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Article

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Ask the Expert: IT in M&A – what should I concentrate on?

IT can be the forgotten relative in mergers and acquisitions deals, lost among legal and financial wrangling. We think it's more important than that – so if you're buying or selling a business, here's why you need our deal savvy IT people by your side.

Here at Waterstons, our M&A team do a lot of 'technology due diligence'. We spend time with buyers and sellers of businesses on deals often worth tens or hundreds of millions of pounds. Despite this, we're still surprised by the number of deals which proceed without much attention given to existing and planned technology and systems. We believe that this situation needs to change - technology has never been more material and this trend is set to continue. As a minimum there are some things that apply to any deal. Every deal's different, but here are our top tips that apply to all:

1. Focus on the future state of the organisation

Design your core systems and underlying infrastructure for future operations and move towards that. Put in systems and technology that align with the 'to-be' business, don't get hung up on the 'as-is' state.

2. Understand the full systems picture early

Alongside the obvious business systems – finance, ERP, management reporting, infrastructure - what are the other key systems? Think of security and regulatory needs. Don't forget this is an opportunity to standardise, rationalise and modernise. Pay attention to any bespoke systems, and any which are sub-licensed from a parent company.

3. Get the people right

Your IT staff and third-party support contracts need to be able to deliver the future state and make it work. Take the opportunity to review the current team, and don't overlook existing staff members when recruiting for any new positions. You may have stars waiting to shine!

4. During the transition

a. Don't neglect today's business

You may need trusted interim staff – CIO, desktop support or anywhere in between – to allow you to concentrate both on today and tomorrow. Hire them if you need to – but look inside the business as well. Make sure any interim staff integrate well with your in-house people. The cost is small compared with your business failing.

b. Be bold

Don't worry if you have to write off some obsolete kit or systems – make the case and get on with it. Any deal represents an opportunity to improve; you wouldn't be buying the business if you didn't see a future in it.

c. Prioritise key issues

There are always a hundred priorities. Focus on simple questions like ‘can we despatch?’ and ‘can we invoice?’. Identify areas which simply can’t fail, and prioritise them over those that could create temporary issues if they do.

To read the other articles in the series, follow the links below:

Article 1 - Four reasons you need to care about technology in the M&A process

Article 3 - Business resilience drives real value

Article 4 - Tips for successful Business as usual