Pre-transactional or pre-acquisition compliance due diligence (CDD) is increasingly a pillar of any deal process. But good intentions and best practice can still be quite a wide distance apart, as many multinational businesses are still accepting unnecessarily high levels of risk through inadequate or sometimes even non-existent pre-acquisition CDD.

CDD exposes risk that makes deals untenable

Over one-quarter of respondents say that more than half of their recent deals have failed or been abandoned over the past three years due to the discovery of compliance issues or risks.

Make or break measure

There is a significant shift in the priority given to CDD, as 55% of respondents believe conducting proper CDD increases the chances of success of completion and value creation.

More time and resources given

Due diligence is given considerably more time and resources (32%) than other tasks in the M&A process including post-merger integration (20%), and deal sourcing (19%).

Need to prioritize compliance

Only 51% of respondents have a set of standard protocols or procedures specifically to address compliance issues in M&A or JVs. A further 56% wish they had dedicated more time to conducting CDD.

For this study, interviews were conducted with more than 300 corporate leaders and legal advisors involved in transactions to assess the challenges and risks that regional and multinational organizations face in relation to CDD across both M&A and JVs. © 2019 Baker McKenzie