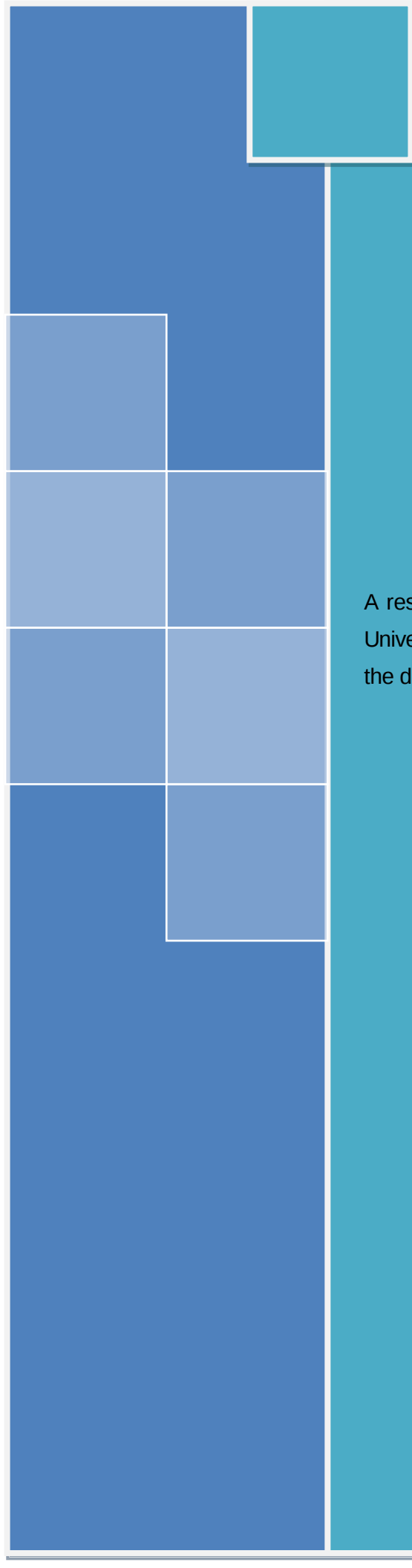




DEFICIENT DUE DILIGENCE?

A research report submitted to the Faculty of Commerce, Law and Management, University of the Witwatersrand, in partial fulfilment (50%) of the requirements for the degree of Master of Commerce in the Field of Accountancy.

A research report submitted by

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ABSTRACT:

The effectiveness of traditional due diligence practices and whether they contribute to Merger and Acquisition (M&A) success or failure is an ongoing debate in finance research. This research report contributes to the debate by examining the effectiveness of traditional due diligence using a qualitative research approach. A dataset of traditional due diligence practices was compiled from the literature, which formed the basis for an interview which was conducted with corporate finance practices. The findings indicate that the traditional due diligence process is considered to be an evolving process, where due diligence practices of the last decade are considered to be significantly different from the due diligence required in acquisitions today. Due diligence is also considered to be indispensable, and its scope and importance underestimated. Furthermore, any perceived deficiency in a due diligence is not necessarily in concept, but rather in execution, with excessive focus on the accounting and legal aspects of a M&A, while neglecting the macro-environment, marketing, production, management and information systems. It is also concluded that most stakeholders have understood that failure to carry out proper due diligence could be financially damaging to the parties transacting. In an attempt to determine what due diligence means for the current as well as the future, this study uncovers a critical trend in the forms and manner of flawed due diligence practices and paves the way to a more strategic due diligence, which are useful for practitioners in the present and in the future for M&A success.

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To my wonderful friends and family who have been there for me this year, good times and bad...

My words cannot convey my gratitude and appreciation to you all...

With much love and affection,

Adnan.

DECLARATION

I, **Adnan Inayat Patel**, declare that this research report is my own work except as indicated in the references and acknowledgements. It is submitted to the Faculty of Commerce, Law and Management, University of the Witwatersrand, in partial fulfilment of the requirements for the degree of Master of Commerce in the Field of Accountancy. It has not been submitted before for any degree or examination in this or any other university.

(**Adnan Inayat Patel**)

Signed at the University of the Witwatersrand

On the 28th day of February 2012.

TABLE OF CONTENTS

ABSTRACT	II
ACKNOWLEDGEMENTS.....	III
LIST OF TABLES.....	VIII
LIST OF FIGURES.....	VIII
CHAPTER 1: INTRODUCTION.....	1
1.1 PURPOSE OF THE STUDY	1
1.2 CONTEXT OF THE STUDY.....	1
1.3 PROBLEM STATEMENT.....	2
1.4 RESEARCH OBJECTIVE AND STRATEGY.....	2
1.5 SIGNIFICANCE OF THE STUDY	2
1.6 DELIMITATIONS OF THE STUDY	4
1.7 DEFINITION OF TERMS.....	4
1.8 ASSUMPTIONS.....	5
1.8 ORGANIZATION OF THE STUDY	5
CHAPTER 2: LITERATURE REVIEW	7
2.1. INTRODUCTION AND BACKGROUND TO TRADITIONAL DUE DILIGENCE	7
2.2. A REALITY OF DUE DILIGENCE ADEQUACY FROM EMPIRICAL RESEARCH	
2.2.1 INTRODUCTION	14
2.2.2 THE NEED FOR AN EXPANDED DUE DILIGENCE FRAMEWORK.....	14
2.2.2.1 NARROW AND UNINFORMED STUDIES	16
2.2.2.2 THE NEEDS OF ACQUIRERS	16
2.2.2.3 COMPREHENSIVE DUE DILIGENCE REQUIREMENTS	17
2.2.2.4 TIME AND COST CONSTRAINTS	18
2.2.2.5 SCOPE LIMITATIONS	19
2.2.2.6 THE ACCESSIBILITY OF INFORMATION.....	20
2.2.2.7 SOFT DUE DILIGENCE	20
2.2.2.8 NON FINANCIAL CONSIDERATIONS	22
2.2.3 CONCLUSION FROM EMPIRICAL RESEARCH.....	24

2.3.	A REALITY OF DUE DILIGENCE: A PRACTICAL PERSPECTIVE	
2.3.1	INTRODUCTION	25
2.3.2	FINANCIAL DUE DILIGENCE	26
2.3.3	LEGAL DUE DILIGENCE	28
2.3.4	COMMERCIAL DUE DILIGENCE	28
2.3.5	OTHER CONSIDERATIONS	30
2.3.6	A MORE EFFECTIVE, STRATEGIC DUE DILIGENCE	32
2.3.7	CONCLUSION FROM PRACTICE	34
2.4.	CONCLUSION OF LITERATURE REVIEW	35
CHAPTER 3: RESEARCH METHODOLOGY.....		37
3.1	RESEARCH METHODOLOGY /PARADIGM	37
3.2	RESEARCH DESIGN.....	37
3.3	POPULATION AND SAMPLE	38
3.3.1	POPULATION.....	38
3.3.2	SAMPLE AND SAMPLING METHOD.....	39
3.4	THE RESEARCH INSTRUMENT	39
3.5	PROCEDURE FOR DATA COLLECTION.....	40
3.6	DATA ANALYSIS AND INTERPRETATION.....	42
3.7	LIMITATIONS OF THE STUDY.....	43
3.8	VALIDITY AND RELIABILITY	43
3.8.1	EXTERNAL VALIDITY.....	43
3.8.2	INTERNAL VALIDITY	43
3.8.3	RELIABILITY.....	44
CHAPTER 4: PRESENTATION OF RESULTS.....		45
4.1	INTRODUCTION.....	45
4.2	DEMOGRAPHIC PROFILE OF RESPONDENTS.....	45
4.3	RESULTS PERTAINING TO CLOSE-ENDED QUESTIONS	46
4.4	RESULTS PERTAINING TO SUBJECTIVE-RANKING QUESTIONS	46
4.5	SUMMARY OF THE RESULTS.....	47

CHAPTER 5: DISCUSSION OF THE RESULTS.....	51
5.1 INTRODUCTION	51
5.2 DISCUSSION OF RESULTS	51
5.3 CONCLUSIONON DISCUSSION OF RESULTS.....	73
CHAPTER 6: CONCLUSIONS AND FURTHER RESEARCH	76
6.1 CONCLUSIONS OF THE STUDY	76
6.2 SUGGESTIONS FOR FURTHER RESEARCH.....	79
REFERENCES.....	81
APPENDIX A.....	86
GRAPHS ILLUSTRATING NOTEWORTHY REFLECTIONS ON DUE DILIGENCE.....	86-88
APPENDIX B.....	89
THE DEALMAKERS REPORT, 2010	89-91
APPENDIX C.....	92
ETHICS CLEARANCE	92
APPENDIX D.....	93
THE INTERVIEW AGENDA	93-94
APPENDIX E.....	95
DUE DILIGENCE CHECKLISTS.....	95-105
APPENDIX F.....	106
THE EXTRACTS OF ACTUAL DUE DILIGENCE PRACTICES IN M&A'S	106-118
APPENDIX G.....	119
THE INTERVIEW EXCERPTS	119-145

LIST OF TABLES

<i>Table 1: THE MAIN DUE DILIGENCE TOPICS</i>	<i>10</i>
<i>Table 2: THE SPECTRUM OF NON-FINANCIAL ISSUES THAT NEED TO BE CONSIDERED DURING DUE DILIGENCE ASSESSMENTS</i>	<i>23</i>
<i>Table 3: TYPICAL PROBLEMS FACED BY A FIRM</i>	<i>31</i>
<i>Table 4: THE TRADITIONAL DUE DILIGENCE PROCESS VS. THE ELEMENTS OF THE 'CRITICAL FIT CRITERIA'</i>	<i>32</i>
<i>Table 5: THE TRADITIONAL DUE DILIGENCE PROCESS VS. THE STRATEGIC DUE DILIGENCE....</i> <i>.....</i>	<i>33</i>
<i>Table 6: TABLE REFLECTING THE RESULTS OF SURVEY RESPONSES TO QUESTIONS 2-8.....</i>	<i>46</i>
<i>Table 7: TABLE REFLECTING THE RESULTS OF SURVEY RESPONSES TO QUESTION 9....</i> <i>.....</i>	<i>46</i>

LIST OF FIGURES

<i>Figure 1: THE DEAL EVALUATION PROCESS</i>	<i>12</i>
<i>Figure 2: THE COMMERCIAL DUE DILIGENCE OUTLINE</i>	<i>13</i>
<i>Figure 3: THE DUE DILIGENCE AUDIT REQUIREMENTS</i>	<i>17</i>

“THE ART OF DOING DUE DILIGENCE
IS BEING LOST. BUYERS AREN’T
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ACQUISITIONS WITH NEARLY
ENOUGH VIGOUR”

(*FORTUNE*, 3 SEPTEMBER 2001).