

CEP Magazine – September 2020 Organize your data today for smooth and lucrative mergers tomorrow

By Vishal Sunak

Vishal Sunak (vishal@linksquares.com) is Cofounder and CEO of LinkSquares, based in Boston, Massachusetts, USA.

Since the Department of Justice released its *Evaluation of Corporate Compliance Programs*,^[1] many experts have addressed the importance of adequate compliance-based due diligence throughout the mergers and acquisition (M&A) process.

M&A due diligence doesn't simply check a legal compliance box. As compliance expert Thomas Fox says, "Pre-M&A due diligence enables the acquiring company to evaluate more accurately each target's value and negotiate for the costs of any corruption or misconduct to be borne by the target."^[2] As such, compliance teams at acquiring organizations are routinely invested in conducting thorough pre-acquisition analysis because inadequate due diligence can lead to legal post-acquisition troubles.

However, outcomes aren't always as clear as the acquiring company would like. Lawyers with King & Spalding suggest there is a disconnect between intent and outcome: "Most companies understand the value in pre-acquisition due diligence and prioritize it accordingly. But in many cases, the information available prior to closing is necessarily limited and difficult to verify."^[3]

Why? Because acquisition targets don't have their compliance house in order.

Acquisition is a desirable outcome for many businesses, and yet too many are unprepared for what that process really looks like. How many smaller organizations can confidently say they have operational intelligence on everything material in the company? Very few.

Part of this is driven by perceived necessity. Many smaller organizations are busy executing today; planning for tomorrow's M&A activity isn't a top-ten priority. For them, M&A activity might happen once or twice in their lifetimes, and as such, too many of these companies consider legal and compliance to be distant priorities—that is, until they're suddenly in an active deal situation and scrambling to surface relevant information.

This document is only available to members. Please [log in](#) or [become a member](#).

[Become a Member Login](#)