

Article

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Ask the Expert: Business Resilience Drives Deal Value

In a recent 'Ask The Expert' piece for Business Insider, Jeffrey Long, our Southern Region Mergers and Acquisitions Lead, discussed how focusing on technology not only reduces risk, but identifies opportunities and generates real deal value.

Modern M&A and the deal value constant

Contemporary M&A inhabits a fluid world with and without COVID-19. The speed and complexity of change reverberates through M&A's subject matter - in modern business strategies, innovative technologies, discerning customer demands and ever-increasing shareholder expectations. One constant remains, though; M&A's insatiable demand for deal value creation and capture.

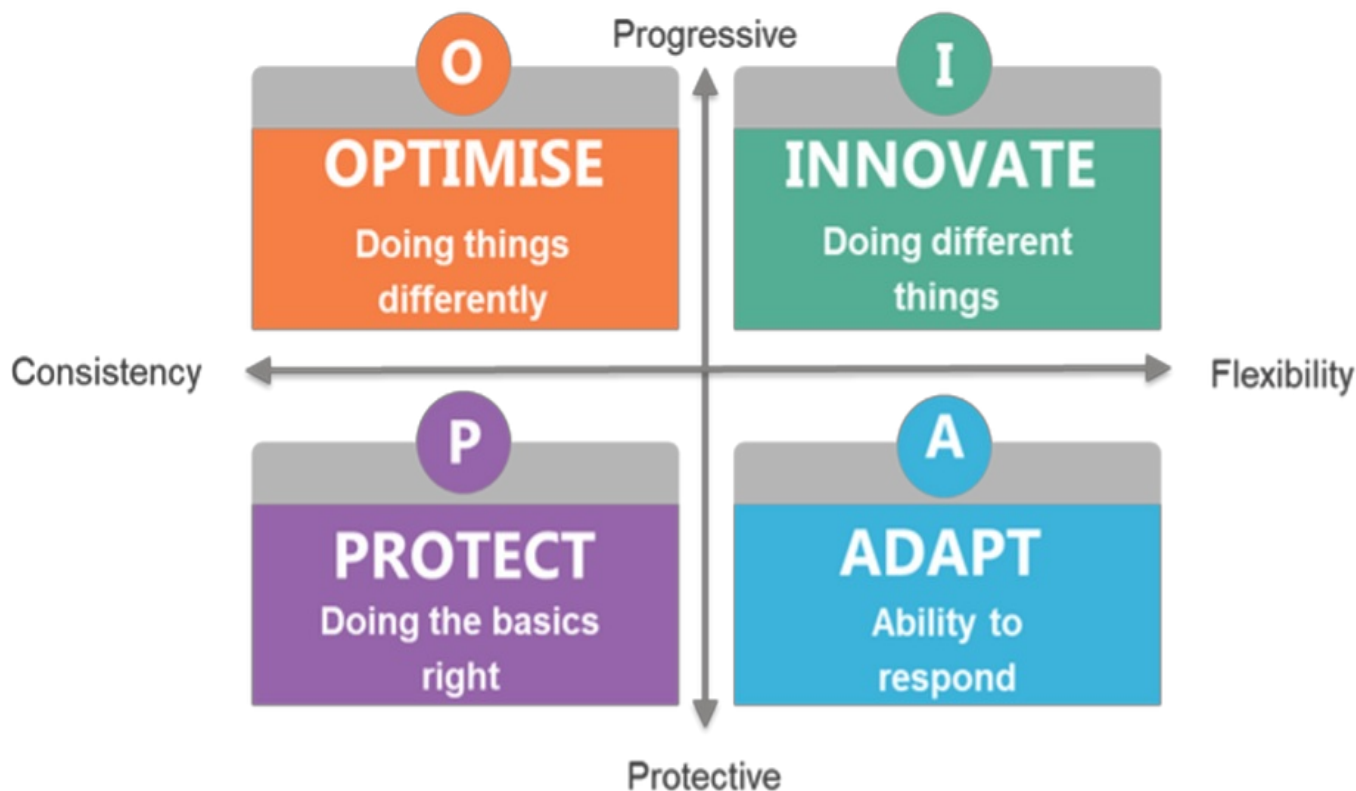
Deal value preservation vs. Deal value generation

Given the pedestal on which deal value sits, it's ironic that few organisations attempt to generate value until day one of a deal, by which time it's too late. Too often, the focus is on value preservation at the expense of value generation. This is animated by many pre-deal activities but perhaps most colourfully by legal and financial due diligence exercises, which primarily seek to preserve present value or prevent future value loss, rather than generating additional value.

Of course it's vital to preserve value, but we think that deal value creation and capture requires a more rounded approach. It's one which can effectively intertwine value preservation and generation activities through the whole deal cycle, from target analysis to pre-deal due diligence, through day one and beyond. This holistic approach needs to include a technology focus.

Resilient deals drive deal value

We call this approach 'building a resilient deal', which is based on our interpretation of resilience. We've developed a quadrant of four areas, being protection, adaptability, optimisation and innovation, as seen in the image below.



Traditional value preservation activities such as legal and financial due diligence fall within the bottom two sections - 'Protect' (doing the basics right, complying with legislation etc) and 'Adapt' (responding to challenges revealed during the due diligence). Of course this is important, but by considering them in a vacuum, you're primarily protecting current value, not on generating any additional value. You're only considering the business as it is, not what it could be. This makes it difficult to deliver real benefits unless you've paid less than the intrinsic value of the business to begin with.

A holistic, resilient approach to value creation and capture displays attributes of all four areas of the quadrant. The more resilient a deal is, the greater its value, by being adaptable to prevailing circumstances, challenges and opportunities; protecting current value; optimising current ways of generating value and implementing innovative ways of generating additional value.

What you get by focusing on technology

In one way or another, modern businesses are heavily dependent on technology. There isn't a business today which doesn't rely on technology in some form for its business operations, financial reporting, customer services, marketing, or human resource management.

By focusing on technology as soon and as often as possible, you create the foundation to identify what needs protecting, but you're also able to recognise what or how you need to adapt, what you can optimise, and where you can innovate in order to generate additional value.

From this resilient foundation, if you've got the right people, who are able to envisage what the future business looks like and how technology will support it, you'll begin to generate and capture tangible value before, during and after any deal.

If you'd like to know more about how we can help technology drive value in your deals, contact our M&A specialists at m&a@waterstons.com, or read more on our [Mergers & Acquisitions page](#)

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

Article 1 - [Four reasons you need to care about technology in M&A process](#)

Article 2 - [IT in M&A - what should I concentrate on?](#)

Article 4 - [Tips for successful Business as usual](#)