+44 345 094 0945
www.waterstons.com

Article

May 2021

Why do I need to be bothered about technology in my deal?

We talk about four reasons systems and technology should not be overlooked.

In this article, we'll give our 'top tips' on key areas to concentrate on in your deal and take a look at the things to consider before you get close to putting pen to paper.

1. Often, the technology IS the business

From utilities trading to market research, from product-led companies to consulting, technology is often the basic driver of a business. If digital platforms and products aren't secure and robust, or won't scale, they kill value in the deal. Equally, technology can be a critical part of the supply chain value (think about an online retailer with a warehouse full of stock but a website that doesn't work). Also, increasingly, customers rely on technology enabled services after purchase (a satnav with no 'sat' isn't much good at 'nav').

In these situations, investment in any deal must firstly be seen as an investment in the technology platforms the business exploits.

2. Even in conventional firms, technology can break your business

Taking that retail example again, even a more traditional multi-channel retailer relies on its technology and systems; regardless of whether it still relies on bricks and mortar stores. Without technology, the tills don't work. Without technology, the call centre can't take telephone orders. Without technology, most businesses can't scale – and without the ability to scale, where's the value in the deal?

3. There are financial benefits and penalties

Great technology is an enabler to great business. It opens up new markets and allows new products to be developed. Sadly, the opposite is also true. Bad technology hampers a business. Often called 'technology debt', it reduces profitability and can mean products and services get left behind in today's connected world. Buy into a business with great technology and you buy in to the future. Ignore bad technology at your peril, and buy in to the past.

4. Technology is often overlooked by advisors

Financial and legal specialists may not understand how the technology in a business is reflected in the P&L. We work with the principals to gain a better understanding of both one-off and continuing costs, which often aren't clearly understood or expressed . In a recent deal, this allowed for a very significant price reduction – technology on its own may not be expensive in the context of multimillion pound deal, but the way it's used certainly is.

A great system badly implemented or badly maintained is a disaster waiting to happen – if it hasn't already. A potential lawsuit the legal team spots is no more important than the ineffective business continuity plan that a well-executed IT due diligence process will identify. If the business fails because of a factory fire, does it matter if it gets sued?

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

Article 2 -IT in M&A – what should I concentrate on?

Article 3 -Deal done - what now for technology and systems?

Article 4 - Tips for successful Business As Usual