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Smarter Deals: The Impact of AI-Powered Due Diligence on M&A Efficiency and Risk Management

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Mergers and Acquisitions (M&A) is a vital way to create value for a corporation, but it carry risks that can be somewhat mitigated through a due diligence process. Due diligence, even if the firm is quick to make the deal, can be clunky and slow, since pieces of due diligence typically require human review and analysis. This results in high cost, long timeframes, and high potential for human error. The emergence of Artificial Intelligence (AI) presents a significant opportunity to improve this crucial process. This paper examines how AI-based tools can streamline the M&A due diligence process. Through reviewing industry case studies and published research, this paper measures the efficiency recovery and cost savings associated with the use of AI, explores the promise of AI on enhancing due diligence through predictive analytics for risk mitigation, and discusses related ethical and legal considerations - including data privacy and algorithmic outcomes. Key findings include that AI in the review of documents significantly speeds up the review process (up to 90% of time saved) and cost savings of 30-50%. It also promises other richer, data-driven perspectives on hidden liabilities or compliance risks through predictive capabilities. In conclusion, the use of AI will certainly continue to change M&A due diligence. However, the best way to use AI may identify speed-agency by allowing machines to provide speed and humans opportunities to develop a good strategy - assuming useful regulations are in place to govern its applicability.

Keywords: *mergers and acquisitions, due diligence, artificial intelligence, speed-agency.*

INTRODUCTION

Mergers and Acquisitions (M&A) are among the greatest critical and strategic decisions facing companies in today's global economy. M&A transactions are necessary for financial considerations as such as revenue and growth, entering new markets, acquiring teach and building synergies across industries.

Major financial institutions report that global M&A activity frequently measures in the trillions of dollars in scale each year, indicating that M&A significantly influences competition, both in developed and emerging markets. Therefore, seizing the great potential of these high-value transactions is extremely important, for both financial reasons and to ensure corporate survival and competitive position over time.[1]

Due diligence in mergers and acquisitions is critical. This process involves a methodical review of a target business's financial, legal, regulatory, and operational status to mitigate the risk of unknown liabilities or to determine opportunities before committing to the transaction. The dual objectives are to verify that the purchasing business has an understanding of what it is buying and to uncover items that may impact the successful delivery of the transaction. In its traditional definition, due diligence involved the manual assembly of accountants, legal professionals, and consultants to study legal documents, analyse contracts, and interrogate records related to compliance. Although traditional forms of due diligence have a purpose, they are typically expensive, time-consuming, limited in coverage, and prone to human error. Examples of where organisations have suffered large (i.e. billion-dollar) losses due to improper due diligence in high-profile M&A transactions, such as AOL Time Warner and Hewlett-Packard acquiring Autonomy, demonstrate that neglectful due diligence or improper due diligence can lead to meaningless loss of financial resources and reputational fallout.[2]

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[1] Mihir Abhay Bedekar et al., 'AI in Mergers and Acquisitions: Analyzing the Effectiveness of Artificial Intelligence in Due Diligence' (2024 International Conference on Knowledge Engineering and Communication Systems (ICKECS), Chikkaballapur, India, April 2024)

[2] Peter Sayer, 'The HP-Autonomy lawsuit: Timeline of an M&A disaster' (*CIO,* 22 July 2025) <https://www.cio.com/article/304397/the-hp-autonomy-lawsuit-timeline-of-an-ma-disaster.html> accessed 26 October 2025

The complexity of M&A transactions has only increased in the twenty-first century.[3] Companies now navigate an environment filled with rapidly changing regulations, global supply chains, and massive datasets stored across digital platforms. A single transaction. Organisations now operate in an environment with rapid public and privacy changes, global supply chains, and vast datasets of information stored in digital platforms. A single transaction may involve reviewing millions of documents, such as financial statements, intellectual property portfolios, employee contractual agreements, and compliance records. Even the best-trained reviewers struggle to analyse much information in small timeframes. Thus, managers are at serious risk of missing key information or misinterpreting the obligations of a contract with traditional due diligence.

In this regulatory environment, Artificial Intelligence (AI) tools may serve as a dynamic technology currently available that may alter the nature of due diligence. AI applications, such as natural language processing (NLP) systems that scan and analyse contracts, and machine learning algorithms that identify patterns of risk, provide unprecedented opportunities for increased efficiency and accuracy. Once developed, these systems can scan large amounts of unstructured data, identify red flags, and provide virtually instant locations of notes that could not be produced through manual systems. Another benefit of AI applications is their capability to look backwards at prior transactions and evaluate patterns of risk and identify insights that predict forward-looking risk, beyond document review. Predictive analytics can be valuable to acquirers to consider for future performance risks, and in today's regulatory environment, automated compliance checklists through AI can provide assurances for compliance with rapidly changing regulations.

The use of AI in M&A due diligence poses important questions about efficiency and risk management. On one side, AI can greatly reduce routine time and cost in due diligence processes through automating tasks, as well as processing and reviewing documents quickly and more efficiently than traditional due diligence processes, and assisting in reviewing documentary and factual disclosures regarding the target company. On the opposite side, AI may enhance risk management by revealing hidden liabilities or patterns of fraud, as well as having a more thorough review of the target company. But such enhancements raise similar

[3] Nicolae Buldumac, '13 Huge due diligence disasters (and what we've all learned from them)' (*Global Database,* 14 September 2023) <https://www.globaldatabase.com/13-huge-due-diligence-disasters-and-what-weve-all-learned-from-them> accessed 26 October 2025

questions: to what degree are AI tools improving ultimate decision-making, and how reliable will they be in high-stakes transactions? Are these technologies nothing more than electronic means of accelerating traditional paradigms, or do they substantially disrupt the strategic nature of what due diligence means?

This research paper intends to answer these questions in regard to the implications of AI-powered due diligence on two main dimensions of M&A transactions - efficiency and risk management. The research poses whether or not AI in due diligence yields an observable improvement in deal outcomes, minimises the potential of the acquiring company to be surprised by a liability, and allows acquiring firms to benefit from a more informed decision-making process. By situating AI due diligence developments in a broader technological change in corporate governance and in financial markets, this paper contributes to the understanding of technology's future in M&A.

RESEARCH METHODOLOGY

This study employs a qualitative research design to examine how AI is affecting M&A due diligence in multi-faceted ways. As AI is still being adopted and M&A data is sensitive, the research is conducted through various secondary data sources. The following sources were used:

Academic Journals: Peer-reviewed articles from law, business and technology journals that detail theoretical frameworks and critical analyses.

Industry White Papers and Reports: Publications from leading consulting firms, including PwC, Deloitte, EY and Accenture, that discuss valuable case studies, performance data and market behaviour.

Case Studies: Descriptive materials of particular M&A transactions undertaken with AI, Gerald, and Ted, provided through industry literature detailing particular cases.

The analytical framework contrasts the outcomes of AI-assisted due diligence with traditional due diligence methods concerning the relevant thematic categories of time, costs, depth of risk identification and the impact on negotiations. It is worth noting that a significant limitation of this initiative is the reliance on secondary data, which may reflect the positive biases of its corporate authors. The analytical framework also acknowledges the differences

in geographical patterns of adoption and regulatory environments (such as GDPR in Europe and a patchwork approach in the US) that may impact the generalizability of the findings.

THE EMERGENCE OF ARTIFICIAL INTELLIGENCE IN CORPORATE PRACTICE

Artificial Intelligence (AI) has transitioned from being a notion in research labs to a powerful contributor in diverse industrial applications. In the decades of the 1950s and 1960s, the early AI applications were still experimental works, bounded by the limitations of technology and data access. In the first years of the twenty-first century, rapid growth in computing power and digital data generation changed AI from a theory into an essential component of how businesses innovate and efficiently conduct business in today's global economy. Companies in finance, healthcare, manufacturing, logistics, and law introduced AI systems to enhance processes and transition how they approach strategic choices.[4]

The increase in AI is happening due to three factors: the explosion of available data, an increase in machine-learning algorithms, and the decline in prices of cloud computing. Today, businesses are generating and storing billions of bytes of both structured and unstructured data. From simple purchase data to complex legal and compliance documents, the sheer amount of information is overwhelming, and there is an urgency for analysis. AI systems, particularly ones that use natural language processing (NLP) and machine learning (ML), can ingest and analyse large datasets at speeds previously unattainable. Take, for example, the finance industry, which uses predictive analytics to anticipate changes in financial markets and develop better portfolio strategies across various industries, or customer service chatbots that improve the pace of customer service. Having the ability to process large amounts of data strategically is the main reason AI has become a 'must' for corporate practice.[5]

AI has also transformed corporate governance and compliance. As regulations become increasingly complex, such as the General Data Protection Regulation (GDPR) in Europe and developing global securities laws, traditional manual processes simply cannot mitigate the

[4] W M H K Bandara and Gimanthi Sathsara Malalage, 'Artificial Intelligence (AI) in Business: A Systematic Literature Review' (2025) 9(2) Journal of Business and Technology <https://doi.org/10.4038/jbt.v9i2.175> accessed 26 October 2025

[5] Akansha Mer and Amarpreet Singh Virdi, 'The Influence of Artificial Intelligence on Personal and Corporate Finance: A Comprehensive Literature Review with Prospects for Future Research' in Manjit Kour et al. (eds), *FINANCIAL LANDSCAPE TRANSFORMATION: TECHNOLOGICAL DISRUPTIONS* (Emerald Publishing Limited 2025)

risks. Compliance platforms powered by AI can automate transaction monitoring by automatically flagging transactions that appear suspicious in real time and monitoring compliance with existing and emergent regulations. Such systems can reduce the costs and errors that come with conducting compliance in a traditional manner while improving overall governance for companies. In this sense, AI becomes a safety net against legal and reputational risks rather than merely an additional tool.

AI has also impacted the role of business strategy by changing how strategic decision-making occurs. In the past, they relied extensively on managers to use their instincts to propose a corporate strategy informed by outdated financial methods and past data analysis. AI offers a flexible and predictive approach to an integrated data model that incorporates up-to-date trends in the market, consumer behaviour, and world events to inform management decisions. For example, multinational companies use AI to perform scenario analysis to risks in their supply chains and identify risks in their supply chains caused by events, including but not limited to pandemics or trade restrictions. This data-driven analysis enables business leaders to exercise informed and proactive strategies in risk-averse environments.

The legal and financial industries showcase prominent examples of AI in the world of business. With the introduction of AI-based contract analysis tools to the law sector, the way that law firms and in-house legal teams manage documents has changed significantly. These tools utilise NLP to extract relevant clauses, identify irregularities, and evaluate compliance risks across thousands of contracts within hours. Innovations like this are especially important for legal and financial document reviews during the due diligence period for a deal—the contract reviews can take place in days versus weeks. In finance, AI plays a critical role in fraud detection, algorithmic trading, and credit risk assessment. Machine learning can identify unexpected patterns in transactions that a human might miss, which ultimately reduces risk and helps to sustain stability.[6]

Nevertheless, the growth of AI in business brings difficulties. Over-reliance on algorithms may understate human judgment, causing questions of accountability for adverse consequences. AI systems can also manifest biases in their training data. Wrong data or some

[6] Hadeel Yaseen and Asma'a Al-Amarneh, 'Adoption of Artificial Intelligence-Driven Fraud Detection in Banking: The Role of Trust, Transparency, and Fairness Perception in Financial Institutions in the United Arab Emirates and Qatar' (2025) 18(4) Risk Financial Management <https://www.mdpi.com/1911-8074/18/4/217> accessed 26 October 2025

property in the model may result in a decision deemed to have a discriminatory basis that could damage a company's reputation or lead to regulatory difficulties. The 'black box problem,' where some machine learning systems can be opaque in terms of their functioning, further complicates accountability and could conflict. The challenges of AI highlighted here serve as a reminder of the need to understand the limits of the technology while balancing technological innovation against human judgment and ethical norms.

The trend of adopting AI in business is positive, nonetheless. The worldwide market for AI in business applications is projected to grow rapidly over the next decade because of advances in generative AI, robotics, and cognitive computing. Companies are more frequently looking at AI as a strategic business asset, which is changing how they achieve a competitive advantage, as opposed to just a technology of efficiencies. The movement of adopting AI within corporate practice presents the opportunity for businesses to leverage their data, technology, and their people more effectively for greater efficiencies, compliance, and strategic insights, while ensuring that this growth is under environmental, social, and governance guidelines under the premise of transparency and accountability.

AI's emergence in corporate practice marks a significant change in how organisations function, compete, and manage risk in a complex global economy.[7] By turning data into insights, automating compliance, and improving decision-making, AI has become a core part of business operations. However, its use requires careful management to avoid risks related to bias, overreliance, and lack of transparency. In fields like mergers and acquisitions, where due diligence and risk oversight are crucial, AI is poised to reshape corporate practices in ways that promise efficiency and resilience.

FINDINGS

The review of reports issued by practitioners, academic research, and particular examples presents six key findings on AI in M&A due diligence:

Productivity and Time Savings: AI-enabled technologies are changing how quickly due diligence processes can move effectively and efficiently. Due diligence for large-asset

[7] Madhu Gowda and Prabhu Prasad, 'The Concept of AI in Legal Tech: Automating Contract Review and Risk Detection' (2025) 3(4) International Journal of Modern Science and Research Technology <https://doi.org/10.5281/zenodo.15308005> accessed 26 October 2025

transactions involves a manual review process that could take several months due to the sheer number of documents involved. AI technologies can review, analyse, and assess large amounts of documents in days or even hours while using Natural Language Processing (NLP) and machine learning ability. For example, a study conducted by PwC of AI-assisted document review showed contract review time was reduced by 85-90%, and allowed for faster closings of transactions when companies needed to move quickly in competitive bidding for the deal.[8]

Cost Savings: Cost savings come from performing some tasks that require high quantities of human time, which would result in a direct cost decrease. Deloitte has reported that AI-enabled due diligence will result in a cost saving of 30–50% in legal and compliance functions. Fewer teams of analysts and lawyers are required with AI-enabled due diligence, plus organisations can use human resources for higher-value activities that require strategic evaluation and negotiation instead. Cost savings are also realised via reduced human error, a factor that can contribute to disputes, litigation, and unforeseen Human Rights liabilities after transactions are completed.

Improved Risk Identification: AI-enabled systems also enhance sophistication and expand access to risk review. Through machine learning models, whether in financial records, contracts, or operational reports, we can identify areas with potential risks that might otherwise go unnoticed. For example, AI tools can detect unusual or ambiguous language in contracts, discrepancies in intellectual property ownership, or issues with reliability, among other concerns, such as employee agreements. In the case studies, one included an example of AI-assisted due diligence in a cross-border acquisition in the technology sector, where AI successfully identified liabilities that often required multiple humans to uncover; it alerted users during a review of all potential liabilities, including instances previously suggested in various parts of the documentation.

Predictive Insights and Strategic Foresight: AI also provides predictive analytics functionality to enhance the strategic decision-making aspect involved in an acquisition process. Through a review of historical data or analysis of past transactions, benchmark

[8] 'Simplifying contract extraction for compliance with Legal Gen AI' Case Study (*pwc*) <https://www.pwc.com/sg/en/case-study/simplifying-contract-extraction-for-compliance-with-legal-gen-ai.html> accessed 26 October 2025

costing and regulatory changes, AI applications can issue warnings about potential risks and/or challenges to operational continuity post-acquisition. Indicative of the somewhat different acquisition strategy, this value-add allows acquirers to be strategic in addressing risk challenges that are negative before a transaction closing, therefore doing so pre-event rather than reactively post-acquisition. For example, a predictive AI tool can suggest a future shifting of markets and/or regulatory changes that would directly impact the performance of the target company, ultimately providing the acquirer with actionable precognition and insight about the deal's overall structure.[9]

Legal and Ethical, and Compliance Issues: AI has many positive uses, while also presenting some legal and ethical challenges. A fundamental question of accountability arises regarding algorithmic decision-making, particularly in instances when an important insight from AI did not appear to identify or 'see'. The black box aspect of an AI model leads to transparency challenges and thus difficulties in explaining decisions to stakeholders. It will also be necessary to follow data protection laws and regulations, such as GDPR in Europe or the sector we work in, as AI relies heavily on large datasets (some of which may comprise sensitive personal and/or company data).

Barriers to Adoption and Implementation: While AI has great potential in the future, AI will not be universally adopted or enacted, if you will, across regions or sectors. The extent to which these systems are adopted will oftentimes be dictated by varying factors of organisational readiness, quality and amount of data, growing regulatory framework to act in compliance in our sector, and the skill level of its employees in various aspects of AI usage. These companies will need to invest in staff and management training for change, to ensure the use of AI creates value, and does not slow down the momentum of work pace, both for staff and the collective.

ANALYSIS

Strategic Implications: Artificial intelligence fundamentally redefines the strategic purpose of due diligence in the merger and acquisition process. Due diligence has traditionally served as an ongoing compliance and verification activity; however, AI shifts due diligence to be an

[9] Jason Saltzman, 'Practical considerations of using AI in due diligence' (*Dentons,* 02 September 2022) <https://www.dentons.com/en/insights/articles/2022/august/31/practical-considerations-of-using-ai-in-due-diligence> accessed 26 October 2025

analysis that is, in effect, not backwards-looking (the verification of historical transactions) but forward-looking, involving not only the assessment of risk mitigation but also the identification of potential value creation streams, including synergies. The value of AI, therefore, is that due diligence professionals are liberated from repetitive efforts and can redirect attention to value evaluation around synergies, fit, and growth expectations, all avenues that drive successful transaction performance.[10]

Operational Impact: AI also expands the volume of operational due diligence work. A transaction crossing multiple jurisdictions, operating in complex regulatory environments, and/or holding multiple asset portfolios can now be examined from a scale and scope that covers a range of asset due diligence. AI can aggregate and summarise a broad range of data, including financial statements, contracts, and, in the case of assessable brand value, social media sentiment and market trends. However, the success of AI is highly dependent upon the quality of the data inputs and how systems architects have configured the underlying algorithms, which will be powerfully intertwined, indicating a significant relationship to manage the data closely.[11]

Risk Management and Precision: AI advances risk identification but should not supplant human decision-making. Machine learning algorithms effortlessly identify anomalous behaviour in data, but machine learning is an inadequate replacement for human decision-making regarding the importance of the anomaly. For example, if an AI process flagged a specific contractual obligation as unusual, only a human legal professional with substantial knowledge of the transaction would have the requisite expertise to determine if the language in the contract is innovative, poses a known material risk, or represents an accepted and predictable approach. Therefore, the human/AI partnership develops a comprehensive solution that enjoys programming rigour and advanced professional discretion.

Regulatory and Ethical Implications: Increased use of AI will require consideration of the relevant regulatory compliance framework to ensure that unintended liabilities do not arise. Regulatory compliance must be kept at the forefront of the mind, especially in relation to

[10] Neelesh Lalwani, 'AI-Enhanced Due Diligence in Private Market Investments: Redefining Risk Assessment Frameworks' (2025) 6(2) International Journal of Artificial Intelligence, Data Science, and Machine Learning <https://doi.org/10.63282/3050-9262.IJAIDSML-V6I2P105> accessed 26 October 2025

[11] Aadit Sharma et al., 'Optimizing Due Diligence with AI: A Comparative Analysis of Investment Outcomes in Technology-Enabled Private Equity' (2024) 11(2) International Journal of Scientific Research in Science and Technology <https://doi.org/10.32628/IJSRST251222732> accessed 26 October 2025

data protection and intellectual property rights. Failure to observe compliance can result in legal consequences and/or reputational harm or damage. Ethical issues in AI technology, including reducing bias, transparency, and accountability, are ethical obligations. The 'black box' issue is still an ethical issue, particularly in high-stakes transactions, and emphasises the importance of AI reporting conclusions in an intelligible manner, especially as AI is typically extricated from supervisory authority.

Implications for M&A Practices: The usage of AI has the capacity to radically shift the understanding of what due diligence means. Due diligence has classically been understood as a verification process that happens after a transaction takes place. However, aided by AI, M&A could entail due diligence being an ongoing process in which firms can conduct due diligence during negotiations and therefore throughout post-merger integration. In other words, firms could use AI analysis and their data sources not to become passive responders to the scrutiny of stakeholders, but to provide real-time assessments that lead to firm strategies that are more agile and responsive to practitioners and stakeholder expectations, thus enhancing sustainable value creation and resilience.[12]

RECOMMENDATIONS

The recommendations that stem from findings and insights of using AI in M&A due diligence are set forth below to assist organisations in the effective use of AI while managing related risks.

Use of a Hybrid Model that Uses both AI and Human Reasoning: AI is exceptionally good at ingesting multiple datasets at once and recognising patterns that matter, but there is still significant value in the skilled reasoning of a person for context. A hybrid model allows for the AI to review repeatable tasks with impacts that require significance, implications and interactions to review repeatedly (e.g. parsing, extracting clauses on contracts, compliance, etc.) to review and a person reviews the output to be accountable for the implications to strategy, as well as the pacing of decisions made. For example, AI could pick up unusual clauses in the contract as an 'indemnity clause', but the legal person really understands the larger financial impact and reputational risk - that is more than algorithmically exclusionary-

[12] Justin Smith, 'AI in M&A: Harnessing Traditional and Gen AI for Peak Efficiency' (*G2*, 18 October 2024) <https://learn.g2.com/ai-in-merger-acquisition> accessed 26 October 2025

based thinking. Therefore, the human person is accountable for directing and their estimation, errors based on their lenses, they are responsible for choices, without changing, opening up into the AI space and overly reducing the role of a human person to oversee strategy choices.[13]

Ensure you are Employing Quality, Standardised Data and have a Data Governance Program: It is ultimately about the data; AI is as good as the data used. Organisations must put a level of priority and focus on data standards, quality, accuracy, completeness, relevance, and the integration of data with multiple data sources and zones in a centralised approach to governance. Organisations must impose a data governance framework (cleaning up old or no longer relevant data, normalisation of the data storage location, a higher level of version control of data managing systems and administrative accountability, a greater understanding of known versus unknown risk, etc.) to decrease errors, bias, and to allow for AI to output data with a higher level of credibility.[14]

Create Ethical, Legal & Regulatory Structures Around AI Use: As AI becomes more frequently adopted by organisations, ethical and regulatory factors must be considered, especially algorithmic bias, data privacy issues, and accountability for AI decision-making outcomes. The organisation should develop a comprehensive set of expectations for the ethical use of AI to promote requirements for fairness, transparency, and explainability in the AI models adopted. Similarly, the organisation must comply with any existing regulatory laws, such as GDPR[15] and CCPA[16], allowing the organisation to avoid potential legal liability. Finally, organisations should implement a governance committee for AI oversight to focus on the design of the algorithms, the organisation of data access, and auditing procedures to ensure all is done consistently with ethical and legal obligations.

Create a Continuous Training, Feedback, and System Update Loop: AI systems will have to evolve and adapt to changes in regulations and market conditions, and organisational needs that will require ongoing adjustments. Further continuing the training of machine

[13] '"A human in the loop is critical." McKinsey leaders on generative AI at US media day'' (*McKinsey & Company*, 03 July 2023) <https://www.mckinsey.com/about-us/new-at-mckinsey-blog/keep-the-human-in-the-loop> accessed 25 October 2025
[14] 'Responsible AI and data governance: what you need to know' (*pwc*) <https://www.pwc.com/us/en/tech-effect/ai-analytics/responsible-ai-data-governance.html> accessed 25 October 2025
[15] General Data Protection Regulation 2016
[16] California Consumer Privacy Act 2018

learning models with newly created transaction data, updated compliance regulations, and new market intelligence will foster better accuracy and near-risk detection capabilities.[17] Another way to further refine the AI system capabilities is through developing feedback loops or the use of lessons learned from prior M&A transactions or outcomes, to improve AI systems' algorithms to be better able to detect anomalies, fraud patterns, and liability situations.

Utilise AI for Strategic Decision-Making in Context Beyond Everyday Uses: AI models should not be limited to simply reviewing documentation and compliance, as the predictive nature of AI is particularly beneficial in support of scenario analysis, merger integration planning, forecasting risk and identifying growth opportunities. For instance, AI can support or simulate the possible financial outcomes of different acquisition structures to estimate costs of operational disruptions, or utilise potential synergies, mathematically predicting outcomes in the realm of human capital as well as technological capabilities. If organisations think about AI with intention, it makes due diligence not simply an exercise in liabilities and risk avoidance, but an area for ideas, enhancing leadership and value creation.

Monitor, Audit, and Validate the Performance of the AI: It is essential to monitor AI tools, particularly with respect to the integrity, disclosure, and accountability of the AI tool. Tracking performance measures, auditing, and validating predictions about results compared with outcomes should be done each time an AI tool is in use. A practice is to employ independent third-party auditing of the AI tool to lend another layer of transparency, bias, and stakeholder confidence. Tracking and monitoring are required for error risks, algorithmic drift, and adherence to the strategy, which includes false positives and negatives.[18]

Build Organisational Capacity for Change Management: The effectiveness of AI is as much as the readiness of the organisation, including acceptance by employees, to use the AI tool. While an extensive organisational change management initiative is the way to go, the least should involve providing training for the organisation about the AI tools, the capabilities and

[17] 'Continuous learning Loops: the Key to Keeping AI Current in Dynamic Environments' (*Silent Eight,* 29 April 2025) <https://www.silenteight.com/blog/continuous-learning-loops-the-key-to-keeping-ai-current-in-dynamic-environments> accessed 26 October 2025

[18] Ellesheva Kissin and Melissa Heikkilä, 'UK AI audit standard aims to crack down on 'wild west' operators' *Financial Times* (21 July 2025) <https://www.ft.com/content/fe49f3d8-5847-481c-90a4-85a16fef7958> accessed 26 October 2025

limitations of the person-machine to clarify better what could be seen as collaborative efforts, a quality engagement process with employees in their capacity to build AI into their quality of decision-making process.[19] The employees must be engaged to dome it-as-augmented, which would mean the AI is a tool for augmenting cognition, not a replacement, and any espoused beliefs must align with using AI as an improvement in the quality of decision when making a decision.

Plan for AI System Failure: AI systems are powerful, but they are not infallible. Organisations should be prepared for sometimes AI systems fail to identify significant risks, or inaccurately produce imprecise outcomes or outputs. Having a contingency plan reduces potential operational financial, reputational loss from an AI system accident. This includes whether the organisation has a fallback for human review of AI system outputs, an escalation step, and ultimately a process for cross-functional oversight with supervision and review functionality to inform continued use and oversight of decision-making.

Cross-Functional Governance and Collaboration: Adopting or using AI within an organisation may introduce systems to multiple teams, including legal, finance, operations, Information Technology, and strategic planning teams. Cross-functional governance is essential to honouring AI as a strong organisational priority and aligning AI systems with best practices in an organisation, regulatory best practices, governance and priority operational practices. Cross-functional governance allows for coordination between departments, depth of risk management, increased accuracy in decision-making, and more intentionality and proactive use of knowledge derived from prompting AI systems.

CONCLUSION

Artificial Intelligence is changing the practice of M&A due diligence and will create tremendous advantages, but it presents challenges that need to be managed proactively. For a start, AI is automating time-consuming tasks like document reviews, financial analyses and compliance checks, and overall productivity is enhanced so that transactions that would have taken weeks or months to complete can now be completed in hours or days, while

[19] Hannah Mayer et al., 'Superagency in the Workplace' (*McKinsey & Company*, January 2025) <https://www.mckinsey.com/~/media/mckinsey/business%20functions/quantumblack/our%20insights/superagency%20in%20the%20workplace%20empowering%20people%20to%20unlock%20ais%20full%20potential%20at%20work/superagency-in-the-workplace-empowering-people-to-unlock-ais-full-potential-v4.pdf> accessed 25 October 2025

maintaining the flexibility of being timely in a competitive setting. AI saves money as well, since transaction parties do not need to assemble large review teams, and AI can help reduce the chance of human error in transactions with significant value, both of which are often costly.

However, AI's positive impact is not limited to just time and cost savings. AI can catalogue and analyse different kinds of data and data sources, improve recognition patterns to assist with things like undisclosed liabilities or compliance gaps that human review cannot, and provide predictive analytics, scenario simulations and help to identify value creation opportunities that broaden M&A due diligence beyond a reaction verification approach to an active, dynamic strategy in an acquiring context. Thus, AI can provide acquirers with better insights into the future and, therefore, better decision-making.[20]

While there are many potential benefits to AI in M&A due diligence, it also presents significant issues to its implementation, including algorithmic bias, data privacy issues, and issues of transparency, ethics, and over-reliance on automated output. Human oversight is nevertheless necessary to make sense of what AI concludes, to determine the significance of its findings, and to use their judgement for more complex and higher risk decisions, therefore the optimal course of action is probably a hybrid model, as it relies on the rapid processing capabilities of AI for repeated, data-heavy analysis, but human intelligence for assessing significance to strategy and ethics, as well as more nuanced understanding. The better returns will accumulate faster with this kind of dual structure. The greater ability to surface risks early will allow organisations to take more opportunities and integrate compliance and accountability associated with structured ethics and compliance processes. Overall, AI will not displace human intelligence, but it will serve to amplify human intelligence, creating a stronger, better-informed, and proactive due diligence process.[21]

Future research should therefore consider longitudinal studies to measure the longer-term effects of AI-assisted due diligence on financial post-merger performance and integration success; to investigate the potential for generative AI models to simulate negotiation tactics

[20] Wilberforce Murikah et al., 'Bias and ethics of AI Systems applied in auditing: A systematic review' (2024) 25 Scientific African <https://doi.org/10.1016/j.sciaf.2024.e02281> accessed 26 October 2025
[21] Magnus Gray et al., 'Measurement and Mitigation of Bias in Artificial Intelligence: A Narrative Literature Review for Regulatory Science' (2024) 115(4) Clinical Pharmacology & Therapeutics <https://doi.org/10.1002/cpt.3117> accessed 26 October 2025

and the best deal structure; to complete cross-sector studies to compare the typologies of AI uptake and regulatory compliance; and to build in explainable AI to create transparency, trust, and accountability in corporate decision-making to guide organizations in their use of AI strategically as they proceed through M&A.