

Blue Saffron Guide to IT Due Diligence for M&A Success



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Why **IT Due Diligence** Matters More Than Ever

In today's digital-first business landscape, IT is no longer just a support function. It can make or break a merger or acquisition.

More than half of M&A value-creation plans now depend on technology execution — yet many deals still fail due to underestimated IT risks or integration challenges ([Gartner, 2023](#)).

Avasant's 2023 Outlook shows IT spend typically ranges from **3–6% of revenue** in most sectors ([Avasant, 2023](#)). In service-led industries like recruitment and accountancy, IT often accounts for a larger share of operational spend — driven by software licensing, cloud platforms, cybersecurity, and compliance overheads.

Meanwhile, PwC's 2023 M&A Integration Survey found that 59% of companies spent **6% or more of deal value on integration** — highlighting the growing cost and importance of getting IT right early ([PwC, 2023](#)).

Without robust IT due diligence, organisations risk discovering costly surprises post-acquisition, such as security vulnerabilities, unsupported systems, or duplicated investments.

Tech is no longer just an enabler — it's a core asset or liability in every deal.



Where **IT Due Diligence** fits in the M&A process

A robust IT due diligence process doesn't just identify risks; it actively supports strategic deal-making across every stage.

Pre-Deal

We help assess the target organisation's IT maturity, uncover hidden liabilities, and determine whether the infrastructure can support future growth.

This insight is critical to shaping pricing, warranties, and transition terms.

During the Deal

Insights from the IT review inform contract negotiations, enable more accurate valuation models, and identify deal-breaking red flags before they become a problem.

Post-Deal

Successful integration hinges on a clear understanding of IT operations.

We support seamless alignment of systems, people, and processes to preserve business continuity and realise value quickly.

Key Stakeholders who benefit from our process

Buyers

Gain critical insight into the real IT costs, risks, and limitations of the target organisation.

This allows you to avoid unpleasant surprises, reduce integration risk, and ensure the technology supports your future operating model.

Sellers

Demonstrate operational maturity and IT transparency to prospective buyers.

This helps justify your valuation, strengthens buyer confidence, and can shorten the overall transaction timeline.

Advisors

Enhance due diligence reports with clear, actionable insights into the target's IT health and risk exposure.

This adds credibility and reduces the chance of post-transaction issues affecting deal success.

IT Leaders

Understand the scope, complexity, and timelines of integration early.

This ensures you can deliver a realistic transition plan while preserving business continuity and maintaining stakeholder trust.

What you should be evaluating and how deep to go

Depending on the scope, IT assessments can take the form of either:

- **An IT Review**

A high-level, time-limited snapshot of the current systems and any upcoming changes. Often used for early-stage evaluation.

- **A Full IT Due Diligence**

A deep technical and financial assessment across multiple domains. Validates deal assumptions, identifies risks, and guides post-deal integration planning. Effective due diligence goes far beyond ticking boxes. It requires a structured approach to evaluating the following areas:

Infrastructure and Assets

We review the current state of hardware, networks, and hosting environments, including reliance on legacy platforms, use of unsupported software, and the scale of shadow IT.

We also assess cloud architecture and vendor dependencies.

IT Spend and Contracts

Licensing compliance, contract lock-ins, renewals, and upcoming capital expenditure are all scrutinised.

Our aim is to ensure there are no unaccounted costs or operational constraints hidden in supplier arrangements.

Scalability and Growth Readiness

Can the IT environment handle projected growth or strategic transformation?

We assess platform flexibility, integration capabilities, and the cost/effort required to scale.

Security and Compliance

We evaluate cyber risk posture, disaster recovery preparedness, GDPR compliance, and general data handling policies.

These areas are especially critical where sensitive employee or financial data is involved.

Key risks that could derail a deal

IT risk is often underestimated in M&A — until it disrupts the deal or derails integration. We regularly uncover critical issues such as:

- **Undocumented or poorly supported custom applications**
These can be business-critical but fragile, with no clear ownership or recovery plan.
- **Non-transferable or expired licences**
Vital software may not be legally usable post-transaction, resulting in immediate unplanned costs.
- **Unaccounted recurring costs hidden in outsourced IT**
Poorly documented supplier contracts can conceal long-term commitments or hidden fees.
- **Backup systems that have never been tested**
Without proof of restore capability, data loss risks can be far higher than assumed.
- **Lack of compliance documentation for data protection and cyber security**
Missing or outdated policies could expose the buyer to regulatory penalties and reputational damage.
- **Gaps in IT team capability or continuity**
Key staff may hold vital systems knowledge, and their departure or lack of documentation can severely impact service delivery, integration timelines, and risk mitigation.



Why Blue Saffron for IT Due Diligence and Integration Support

Blue Saffron provides complete IT support throughout the M&A lifecycle — from early-stage assessments to post-deal integration. Our services are designed specifically for firms in the recruitment, accountancy, and HR sectors.

Our services during the deal

- Independent red flag reports tailored to commercial audiences
- Validation of IT cost structures and operating models
- Cloud and digital readiness audits
- Cyber security posture reviews and GDPR compliance checks
- Integration risk assessments and planning support

Our services after deal completion

- Design of fit-for-purpose IT operating models
- Alignment of infrastructure, systems, and licensing
- Optimisation of duplicated or redundant assets
- Support for IT separation during divestments
- KPI tracking and reporting for integration success

Why clients choose **Blue Saffron**

With two decades of experience supporting SME professional services firms, Blue Saffron brings:

- Sector-specific insight and practical experience
- A vendor-agnostic, independent perspective
- Deep knowledge of operational, licensing, and risk landscapes
- A strong track record of post-merger IT transition and value realisation.

Our approach ensures every stakeholder – from CFOs to CIOs – understands the risk landscape in practical, financial terms.

Performance Highlights

98%
customer
satisfaction

95%
Response within
1 hour

83%
First-contact
resolution



Ready to protect your next deal?

Whether you're buying, selling, or supporting a transaction, our team is ready to help you uncover IT risks, maximise value, and accelerate integration.

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