

Free Business Tips

Due Diligence

If you get involved in a take-over or merger situation you should seek to be part of a team of people with a variety of complementary skills and to undertake an extensive “due diligence” process. Recognize the very real value in having a multi-disciplined team

By undertaking a due diligence process a team should be able to identify all areas of strength and weakness of the other organization and to predict where energy and resources will be needed to exploit these strengths and deal with weaknesses.

Check lists are frequently used as a start point in any due diligence process. These need to be supplemented by the ability to delve deeper and research specific facts and situations that are warranted.

Such check lists can be supplemented by use of “models” for a range of disciplines that cover all of an organization’s activities.

Tips

1 Resources

What internal and external resources should there be on a Due Diligence team and how are they going to interact?

Internal: Accountants, Specialist employees; Management

External: Attorneys, Credit Agencies, Bankers, Suppliers

2 General and Business.

- Company history (and reputation)
- Strategic and Business plans
- Principals and Corporate information
- Organization Chart and Management structure
- Suppliers and Logistics relationships/contracts
- Marketing, Distribution and sales channels/contracts/arrangements.
- Research and Development – history and ongoing projects

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3 Human Resources

- Workforce information (#, diversity, qualifications, history)
- Union activities
- EEOC – history, present status
- OSHA - history, present status
- Retirement plans, commitments, liability and funding
- ERISA documentation
- Workplace agreements, benefits

4 Assets and Insurance

- Real an personal property documentation
- Outstanding lease documents
- Propriety Technology ownership & documentation
- Inventory
- Insurance policies
- Key-man insurance
- Special Reserve Funds

5 Legal and Environmental

- Articles of Incorporation
- Bylaws and amendments
- Board minutes
- Documentation of jurisdictions and States when organization functions
- 2-years' shareholder material information
- Litigation Correspondence and pleadings
- Relevant Permits and Government Regulations

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