longer: negotiations have become longer, due diligence has become longer and so on. Not to mention the fact that the work of regulators has stopped for a while and now it takes a month more to obtain any permission".	Changes related to the flow of M&A process (MAC)	MAC: Speed
"Look, well, in general, there is a small trend that consists in splitting the due diligence into two stages".	Changes related to the flow of M&A process (MAC)	MAC: Structure
"In terms of the process, there have certainly been a number of changes. We see that there are fewer conferences, meetings in other words, "places" where "relations" between the parties can potentially arise. But you know, these are not the places where you can meet a person near a coffee machine and decide to buy his company in 5 minutes".	Changes related to the flow of M&A process (MAC)	MAC: Essence

As it is intuitively clear from the wording of the last stage, the final stage of the entire thematic analysis is writing a work, which in essence is this thesis.

2.6 Limitations of the research

Despite the fact that the author of this work has taken all measures to improve the validity of the results obtained, the use of qualitative research methods implies several limitations.

Firstly, despite the fact that the results obtained through interviews allow a better understanding of the problem and provide more insightful view on the issue, they are qualitative in nature and therefore cannot be generalized to a wider population. This is due to the fact that the results cannot be checked for statistical significance (Ochieng, 2009), which is one of the main disadvantages of this method.

Second, in this study, the author relies on a relatively small sample (n=16), despite the fact that this sample size has already been used in the recent study of Sales and Zanini (2017) it may also in turn contributes to the limitation of this work.

The next limitation arises from the issue of anonymity and confidentiality. Although all respondents were warned that the results of the work will only be used for the academic purposes of this work, there is a possibility that in order to prevent damage to their name and their firm reputation, interviewed advisors may conceal unpleasant facts and truthful details about the M&A projects they participated in (Anderson, 2010).

Moreover, according to Anderson (2010), another limitation of qualitative research relates the researcher's particular interviewing abilities which can be easily influenced by the researcher's personal prejudices and idiosyncrasies, which in turn can lead to misinterpretation, distortion of facts, and invalid results.

It should also be noted that in the process of collecting interviews, the author was not limited to experts from one field, or one country. In general, we can say about a fairly generalist approach. Taking this into account, we can note the limitation of this study in generalizing the results obtained; this problem can be solved if further research is focused on one country and industry.

Finally, the author used methodological approach that assumes the analysis of M&A process through the lens of management consultants and investment bankers. Although the required minimum for deal-making was set at the level of 5 M&A projects and this guarantees the objectivity of their experience of their experience, the advisors are still outside the company. Therefore, they see the process from different perspective and possibly miss some important details associated with the challenges of the M&A process.

3. FINDINGS

In this part of the work, the author presents the key findings and insights that were obtained during 16 interviews with experts in the field of mergers and acquisitions, in other words, with consultants and investment bankers. In structuring this chapter, the author followed the order in which the research objectives and questions were formulated.

So, firstly, the author provides evidence of how key steps in the M&A process have changed under the influence of the COVID-19 crisis, and will also discuss fundamental changes in their order. Further, the challenges and problems faced by the dealer makers within the M&A deal, at each of its stages, will be presented. At the end of this part, the author will present potential solutions to the aforementioned issues inherent in the new realities of making M&A deals.

3.1 Mutation of M&A phases

As a result of 16 interviews with outside advisors, a scope of 197 M&A deals was collected, in which the respondents took part. During the interview, it was determined that all projects are quite diverse, and differ not only in terms of the industry, but also in the geographical aspect. As noted earlier, the respondents had a different focus in deals, this allowed to get a holistic picture of the situation unfolding on the battlefields of mergers and acquisitions. Therefore, several common characteristics and patterns have been identified in relation to how the M&A flow has changed recently.

Reasoning about how the process of mergers and acquisitions itself has changed, respondents repeatedly mentioned three criteria, based on which they can determine significant changes, these criteria include: the speed and pace of the M&A steps, the essence of the M&A step, the order of the M&A steps.

3.1.1 Speed and pace of the M&A steps

The speed of decision-making is one of the main reasons for the success or failure of transactions, this is especially important in situations of uncertainty and a rapidly changing landscape, not only of the industry, but also of the economy as a whole. We clearly see the significance of this factor in the era of the COVID-19 crisis. The change in decision-making process has affected almost all steps in the M&A process, and made them a little faster and more efficient. This was achieved due to several contextual factors. Firstly, it relates to the development of IT services that allow you to safely exchange confidential data:

"Online services to support transactions jumped a cut higher. Decision making services, confidential data exchange. In the pandemic, they [deal makers] *thought about the efficiency of the process and rethought their fundamental approach to transactions".*

Additionally, it happened due to the fact that there was no need to hold face-to-face meetings, which often required a long agreement on the date, place and time:

"The speed of decision making has increased. Since there is no need for offline meetings. People are more willing to use online calls, which take less time. No need to waste time on trips and offline meetings".

The lack of bureaucratic procedures also affected the speed of transactions, making them more efficient, but this requires the initial flexibility of the company, a more advanced approach to management:

"*Everything became a little faster, everyone switched to remote control, and became available 24/7. All questions are quickly confirmed. Previously, I had to physically run around offices and sign papers. Now the bureaucracy has accelerated significantly. But it depends on the flexibility of the structure, for example, conservative companies find it difficult to switch to a new format*".

Experts also highlight new opportunities that have appeared on the market as one of the reasons why the process has accelerated. Of course, the pandemic affected different industries in different ways and there are some obvious winners and losers. A number of industries groped their potential, began to develop faster, and were not particularly negatively affected by the pandemic. However, at the same time, there is a reverse side of this effect:

"As for the speed, there are changes. Depends on the echelon of the company (winners or losers from covid). The speed of decision making for both parties has changed. For example, the losers wanted to sell quickly and might close the deal faster. As for the industries that have benefited from covid, then on the contrary, investors wanted to quickly acquire a potentially profitable asset and also acted quickly".

However, despite the acceleration of the process, which became possible thanks to the corresponding IT services, as well as the acceleration of the decision-making process, some respondents noted the fact that due to the COVID-19 crisis deal timelines extended, and there were more delays than before. For example, according to experts, integration, as part of the process, is undergoing the greatest changes:

"*As far as I know, each step has lengthened. This is certainly due to the fact that everyone was transferred to a remote location. The global process of merging two corporate cultures, it has become virtual. And as a consequence, the efficiency of such a splicing has greatly decreased. Since we know that culture is people, and in order to unite two cultures, people need to communicate. And this is simply impossible. By the way, recently there was a report from someone from the big three, where they conducted a study of managers and asked "Did you feel the corporate culture working remotely?" and of course most of the respondents said "No". Integration works partly, if at all, but of course not as perfect as it could be*".

Also speaking about the whole M&A process, some experts have the opposite opinion about the speed of the preparatory stages of the M&A deal:

"Well, of course, the phases have become longer, well, judge for yourself, negotiations have become longer, due diligence has become longer, any interaction with third parties has also become longer. Not to mention the fact that the work of regulators and the antimonopoly service has generally stopped for a while and now it takes a month more to obtain any permission".

Commenting further on this situation, the respondent emphasizes the importance of context, and thus provides insight into some of the reasons for this disagreement with the aforementioned acceleration pattern:

"You know, in my experience there have been many international and cross-border *transactions. I can say that in a pandemic, the speed of the parties' work strongly depends on the context, in particular on how the government "deal" with the crisis. For example, in Russia there was only one lockdown and it did not last as long as, for example, in Europe, where in some countries there were several lockdowns, some of which still in process".*

This last comment makes us understand that the situation in Russia has several significant differences from other countries. Since changes in the M&A process, not only in terms of its speed, but also in other aspects, depend on a number of contextual factors, this fact provides a large field of opportunities for further research of certain aspects inherent in specific industries and countries. The importance of industry context is also illustrated by the example of a M&A expert in the telecommunications industry:

"You need to understand that this very much depends on the context and on the industry as a whole. For example, in telecommunications initially the level of digitalization is very high and the transition to a remote mode of deal making did not cause problems".

At the conclusion of this part, we can state that the new realities in which the dealer makers had to work in a pandemic had a significant impact on the speed of the M&A transaction process, but this impact has a number of features that depend on the context, summary of which is presented in the Figure 5.

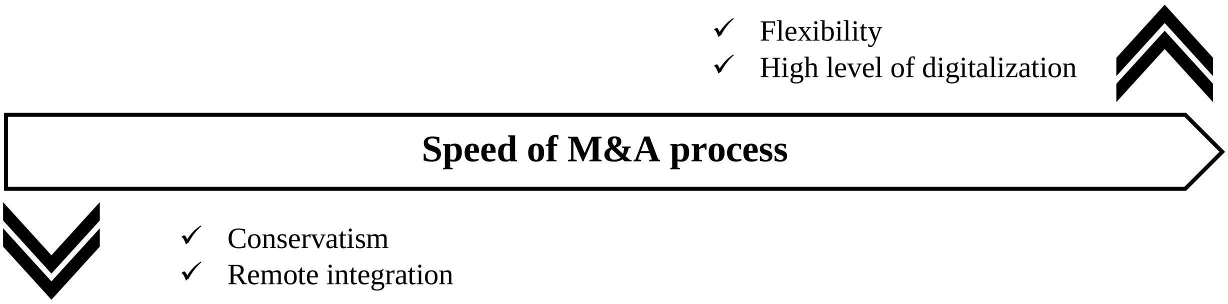

Figure 5. Influence of contextual factors on the speed of the M&A process

Hence, we see that the high level of digitalization in the company, the use of new services for the exchange of confidential data, and the general flexibility of management, contribute to the acceleration of the process. While conservatism slows down the speed, and remote integration may even stop altogether.

3.1.2 Essence of the M&A steps

As mentioned repeatedly, the process of mergers and acquisitions in itself is a very complex process, it consists of many steps, each of which involves the implementation of a number of necessary actions. According to experts, the very essence of some of the steps has significantly mutated, and entailed even greater complexity. Among others, experts have repeatedly mentioned the fact that all communication and negotiations have switched to a remote mode. This provided more opportunities in the early stages of the transaction for targets consideration, however, in parallel with this, it led to a more superficial consideration of these options:

“In terms of the process, there have certainly been a number of changes. Well, let's start with the usual personal contact between people. We see that, of course, there are fewer conferences, meetings, and startup get-togethers, in other words, "places" where "relations" between the parties can potentially arise. At the same time, a bunch of online events have emerged aimed at getting to know potential sellers or business buyers. But you know, this is not the place where you can meet a person near a coffee machine and decide to buy his company in 5 minutes”.

The complication affected most of all such steps of the transaction as due diligence and valuation:

"In terms of evaluation, the negotiations have become more complex. In some cases, it was a nightmare. To be honest, a lot of complexities in M&A have been caused by liquidity problems".

It is logical to assume that the reason is the global uncertainty in the market. A number of companies turned out to be the clear winners and wanted to further expand their influence by purchasing the affected assets. At the same time, companies that have suffered colossal negative consequences of the pandemic, faced the brink of bankruptcy, and began to consider the possibility of selling the business for the sake of survival, but not everything is so simple:

"The evaluation problem has become even more acute. Investors wanted to buy companies that were heavily influenced by the covid and whose shares fell. But the problem is that the owners did not want to sell themselves at a cheap price. Sometimes this is due to the fact that the company's management believes that this negative effect is temporary, and in extreme cases they did not consider it simply because they had enough internal problems that needed to be dealt with. For them, M&A is simply not on the agenda, because they believe that the current share price does not reflect the real value of the company".

In order to compensate for the differences, if, nevertheless, one company wants to buy another, and it does not mind being bought, but at the same time does not agree with the price, a lot of new instruments appear on the financing services market. New financial tools made it possible to consider the possibility of a transaction, but at the same time tie a part of the transaction amount to the future performance of the company. A clear understanding of new complex financing opportunities was the only way out for many M&A deals, but made the whole process much more sophisticated.

"The financing structure of the deal has changed dramatically. Many new instruments have emerged to finance the transaction. Deal makers and companies took a while to figure this out".

The impact on due diligence is also significant. This M&A step may include several divisions: technical, financial, legal, etc., each of which has a specific implementation aspect. While financial or legal due diligence, in most cases, can be done remotely, in terms of technical, we cannot say unequivocally that this is possible. For example, in telecom or IT companies, technical due diligence can be easily carried out remotely due to the high level of digitalization:

"The very essence of transactions in this industry does not imply going to the site to check and confirm anything. We virtually carried out the technological due diligence".

However, when we talk about cases in other industries, such as engineering, oil and gas, or real estate, the situation is changing dramatically due to the need to see physical assets in real life:

"Specifically in real estate, the pandemic has had an incredibly strong impact on the due diligence phase. It was necessary to come and look at the buildings, warehouses, equipment etc. It was very important to go to physically look at the object, and in the lockdown, it is not possible to do this. Actually, this also affects deal success rate. You know, if the quality of the buildings is good, then this would facilitate quick decision-making and possibly more transactions would be completed successfully, but this "wow effect" did not exist at all. Investors simply could not come to see it, and if they did, there would be more positive feedback".

Moreover, as noted earlier, due to the transition to remote mode, integration for many companies has slowed down or even paused. However, one should not forget the fact that is on the surface, integration has become different in its essence. The process of merging two corporate cultures, two groups of people, also pursues its goal to obtain 3 as a result of adding 1 and 1, but now all this is happening remotely, which greatly complicates the process.

Summing up the results of this section, we can say that the essence of the whole process remained the same, but within a number of steps it changed under the influence of new conditions. The Table 5 summarizes the key changes affecting some of the steps within M&A deal.

Table 5. Summary of changes in the essence of M&A steps

Pre-merger	Merger	Post-merger
• **Search for potential acquisition targets** – Broader, but superficial pool of opportunities	• **Valuation** – Overcomplexity • **Due diligence** – Overcomplexity or impossibility of conducting • **Purchase & sale contract / Financing** – Overcomplexity	• **Integration** – Overcomplexity

3.1.3 Order of the M&A steps

Regarding the order of steps within the M&A process, there was no evidence during the interview that it changed in any significant way.

"The order of the whole M&A process itself has not changed; the fundamental principles have remained the same".

However, it was noted by some experts that there is still room for change:

"The order is subject to change. In general, the process is quite straightforward and fixed, but if we go into details, they can change. That is, there is a lot of inefficiency, both on the part of banks and on the part of clients. This often forms against the backdrop of the commercial and political atmosphere surrounding the deal. The process can change, but not much".

However, it should be noted that in view of the rapidly changing market, as well as in cases where companies are afraid of missing out on potential benefits, the process itself can be accelerated so much that some phases can be deliberately skipped:

"Some steps could even be skipped to speed up the deal".

A potential field for further research could be an unusual phenomenon that was identified by several respondents. The essence of which is to split the due diligence phase into two stages:

"Look, well, in general, there is a small trend that consists in splitting the due diligence into two stages. The point is that in some cases, buyers refrain from any serious negotiations with the seller, not even talking about signing a letter of intent until they do incremental due diligence. In this case, this stage takes a little time, say, up to several weeks, and it is aimed exclusively at studying the effect that the COVID-19 had on the target company".

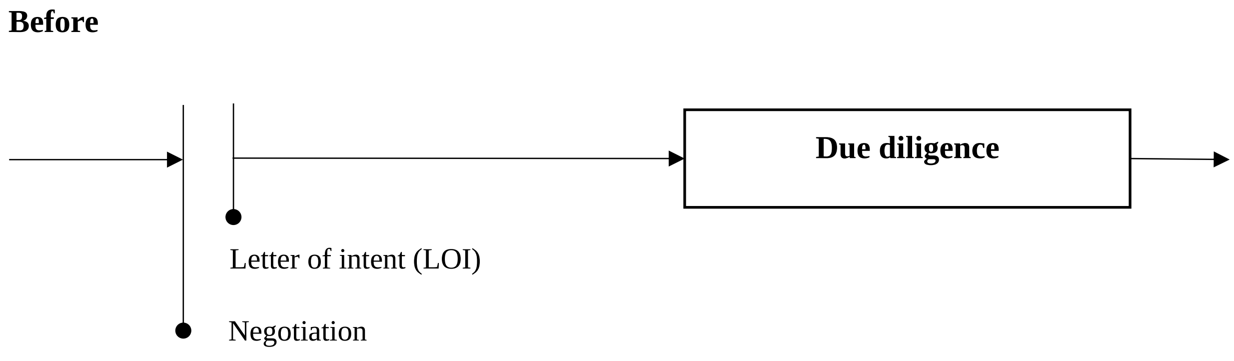

Figure 6. Classical due diligence position within M&A process

The Figure 6 shows the classic arrangement of the due diligence phase in relation to the negotiation stage and the signing of the letter of intent. While Figure 7 shows the transformation of this stage and its splitting into two component parts, one of which occupies the standard position, and the second begins earlier.

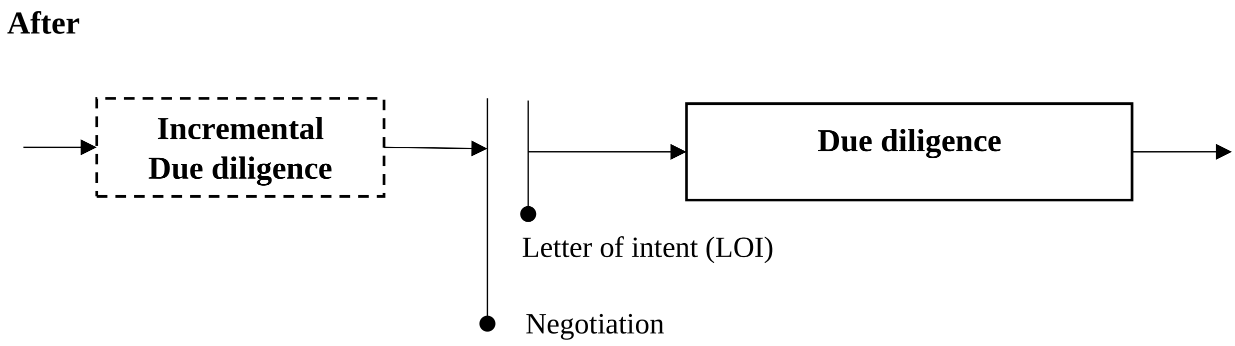

Figure 7. Updated version of due diligence stage

At the end of this part, in general, we can say that the order of steps within the M&A process has not undergone significant changes. It still remains straightforward and fixed, but the new normality established under the influence of the crisis has shaken his strength and stability, and has given birth to a seed for potential mutations.

Overall, in this sub-chapter we have identified that the crisis has had a significant impact on some aspects and steps within the M&A process. Thus, we can say that the speed has increased due to the acceleration of the decision-making process, some stages have become even more complex, others have undergone fundamental changes in their essence. At the same time, the impact of a pandemic is highly dependent on contextual factors and we cannot say that the effect has the same impact everywhere. The order of the main steps within the process remains stable and fixed, but minor transformations do occur.

3.2 Challenges to the New Normality of deal making

While the M&A process is notoriously complex in itself in any conditions, and the pandemic has certainly made the process even more difficult. In their reflections, the experts single out several main challenges that appeared in front of the dealer makers, these include: the complexity of the asset valuation, remote and complex due diligence, inadequate IT capabilities, and remote relationship between parties.

3.2.1 Valuation issue

The COVID-19 crisis has seriously disrupted the order of things around the world. As far as business is concerned, in fact, it divided all companies in the world into two camps: winners and losers. Some public companies have lost a significant part of their capitalization based on the current prices of their shares. At the same time, despite the general market drawdown in March 2020, some industries have won back their losses long ago, and even surpassed the pre-covid level of market capitalization. Then the time came when the winners began to look around in search of assets that can be bought at a low price. However, companies that are now experiencing a difficult time believe that despite the low valuation of the company, the business has great potential for recovery, which is expected in the near future. This disagreement leads to one of the most important M&A challenges in the COVID-19 era – the valuation challenge:

"The problem of valuation has recently come to the fore. There are often situations when a deal is not closed because the buyer's approach to valuation is fundamentally different from what the seller sees".

Resolving price differences takes up a large part of all negotiations during the transaction, and consumes a large number of human resources:

"All problems are tied to the valuation. One side wants to sell at a higher price, the other side naturally wants to buy at a lower price. And they both put in a lot of effort, because their valuation approach needs to be substantiated, confirmed, and verified. This is the main problem and pain".

According to experts, the main reason for this is the overestimated expectations of the management of the two companies. Excessive optimism leads to the fact that there is a gap between the expectations of the two potential parties to the transaction:

"The delta of expectations between the seller and the buyer has grown. The buyer says that the target has fallen a lot because of the covid, and the target counters with the fact that it has fallen, but this means that it will grow even faster and more afterwards. And those who have grown strongly, on the contrary, want even larger multipliers, and the buyer agrees that they have grown, but this is a short-term trend and they will then be corrected".

"If management is more optimistic, then they can overcharge and therefore not come to an agreement on the price and thereby stall the deal".

The pandemic will also lead to greater demand for additional representations and warranties from the seller. The buyer will undoubtedly actively use this opportunity in order to protect himself and be able to exit the transaction before it closes if it turns out that some of the representations and warranties were false. Although the use of this tool provides the buyer with an additional level of security, at the same time, it directly affects the pricing of the transaction:

"Disagreements over representations and warranties can be the precursor stone for a successful deal. Because all this directly affects the final price of the transaction".

For transactions which characterized by a large valuation gap, it will be necessary to develop creative bridge. This will require a certain level of complex due diligence and consistent negotiation with the seller, which many buyers are just starting to encounter.

3.2.2 Complex and remote due diligence

We can definitely say that due diligence has moved into virtual data rooms a long time ago. The development of services that allow you to safely store and share secret documents makes it possible to perform all the necessary data verification operations remotely. But when it comes to technical due diligence, some industries faced an insurmountable hurdle that was simply impossible to do.

"Once we had to go to an oil refinery for a technical check and a safety confirmation. Well, we sat and waited for several weeks when the restrictions were lifted, we were also lucky that they were quickly removed. Some of my colleagues were going to go at the very beginning of the lockdown, and in the end, they postponed the trip for several months".

There are countless such examples: inspection of equipment, warehouses, shopping centers, and so on, all activities that were associated with the need for a physical presence at the facility were postponed or canceled. However, the difficulties are associated not only with the inability to visit the sites physically. In cases when it comes to the purchase of manufacturing enterprises, or other assets that employ many people, it is necessary to ensure their safety. To do this, some companies reduced the number of employees on shifts, or stopped production altogether. Therefore, even if it was possible to ensure a visit to the site by the due diligence team, it was necessary to understand that there is a possibility that they will not be able to see the production process itself.

"When we were working on a deal to buy a hotel chain and came to get acquainted with the asset. Not only was it closed, but there was also almost no staff. When we arrived the picture was depressing, but, of course, all this was clear in advance".

Another aspect that negatively affected the already complicated due diligence process is related to the fact that many more players have appeared on the market:

"The fact that in the pandemic a lot of companies rushed to the M&A market added to the problems. Some of them were simply not ready for it. Companies hadn't been audited for

years; their annual reports were like a dump of paperwork. In situations where such companies are involved in a transaction, due diligence is much more difficult to carry out".

In addition to their unwillingness to "play by the rules," the new players also hit the required level of trust between the parties:

"Among the challenges that relates to due diligence stage, I can mention the problem of understanding the real situation in the target company. Especially now in the era of a pandemic. Due diligence can show you how things are on paper. But when you close the deal, there is always chance to see in the asset what you do not need or not to see what is critically important to you. Eventually die diligence should dig even deeper in order to find all hidden secrets. And the problem here lies not even in the quality of due diligence, but in the honesty and conscientiousness. Now we can't trust companies as we trusted them before".

In general, we can say that despite the fact that due diligence was conducted remotely for a long time, some of its types became impossible to implement due to lockdown and restrictions on movements. Also, due to changes in the conjuncture of M&A market participants, many players have appeared initially not ready to work in new demanding conditions.

3.2.3 Inadequate IT capabilities

It is difficult to argue with the fact that the pandemic also had a positive impact – in particular, it accelerated the digitalization of industries and boosted the introduction of advanced technologies. This process radically changed the generally accepted principles of work: online negotiations, virtual signing, completely virtual document flow. In the early stages, this was an insurmountable obstacle to a successful close.

"Some companies were simply not ready for this mode of operation. Some did not have the opportunity to safely share the documents that we requested for due diligence, not to mention the fact that some did not have the technical ability to be present at the negotiations".

Naturally, this led to delays in the entire process, and loss of efficiency. And we know how important it is to be proactive in a rapidly changing environment, especially if the benefits can be missed in the blink of an eye:

"The whole M&A process largely depends on the technical base that the company possesses. If this base is not sufficiently advanced, then this may entail delays and delays in the implementation of the transaction, or even its cancellation".

Over the time, companies have adapted and have been able to continue to support transactions remotely. However, even the fact that all participants in the transaction have the technical ability to work on the transaction in the virtual space does not guarantee the avoidance of possible delays. Political, regulatory and other contextual factors, in one country, can significantly affect transaction flow, but in another country, they cannot matter:

“The pitfall in the transition to a virtual document flow is that the electronic signing of documents is not legally confirmed in all countries and does not always have the same legal significance. This is especially true for cross-border transactions”.

Sometimes the situation can reach the point of absurdity due to differences in the legislation of different countries:

“Once the regulators in Russia demanded documents with a "wet" stamp and signature. We have all the documents signed electronically long ago and they were accepted by regulators in target company country. We just couldn’t sign them physically because the partner has a full lockdown. He can't even get to the office. Well, under pain of arrest, I had to ask the notary to go to his house and sign everything, and then we send the “real” version of docs to Russian regulators”.

Overall, we can say that the different level of technical equipment of all parties involved in the process can significantly complicate the life of the deal makers. Despite the big leap that the industry has made over the past year in terms of digitalization of all processes, there are still conservative parties, which will probably be obstacles to facilitate the process for a long time to come.

3.2.4 Remote relationship

When multiple parties are involved in any transaction, it immediately puts the importance of negotiations and relations between the parties at the top of the corner. In this crisis, many of the personal interactions that made the deal itself possible ran the risk of being lost in the new digital reality of negotiations. This relationship begins long before the signing of the deal, and can last for years, building a level of trust and understanding between the decision-makers about the deal. In case negotiations switch to online mode, this relationship begins to be fade, and if we talk about the very beginning of negotiations, then we can talk about the absence of any personal touch at all. Therefore, for many experts, this pleased many fears that the relationship between the parties could deteriorate simply because now they communicate in Zoom and not in meeting rooms:

"I remember a situation when I had to fly from Moscow to New York, hold a meeting with a client and the same day fly back on an evening flight. We flew a lot and that was fine. At the very beginning, when we had to give up personal meetings, we were afraid that the client would feel that we were not paying due attention to him. For sure, it caused a lot of concern".

This problem was solved a little easier in situations when negotiations took place between ordinary managers. But, for example, when they affect top management, conservatism plays an important role here. When it comes to board-level meetings, all bylaws stipulate that a person's presence is required. However, these traditions have been shaken when it is necessary to negotiate with senior management, but the possibility of a physical meeting simply does not exist:

"I noticed very strong resistance in the early months of the pandemic. C-suite managers did not want to have Zoom meetings because of data privacy concerns. But when everyone realized that there were no other options, we began to change the regulatory documents and indicate that representatives of the parties can be present at the negotiations during the M&A deal remotely".

Building a long and trusting relationship with a potential target company often pays off. This is especially important in those countries where the culture of personal communication is an important part of communication between companies:

"For example, we recently managed to close a deal in Italy, where personal approach to business is highly valued. So, even in a lockdown, we had to find people who were in personal contact with the management of the target company, ensured a successful signing, but at the same time were constantly in touch with the management of the buyer's company in remote mode".

Summing up, we can say that in the new realities, the parties are faced with a great challenge in relation to building relationships and negotiations remotely. The situation still allows finding common ground; however, it requires creative solutions to ensure personal face-to-face communication.

In general, we highlight several covid-specific problems which relates to bridging valuation gap, the need to provide an advanced level of IT support for M&A transactions, as well as complexity of conducting remote due diligence, and building virtual relationships between parties.

3.3 Potential solutions to problems

In addition to identifying new challenges related to mergers and acquisitions, the author of this paper tried to find out how deal makers can reduce their complexity or even solve them. However, it should not be forgotten that the crisis still agitates the industry and at present it is difficult to judge the final effect it had on many aspects of economic activity. Probably, the list of challenges can change further with the passage of time. Some of the new challenges were addressed by companies at the first stage of the crisis, and now it is possible to assess with what measures the companies fought against them and, moreover, how effective these solutions were in dealing with them. At the same time, there are still challenges that are only now on the agenda in companies, and that companies only have to solve in the near future. All experts in their interviews said that it is still difficult to say which way is best, and pointed that some challenges can be fully resolved only after the pandemic is over:

"In my opinion, a number of problems cannot be solved in the current environment. They say that time heals. Well, now the situation is similar. Take integration as an example, of course it switched to a remote format, but it did not solve the problem itself. It allowed the whole M&A process to continue, but the quality suffers greatly".

Nevertheless, later in this part we will look at how the dealer makers manage to withstand the challenges that the crisis has brought to the M&A market and identify their potential solutions.

3.3.1 Bridging valuation gap

Money in business has always been and is an exceptional measure of success, so everything related to the transaction price plays an important role in the M&A market. Unsurprisingly, the valuation problem has become a big headache for many in the uncertainty that the world faced in early 2020. Since without agreement on the price between the parties to the M&A deal, the transaction is simply not possible, the solution of this valuation gap requires the participation of many parties:

"First of all, banks were involved in solving this problem. They knew that price friction could be reduced by using new financial instruments that would be of interest to both parties."

"In a pandemic, many new things [financial instruments for structuring M&A deal] *on the market to meet the increased requirements of the seller and the buyer in particular".*

The use of new financial instruments made it possible to come to a consensus on price a little faster, but this added the problem that not all participants clearly understood the essence of these innovations:

"Everything changed very quickly, earlier the structure of the deal could be described on two pages, now we indicate too many nuances, sometimes the volume reaches 10-15 pages. Well, you understand that first we had to understand this and only then explain to the parties of the M&A deal. Of course, this unexpected retraining took some time, but then everyone got used to it".

According to the experts, it is very important to carefully discuss and formalize all the terms of the transaction, indicate all the features regarding profit and net working capital, since these aspects of the transaction pose the greatest risk if not specified correctly.

"Nowadays, when making deals, it is very common for companies to try to bridge valuation gap by tying possible future success to the price of the deal. Companies are very interested in success and are more active than before to openly discuss any problems within the business. Also, more tests are being carried out to confirm financial synergies for the future enterprise".

In addition to the fact that in the era of a pandemic it is really difficult to calculate the real value of the company on the basis of which the price of the transaction is formed, against this background the negotiations themselves and interpersonal communication between the parties have become much more complicated. Many experts have repeatedly mentioned the importance of improving communication skills, soft skills; in their opinion, deals can come to a standstill at different stages of negotiations, and at these moments flexibility is needed:

"Flexibility in negotiations largely made it possible for the deal to simply move, if everyone rested on their own opinion, we would not have closed a single deal over the pandemic. <...> In the rounds of negotiations, I saw my managers rocking a difficult situation and breaking deadlocks. Then I realized how important it is to have high level of softs skills".

In general, we can say that the valuation challenge was successfully resolved thanks to the active participation of banks, which made it possible to bridge the valuation gap by using new financial instruments for structuring the M&A deal. Creative deal structures are now becoming a necessity to align buyer and seller interests, to hedge risks and create a win-win deal. However, it should also be noted that this decision significantly complicated the process itself.

3.3.2 Remote and profound due diligence

Companies have long relied on digital technology for due diligence. Many people, long before the coronavirus, switched to a virtual form of document exchange, even when it comes to confidential data. New services made it possible to move away from the traditional data rooms, which collected huge piles of printouts for verification by a due diligence team.

In the current crisis, this largely predetermined the ability to close deals and conduct virtual integration:

“We were very lucky that most of the data we use for due diligence was already in a format that allows us to work with it remotely, due to this we were able to create virtual clean rooms”.

In general, with regard to due diligence, the experts mention two problems associated with the process – the increased complexity, and the need for physical visits to the objects of verification. Talking about the increased complexity, they found a solution in introducing verification of additional aspects of the business:

“We began to conduct due diligence in areas that do not belong to the traditional due diligence”.

In particular, this applies to the application of big data analysis:

“In general, we can say that due to the great uncertainty, the demands from investors have increased in terms of how to conduct due diligence. Many buyers require date-driven due diligence to better understand the target company, and this applies not only to tech companies where code review was the norm. I mean big data analysis for example in retail, where companies are eager to find and understand consumer insights based on this approach”.

As for the second aforementioned challenge, the experts mention several creative solutions aimed at ensuring the possibility of virtual site visits. As in many other problem situations, they are resolved through the innovative application of advanced technologies. The first example is organizing a virtual tour of a factory:

“Once we had to inspect a large plant, which was located in another country and because of the lockdown, we did not have the opportunity to come on our own. The seller acted very responsibly and organized a virtual tour of the enterprise, while we not only saw a picture of what the camera was aimed at, he also called a group of specialists from different functional areas of the plant and allowed us to ask them questions during our tour. This made our life

much easier and also delighted the investors. They were very impressed and gave positive feedback".

The second example describes the conduct of a remote inspection of hard-to-reach areas of the purchase object:

"You know that there are situations when even if we have the opportunity to personally come to the place of examination, we cannot physically get to some places. In a recent case, we used drones. I remember exactly that we needed to inspect the roof to check ventilation and some other things related to cleaning filters. So instead of climbing dangerous metal structures, the team of the target company launched drones that flew into the most difficult places and broadcast a picture to us, while we were sitting in another city and coordinating the flight".

In general, we can say that over time, the dealer makers managed to adapt the process and find solutions to the problems associated with conducting remote due diligence. Some of them are solved through intensive data-driven due diligence, and another obstacle of personal visits to inspection sites can be solved virtual tours with the use of drones and other cutting-edge technologies.

3.3.3 IT-driven approach to M&A deals

The changed approach to the use of technologies not only in the M&A process, but in general in the operational activities of any enterprise, essentially divided the companies into those who managed to seamlessly switch to new rails, and those who went off the rails. Rapid digitalization has spurred the entire M&A market, making it possible to conduct the entire process virtually. However, as noted earlier, transaction practitioners have clearly seen the lack of technology in that it makes it impossible for them to communicate in person, as well as make the process of cultural conformity assessment difficult. However, in the beginning, a solution was found and it was to ensure uninterrupted communication and data exchange:

"First of all, we checked whether we have the necessary technologies. After we realized that we did not, well, we just started with the simplest solution and we provided our teams with different collaborative tools, such as video conferencing tools etc.".

However, in parallel with the transition to a remote mode of operation, it was necessary to work on data security:

"Oh yes, I remember everyone was worried about cybersecurity. For a while, this was the top 1 buzz word".

To ensure secure communication and file sharing, companies have used creative solutions. Some dealer makers relied on technology:

"Well, in general, the virtual data room is designed in such a way that makes the securitization process almost invisible and simple. Since the level of access is determined by your role in the team, roughly speaking, you will not be able to access data that you do not need to see for your task; and of course, two-factor verification. All this allows you to greatly reduce the risk of confidential data leakage and their use by unauthorized users".

Others have addressed this problem by providing additional training aimed at raising employee awareness of data security policies within the company:

"At the very beginning of the pandemic, when we realized that the only way out was completely remote due diligence, we held a series of events to remind teams about our privacy policy. We talked about the need to check the credibility of a request many times before sharing any sensitive data".

Although there are many different tools on the market to ensure the security of transmitted data, some experts have mentioned cases of inadvertent exchange of confidential data:

"Well, obviously, we were concerned about the security of information and invested only in those tools that matched our requirements, but there are gaps and weaknesses then you use several various tools. Therefore, we have developed special procedures governing the transfer of data from one tool to another, this allowed us to reduce the risk of information falling into the wrong hands".

As we can see, the main task associated with the use of technologies in the process of mergers and acquisitions is to provide the deal makers with the necessary technologies for conducting transactions, as well as ensuring the security of transmitted data. At the same time, it looks very ironic that practitioners find a solution to this problem, again by using technology.

3.3.4 Creating virtual relationships

Mergers and acquisitions inherently consist in the interaction of several parties; in this process, communication and negotiations always take a significant place, which determine what kind of relationship develops between the participants. Although we have long been accustomed to remote communication – we use telephones, online calls, instant messengers – in business, personal communication is still of great importance. Therefore, with the advent of new operating conditions, this aspect of M&A transactions began to suffer from its insolvency.

Experts emphasize the importance of finding a solution to this problem for the stage of negotiations and integration:

"If we are talking about negotiations when companies want each other, then everything is fine here. But if the negotiations are difficult, we feel that there is a lack of personal contact with the other side and have not yet figured out how to fill this gap in communication".

Some experts talk about building long-term relationships with a potential target company as an example of a solution. However, in a rapidly changing market situation, this is simply not possible, since decisions to buy or sell a company can be made very quickly, and it is good when a long-term "friendship" of companies leads to this, but often this is not the case.

A potential solution to this problem can be a change in the approach to communication at the level of corporate culture:

"We promoted new values regarding the culture of interaction. The point is to encourage the active use of video calls for communication, as well as face-to-face discussions to develop more trusting relationships".

To get the best effect from this communication, on the one hand, you need to provide people with the appropriate technologies for making calls, on the other hand, you need to teach them to work in global virtual teams, whether they are clients or colleagues:

"Certainly, some people find it easier to move to a virtual environment, others need initial help. I'm not even talking about teaching specialists how to use the software for online calls, but about raising their level of virtual intelligence. For example, we conducted additional trainings on how to establish the correct rules for interaction in the field of virtual communication, and also gave advice on how to create and support virtual trust relationships".

The extensive use of online calls became possible in many ways simply because the participants in the process did not have to spend time on those things that they did not need to do to work from home. Moreover, this had a positive effect on integration, as top management had fewer distractions and was able to focus more on communicating with colleagues and staff. Many experts believe that at the stage of integration, the current period provides management with an excellent opportunity to establish closer communication with the necessary people, this contribution will pay off in the future:

"At the integration stage, problems come from two sides: with those things that are associated with the splicing of business processes and with those problems that are associated

with people. And the second one is the most difficult one. If the managers manage to establish effective communication now, then after the crisis it will become even better".

The only way that can spoil or complicate the process of creating virtual relationships is anti-flexibility:

"From the point of view of the mental aspect of the deal. Flexibility and quick adaptation contribute to a good result at all stages of negotiations. Well, here's an example, before there were people who worked only during working hours, and there were people who worked 24/7. In a pandemic, everyone found themselves in such conditions that they always had to work. And the deal makers realized that if we want to close the deal, then we need to go to meet each other and adapt to the new conditions. Self-control and responsibility have increased. The two extremes [those who work only during working hours, and those who work 24/7] *have become closer to each other, and have the same background, and accepted the rules of the game."*

Overall, we can say that despite the fact that the coronavirus is storming and will continue to storm all industries around the world, a number of associated challenges still found their solution on the part of specialists, while the rest of them are still insoluble. In general experts said that in order to continue the work on deal it requires a lot of desire, work, and perseverance of all participants:

"The winners in all this confusion will be those companies that do not save people, time, and money to achieve their goals. Now it takes a lot of resources to win".

4. CONCLUSION AND DISCUSSION OF FINDINGS

In this chapter, the author presents the key findings obtained during the research, and also answers the relevant research questions, taking into account the existing theoretical background and knowledge gained in the empirical part. Moreover, the author identifies the theoretical and practical contribution of this work, and discusses the potential further directions of research on this subject.

4.1 Discussion of the findings

In order to answer the research questions indicated in the introductory part of this work, the author analyzed the answers of consultants and investment bankers collected through interviews. In this part of the work, the author summarizes all the findings and presents answers to the specified research questions.

RQ1: How the particular steps of M&A process have been transformed during COVID-19 crisis?

To illustrate the answer to the first research question, the Figure 8 was created.

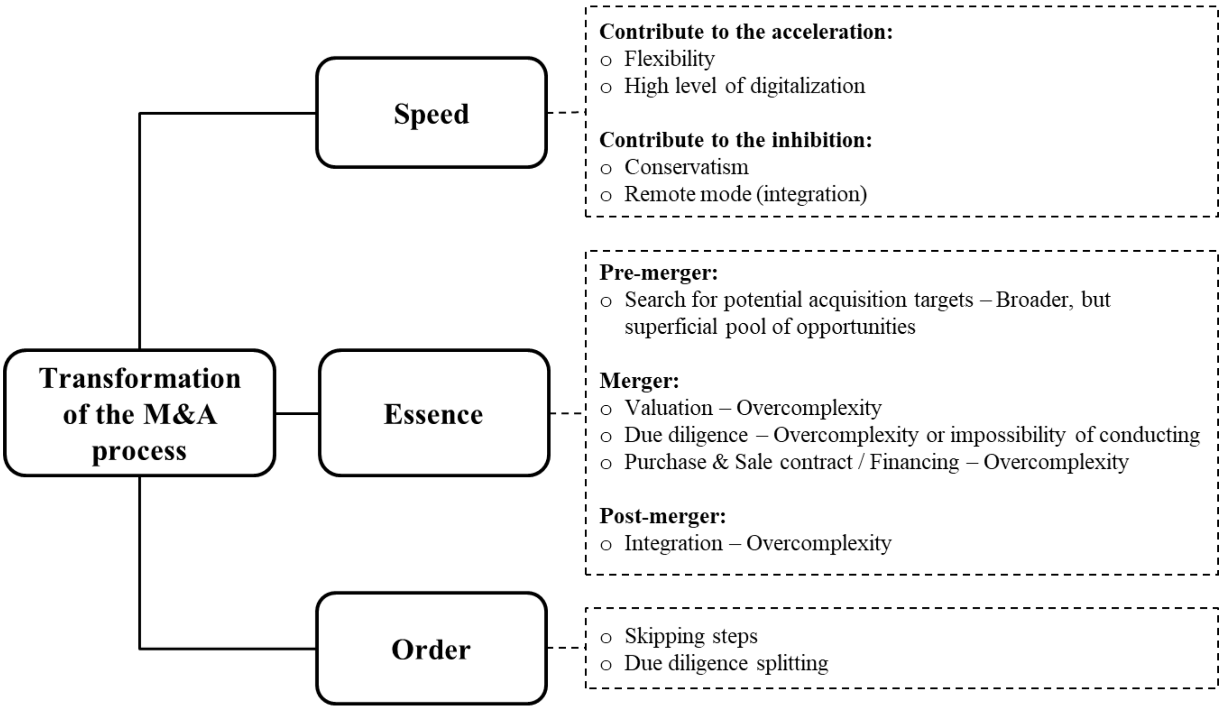

Figure 8. Summary of all changes related to the M&A process

As we can see from the diagram above, the coronavirus pandemic has changed three aspects associated with some stages of the process, namely: their speed, essence, and order. It is important to remember that many of these changes appeared only in a certain context and require further research to determine if they can be generalized to the global M&A market. For example, the increase in speed is influenced by the flexibility of the parties and the level of digitalization, while conservatism leads to a decrease in the pace.

As for the essence, we can confidently say that in addition to the fact that most of the stages have changed fundamentally in their essence, becoming remote. For example, the stage of initial consideration of potential candidates for a purchase has changed in the sense that the choice has become much wider, but the understanding of these opportunities has become more superficial. Also, a change in the complexity of the stages of the transaction was noted many times, many experts talk about overcomplexity in negotiations, valuation, due diligence, and structuring, and integration.

In terms of changing the very order of the process steps, no evidence of significant changes was found. However, practitioners argue that such changes are possible, because even now, depending on the context, one can observe situations in which stages are skipped, or split up, as in the case of due diligence.

RQ2: What are the new challenges within stages of M&A process?

To answer this question, the author has created the Table 6 that includes the most frequently mentioned challenges associated with different stages of M&A process.

Table 6. Summary of covid-specific challenges related to the M&A process

Number of mentions	Challenges	Clarification
15 out of 16	Valuation issue	Uncertainty complicates the process of evaluating a company, since its real value is not clear. The situation become more complex because buyers and sellers have different expectations.
13 out of 16	Complex and remote due diligence	Remote due diligence has caused several concerns: it is impossible to conduct it for some types of deals, cybersecurity.
9 out of 16	Inadequate IT capabilities	At the first stage of the crisis, it was necessary to quickly digitize the entire M&A process: implementation of virtual collaboration (video conferencing) and data exchange tools, as well as provision of security.
9 out of 16	Remote relationship	Despite the fact that there is an opportunity to maintain relationships and communicate with all parties to the transaction, often the personal interaction could get lost. This led to difficult negotiations and the loss of common ground.

While the M&A process is notoriously complex in itself in any conditions, and the pandemic has certainly made the process even more difficult. The experts single out several main challenges that appeared in front of the dealer makers, these include: the complexity of the asset valuation, remote and complex due diligence, inadequate IT capabilities, and remote relationship between parties.

The first challenge was mentioned by 15 respondents. The point is that in conditions of uncertainty it has become very difficult to valuate a company, and its real value is not clear. Firstly, because one cannot rely on an estimate based on the share price, and secondly, because previous pre-covid benchmarks cannot be used. The situation become even more complex because buyers and sellers have different expectations.

In terms of due diligence, we can observe that despite the fact that due diligence was conducted remotely for a long time, some of its types became impossible to implement due to lockdown and restrictions on movements. Also, due to the changing conditions of the M&A market participants, many players were initially not ready to work in new difficult conditions, thus brought additional complexity to the due diligence.

The next challenge is associated with the very beginning of the crisis, and it lies in the fact that some parties have inadequate IT capabilities for making deals in new conditions. For many of them this necessity to quickly digitize the entire M&A process became a big challenge.

The last challenge relates to remote relationship between parties. Well more than a half of respondents argue that despite the fact that there is an opportunity to maintain virtual relationships with all parties, often the personal interaction could get lost. This led to the loss of common ground, and as a result challenging situation.

In general, we can see that the most worries were caused by the difficulties associated with the valuation process, as well as conducting due diligence. Technical support, as well as difficulties in maintaining relations with the parties at a distance, although there is a place to be, were mentioned less often than other challenges.

RQ3: Are there ways of potentially resolving the new challenges of the M&A process?

The answer to the third research question of this work is the developed framework presented in Figure 9. It combines key challenges and solutions to reduce the complexity of overcoming each challenge.

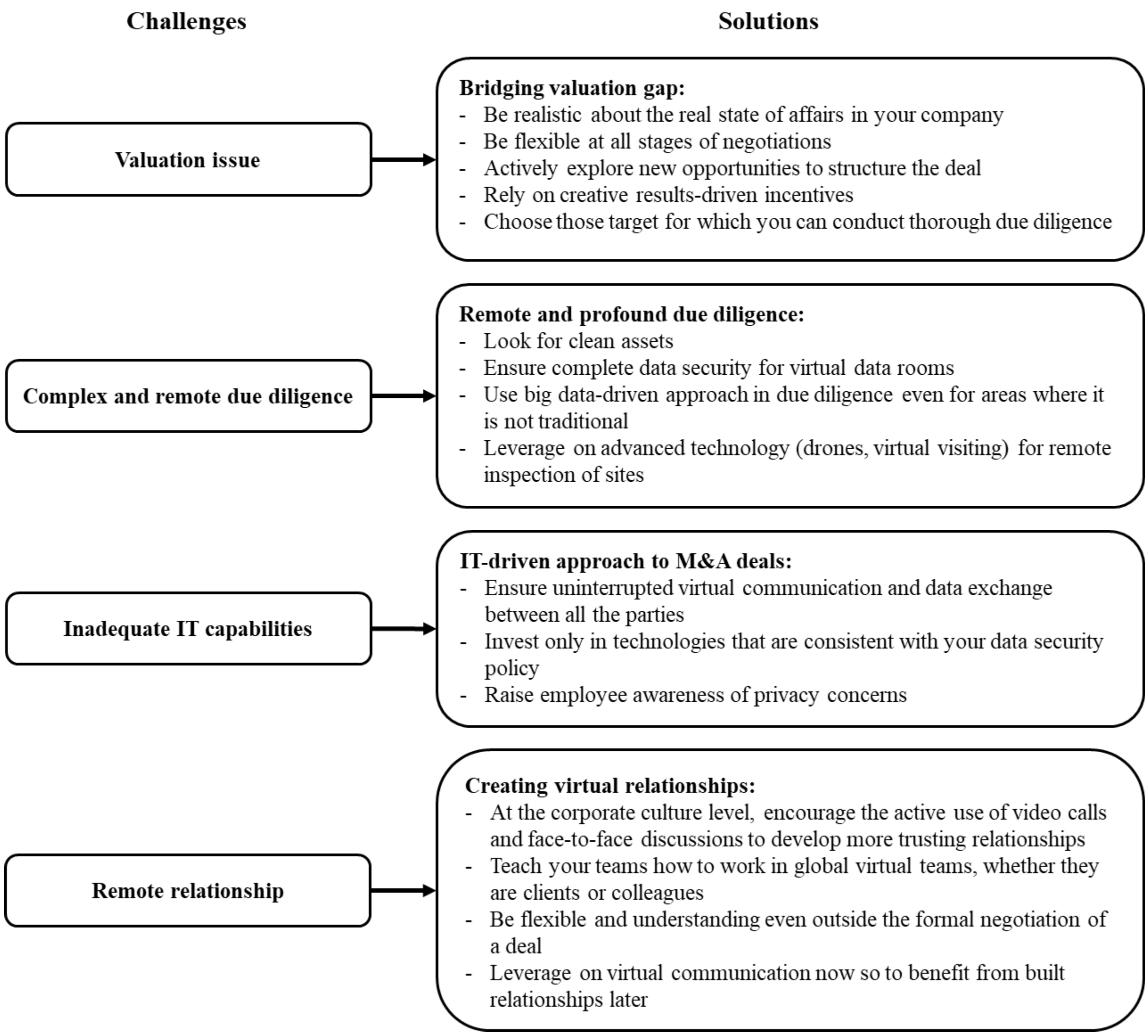

Figure 9. Summary of new M&A challenges and corresponding solutions

Overall, we can say that despite the fact that the coronavirus is storming and will continue to storm all industries around the world, a number of associated challenges still found their solutions. In general experts said that in order to continue the work it requires a lot of desire, hardworking, and perseverance of all participants. Unfortunately, there are still some aspects that have not been fully resolved.

On the one hand the problem with the valuation can be solved through the use of new tools in financing and structuring. However, managerial bias on both sides is not going anywhere. Some people always want to sell at a higher price, while others want to buy at a lower price. And in uncertainty this gap is even bigger.

The due diligence stage is also characterized by an insufficient solution. Firstly, the process itself remains incredibly complex. For instance, in situations when new players come to the M&A market and they have not been audited for the last 10 years, potential buyer or seller have to deal with mountain of incoherent, ill-prepared reports. Eventually, remote due diligence is great solution, but complexity is here to stay.

The issue of technology is now the most resolved, many companies quickly provided their teams with everything they need to seamlessly move to virtual communication and data exchange.

Considering, the situation with building relationships at a distance, we see it is also partially solved due to active virtual communication, but people are people, and it is difficult to argue with the fact that face-to-face communication can be replaced.

As a result, we see that the coronavirus crisis has added several challenges to the already complex process of mergers and acquisitions. However, in view of the urgent need to restore the market, practitioners have developed a number of best practices, using which these problems can be overcome.

4.2 Theoretical and practical implications

Taking into account the identified research questions of this study, the findings of this thesis obtained during the study of the M&A process have a theoretical and practical contribution. As for the theoretical contribution, the author highlights several important points.

First, this work sheds light on the changes that have occurred in the structure of the process of mergers and acquisitions. Of course, there is a large amount of knowledge that has been accumulated over previous years of research, which is expressed in numerous classifications of the stages of this process. However, as we can see, as a result of the crisis, the entire stream has undergone a number of fundamental changes in its essence, and also initiated some structural changes associated with a change in the order of steps. This is well illustrated by an example in which some dealer makers divide the stage of due diligence into two parts, one of which – Incremental due diligence – passes much earlier than the main block of due diligence, and which can be attributed to the pre-merger stage.

Secondly, in the course of studying new challenges associated with the process of mergers and acquisitions, the author of this work comes to discover the heterogeneity of the distribution and influence of some challenges. After analyzing their essence and causes, we find that many of them have to be only in a certain context. This environment is formed under the influence of numerous contextual factors that are associated with political, geographical, industrial characteristics. They have a different impact on the M&A transaction process and can have a negative impact, thereby detrimental to the emergence of a challenge, or they can have a neutral impact, and do not lead to the formation of a specific challenge. This feature gives impetus to further more detailed study of the nature of transaction-related challenges, and requires considering the problem on a narrower scale, presumably within one country, or even within one industry.

The third theoretical contribution directly fill the void indicated as the research gap of this work. Despite the wide scope of this study, the author identifies the general challenges that the COVID-19 crisis presents to the dealer makers at the present time. Given the fact that a qualitative research method was used in this study, it is difficult to talk about which challenges are of the greatest importance and pose the greatest threat to the dealer makers, however, numerous references indicate that they are taking place precisely in the current crisis.

Practitioners can also find some useful knowledge that will enable them to reduce the high failure rate associated with the execution of M&A transactions.

First, as noted above, contextual factors are of great importance in a pandemic. Therefore, managers can use their knowledge of the context in which they operate to modify their approach to the M&A transaction, and if necessary, change the order of steps to ensure greater efficiency.

Secondly, we need to understand that the current crisis has become a precedent and largely determined how the industry will change if similar crises occur. Using the knowledge gained as a result of the crisis and understanding what challenges it is associated with, practitioners will be able to foresee potential trajectories and industrial changes for future shock events.

Finally, the developed framework that combines new M&A challenges and their potential solutions can be used by management to prevent or mitigate critical effects associated with crisis-like situations. This framework has been confirmed in numerous illustrations from the experience of the respondents of this work and clearly shows how companies are currently overcoming covid-specific challenges.

4.3 Direction for future research

Despite the fact that the results of this work find their application and make both theoretical and practical contributions, one should not forget that they have a number of limitations. First of all, as the author of this paper mentions in the second chapter, the exploratory nature of this research suggests that quantitative research be carried out to confirm the results obtained.

Given the wide range of respondents to this study, specific countries and industries should be a potential focus of future research. This will allow, to a large extent, to determine a precise list of associated crisis-specific M&A challenges, and to find out their significance, taking into account a specific set of contextual factors. Therefore, the author proposes to use the approach developed in this study for studying on a narrower scale.

Moreover, taking into account the relatively small sample of respondents, further improvement in the quality of the results obtained can be achieved by increasing the number of respondents. First of all, this can be achieved by including in the sample the managers of the company directly involved in the management of mergers and acquisitions. Alternatively, it is possible to collect a sample of respondents consisting only of managers and compare the results obtained with the results of this study to determine possible differences in the vision of the situation from different angles.

Also, taking into account the fact that the crisis is still not over, it can be assumed that the list of challenges and their solutions will be supplemented with new aspects. In this regard, the not fully formed phenomenon has the potential for new research after the direct impact of the crisis is over.

Finally, answering the third research question of this work, the author tried to present possible solutions for new challenges faced by dealer makers in the era of a pandemic. However, many of them have not yet found their solution at all, or are being tackled with ineffective measures. Therefore, this aspect also has a large field for future research, at the moment when the crisis is over and more effective alternatives to the currently available solutions will be found.

APPENDICES

Interview guideline

1. The interview begins with an explanation of the purpose of this research, and the author formulates the relevant research questions.

2. The author then asks a few introductory questions as *pilot questions* to get to know the respondent and identify the key aspects of their involvement in the M&A process, such as:

- What was the focus of your participation in the process?
- How active was your participation in these processes?
- How many transactions have you participated in?
- How many transactions have you seen abandoned or failed?

3. Further, the author focused on specific aspects of the mergers and acquisitions process that are important for research, asking questions related to:

Flow, phases, and steps within each phase of M&A:

- What stages of the M&A process do you identify?
- What steps within each stage can you identify?
- How can you describe their interconnection? What's their order?
- Do you think their order can change depending on the context and environment?
- How do you think the COVID-19 crisis affected this order?
- How have the steps been transformed by the COVID-19 crisis?

Challenges associated with each phase of M&A and in between:

- What are the challenges companies face during M&A process in general?
- What were the contributing challenges leading parts away from the deal?
- Is there a "price" to be paid for walking away from a deal? Elaborate.
- What stage of the transaction are these challenges related to?
- Do you think there are transitional challenges between M&A stages?

Potential solutions of challenges:

- Which challenges do you think are internal and which are external?
- What challenges, in your opinion, cannot be foreseen?
- What are the potential solutions to these challenges?

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