TECHNOLOGY DUE DILIGENCE IN M&A:

A Look at to Pre-Acquisition & Post-Acquisition Priorities

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Introduction

Technology is the backbone of today's organizations and when implemented along best practices it can deliver a competitive advantage and create value. However, an organization's technology strategy, or lack thereof, can also introduce significant risk and future unforeseen costs. This dynamic of risk or reward has put technical due diligence rightly in the M&A due diligence process.

While due diligence begins pre-acquisition, planning early for post-acquisition technology strategy integration brings agility and speeds value creation. In this guide we look at the information to gather and evaluate both pre- and post-acquisition.

PHASE 1:
Pre-Acquisition IT Due Diligence

Properly evaluating the health and security of today's complex IT environments requires a multifaceted approach to data gathering and analysis. It starts with understanding the business strategy, process, and technology by:

- Identifying key business process and their interaction with technology
- Identifying any technological dependence and associated business risks
- Identifying any vendors and contracts currently in place

With the baseline set, the next step of the IT Due Diligence process requires analyzing and collecting data from major technology areas including:

1. Technology Management
2. Remote/Hybrid/User Support
3. Business Productivity Applications
4. Server Hardware / Cloud Environment
5. Networking Hardware
6. Network Infrastructure / Cloud Environment
7. SaaS Applications / Dependencies
8. Data Storage and Backup
9. Disaster Recovery and Business Continuity
10. File and Printer Sharing
11. Patch Management / Software Updates
12. Cyber Security
13. Multi-factor Authentication
14. Next Generation Antivirus
15. End-user Security Training
16. Physical Environment
17. Workstation Fleet
18. Monitoring and Alerting
19. Policies and Compliance
20. Mobile Device Management
21. Directory Services and Password Management
22. Telephony / UCaaS

Building off the above major technology areas, the IT due diligence process should examine and evaluate the current state information and data using the following guiding points.

IT Operations & Management
- What are the defined and in place IT organization structure, roles, and responsibilities?
- Current IT support model(s): Are they up to industry standards
- IT Service management framework, tools, and technology: What is the maturity level?

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Information Security / Cybersecurity

- What is the current IT security posture including and defined programs, policies, and procedures?
- What compliance requirements does the business have and are they adhered to?
  Providing examples of audit evidence and/or remediation activities.
- What security technologies are deployed, and do they align to a layered defense strategy?
  - Multi-factor Authentication (MFA)?
  - Next-gen endpoint protection (EDR)
  - Penetration testing and Vulnerability Assessments
  - Employee training and security testing
- Have they experienced a security breach? If so, provide a copy of the remediation report.

IT Governance, Risk and Compliance

- Collect core IT Governance policies, procedures, and documentation (including any data governance / protection policies / procedures)
- Collect corporate / IT Risk management policies, procedures, and documentation
- Review IT Financial controls including IT budgeting and spend
- Review Disaster Recovery and /or Business Continuity policies, and procedures and recovery measures

IT Infrastructure & Systems

- Can the existing infrastructure continue to support the business or are upgrades/migrations required for future growth? This question should be adapted based on the acquirer's plans for the business (platform, add-on, standalone, etc).
- Are the applications most critical to the business appropriate secured and protected?
- What role do cloud-based services (SaaS, PaaS, IaaS) play in the company's IT environment?
- What remote access methods for externally accessible network resources are in place and how are they secured?

Infrastructure & IT Valuation:

Assess the foundational elements of the business' information technology

1. List all infrastructure-related items that are relevant to the organization.
2. Identify the total costs/value of each item, including if high-cost items will require replacement in next 12-months.
3. Calculate the total cost/value of your IT infrastructure by adding all of values

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PHASE 2:
After the Deal is Done. Post-Acquisition IT Rationalization, Planning & Integration

To create a go-forward integration plan, organizations must gather more detailed information and data on the acquired company's technology environment. Following outlines the recommended information to collect and analyze to drive a smooth integration.

IT Operations and Management
- Defined and in place IT organization (structure, training, continuance plans, resource modeling, sourcing strategy etc.)
- IT support model(s) including the uses of third parties, contract and support information
- IT service management framework policies, procedures, and documentation (i.e. change control, IT Asset Management)
- IT management and operational toolsets (ticketing, monitoring systems, management utilities etc.)
- KPIs and SLA metrics around customer support (internal and external) and systems

Information Security
- Documented business IT security needs and compliance requirements
- Business risk tolerance to capture the business risk profile
- IT security culture and existing policies and procedures
- Existing compliance audit and benchmarking information
- Implementation of layered endpoint defense solutions

IT Governance, Risk and Compliance
- Core IT Governance policies, procedures, and documentation
- Risk management policies, procedures, and documentation
- IT Financial controls including IT Budgeting and spend
- Disaster Recovery and /or Business Continuity policies, and procedures and recovery measures
- Data governance polices or procedures (data classification, encryption policies, etc.)
- Data protection policies or procedures (retention, archiving, RTO / RPO, testing)

IT Infrastructure and Systems
- Network design, hardware, architecture, and routing scheme, for devices (e.g., routers, firewalls, switches, wireless access points)
- Overall network security controls (i.e., firewall, anti-virus, authentication)
- Remote access methods for all externally accessible network resources
- Physical and virtual servers (e.g., hardware, operating system, patch levels, warranty, and storage) using provided net work scanning tools
- Storage Environment to evaluate connectivity, storage design, tiering (if applicable), configuration, and availability
- Existing applications to understand how the Customer utilizes software to deliver internal and external services.
- Identify key application dependencies (infrastructure and services)
- Review cloud-based services (SaaS, PaaS, IaaS)
- Integration between key application / systems and high-level data flows

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A Partner in Technology Due Diligence

Technology is a business driver in today's environment as organizations adapt to new distributed workforces, security risks and innovation mandates. Yet when technology is deprioritized, it becomes a business risk and cost center. The technology due diligence process in M&A is more important than ever. The right IT partner can speed due diligence execution by following a proven methodology and set the deal up for rapid value creation post close.

About Dataprise

Dataprise is the premier managed IT services partner to growing and midmarket organizations across the United States, including an extensive roster of buy-side and private equity-backed clients. Dataprise's vCIO consultants regularly work with PE firms on Pre-Acquisition Due Diligence and Post-Acquisition Integration Strategy. Beyond IT consulting, Dataprise delivers best-in-class IT management, cybersecurity, data protection, cloud and end-user solutions that drive business, enhance user experiences, and eliminate business risks.