



Stephen Lancaster
Managing Director

Pay attention to IT - so you don't pay a price

Ignoring IT processes during due diligence on merger and acquisition (M&A) deals can cost the parties involved millions of pounds, and generate losses in another critical business commodity – time.

That's the warning from the Managing Director of project delivery consultancy Envue, Stephen Lancaster, who says IT is regularly overlooked in due diligence processes because it is not regarded as core to a business.

"IT functions are still often taken for granted within an organisation, but today they provide services and capabilities that underpin most business processes," he says.

Finance, commercial, design, marketing, engineering, communication, logistics, supply chain – all of these common functions, and more, routinely rely on IT systems.

"If those systems aren't fully factored into the key phases of an M&A process then there's a real danger that there will be a cost – in money and time – to be paid.

"Over the years in my profession I've witnessed some of the pitfalls of neglecting IT due diligence ahead of any deal. I can recall one offshore asset divestment deal in which an extra £5million – not originally budgeted for – was required to transition IT systems between the two parties. In another acquisition deal, an additional £3.2million was needed."

But it's not simply about the financial impact of overlooking up-front IT due diligence – such sums commonly represent a small fraction of a typical overall deal value.

"In one North Sea asset acquisition deal, seismic project data had to be sent to the United States for conversion from one format to another – a process involving significant costs.

The acquirer hadn't factored this process into its plans, so couldn't use the data for the assets bought for some time, and that obviously impacted on its ability to begin developing them immediately," says Stephen.

In recent times Aberdeen-based Envue has been called upon to provide IT due diligence not only to M&A deals, but also to major construction projects.

In one, Envue personnel found that the project budget was based on incomplete information from suppliers, and devised a strategy and course of action that delivered the project within the set budget.

The company's review of the IT provision to the new facility saw it provide advice on several design issues that would potentially have caused operational issues, including computer room design, electrical provision and cabling infrastructure.

"The common theme across all due diligence processes is that IT services are ignored at the peril of all parties involved," adds Stephen. "Making sure they are a central part of due diligence has repeatedly been proven to save time and money, and enable informed decisions to be taken."

ABOUT ENVUE

Envue provides professional project consultancy services for clients in a range of industry and business sectors, including oil & gas, engineering and public bodies.

Its service portfolio includes project and programme management, project management office, business analysis and contract management. It also focuses upon IT-specific services: IT strategy and IT consulting.

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