



Practical and cost-effective assessment of acquisition target IT function and change agenda.

Many mid-cap companies with PE backing are closing multiple acquisition deals each year. For each deal closed, several more deals will have been assessed but not closed. The target companies may be relatively small, but M&A teams know that for small deals, due diligence is as important, and many would argue even more so given the relative materiality.

The challenge is how to achieve a fit for purpose level of due diligence that causes the minimum of distraction to in-house leadership (buy and sell side), and without the cost upsetting the viability of the deal.

FDD and CDD are mature packaged services, available from a wide range of trusted audit firms and are relatively lean and cost commoditised due to the level of competition.

Operational due diligence has typically been provided by the consulting arms of audit firms, or M&A specific consulting/advisory firms. It is less commoditised, and costs can be prohibitive. The consequence is that increasingly mid-cap companies are delivering operational due diligence in-house but drawing on resources that are already under significant strain. The risk is that there will be more post deal “bumps” in the road.

In particular we have noticed a challenge in relation to IT due diligence. In many cases mid-cap companies have extremely lean IT operating models. The IT function is largely, if not entirely outsourced to IT support service providers, typically under the already strained brief of the CFO.

In response, we offer a due diligence solution that is probably best seen as providing the input and creating the output that you would ideally expect from an in-house IT Director/CIO if you had one. If the target has material business and or IT change planned or in-flight, we can assess that scope as well.

Rather than depend on procedural methodology, we draw on the experience of 30–40-year career business and IT change professionals. This saves significant time and causes much less disruption, given the experience-based ability to interpret the context and cut through to and focus on the key areas.

Rather than depend on a highly experienced individual, we always engage and combine the expertise of at the least two of us. We recommend an incremental approach, with each step recommending a next step only if there is cause for concern. To illustrate the fit for purpose foundations of the support, for a relatively straightforward target our first assessment would typically cost around £4k and provide the IT function base level input to the pre-completion decision making packs.

If this kind of solution resonates with you, please get in touch and lets discuss how we may be able to bring this to life for a specific case in the portfolio (perhaps a trial)