



Investors are looking beyond home markets for growth but success hinges on sharper cross-border diligence that captures local nuance, regulatory complexity and the operational realities shaping scalable value creation, writes Accuracy's *Christy Howard*

The midmarket private equity landscape has become increasingly international, driven by firms searching for differentiation in markets that feel progressively more crowded.

Domestic pipelines are uneven, competition has intensified, and the traditional playbook of local sourcing is no longer delivering the same edge.

As dealflow saturates, investors are looking outward to find new angles. These include fresh sectors, valuation advantages and growth pockets where competition is less intense, and pricing reflects earlier-stage maturity.

At the same time, political and regulatory shifts across Europe have created a dynamic environment in which geographic diversification is no longer just opportunistic; it is becoming a strategic necessity.

In this context, the importance of due diligence has expanded dramatically. Its role in shaping conviction, anticipating risk and enabling value creation is deeper than at any point in the past decade.

Cross-border investing brings a broader opportunity set, but it

also increases the need for rigorous diligence.

While financial metrics can seem comparable across countries, the interpretation behind the numbers often is not. Differences in accounting standards, disclosure culture, local tax practices and what constitutes "normalised" performance can create meaningful distortions.

A business that appears solid on paper can reveal hidden liabilities, operational inefficiencies or structural constraints once examined through an in-country lens.

This is why diligence in cross-border transactions has evolved beyond being a procedural checkpoint; it has become a critical interpretive exercise grounded in context, nuance and local behaviour.

Early diagnostics

One of the consistent trends shaping international dealmaking is the growing reliance on early-stage, informal diligence. Before engaging formally, investors are increasingly scoping target attractiveness, examining local market dynamics and testing

whether the operating model can scale across jurisdictions.

These early diagnostics help identify regulatory exposure, customer concentration patterns, capital intensity and competitive barriers that may look different in a foreign setting.

This early insight allows investment teams to filter opportunities more effectively and concentrate resources on assets where they can build a differentiated thesis. In cross-border contexts, these early signals matter even more.

They indicate whether an investor's home-market assumptions translate abroad or whether the value-creation logic requires development, adaptation or, in some cases, a complete rethink.

Once a process begins in earnest, the complexity of diligence expands. Financial, legal, operational, technology, ESG, cybersecurity and HR reviews all behave differently across borders.

Data quality may be strong in one jurisdiction and fragmented in another. Accounting treatments, particularly around revenue recognition, provisions,

capitalisation or deferred tax, can materially influence profitability and cash generation.

Disclosure normalities vary widely, with some management teams comfortable sharing granular insights upfront, while others reveal information more cautiously and incrementally.

These subtle differences affect timelines, risk assessment and negotiation dynamics, and they demand a diligence plan tailored to the specific market rather than a copy-and-paste approach from previous deals.

Regulatory and cultural nuance

Regulation is another defining dimension. Foreign direct investment rules, sensitive-sector oversight, antitrust approvals, data protection laws and employment regulations differ widely between markets and may impose process requirements that non-local deal teams simply can't anticipate.

These issues often come into play late in the transaction and can jeopardise timetables if not factored in from the outset.

Investors increasingly accept that legal and regulatory

choreography is as important as operational and commercial assessment, especially in markets where government review is stringent or politically influenced.

Cultural nuance is equally important and frequently underestimated. Communication styles, governance expectations, management autonomy and negotiation approaches do not travel seamlessly across borders.

A leadership team used to limited oversight may react differently when introduced to a more structured private equity governance framework. Conversely, founders in some markets welcome external rigour and strategic support.

Understanding these dynamics early reduces integration friction and helps establish a realistic post-deal operating model.

It also informs whether the management team's ambitions align with the investor's thesis, a factor that becomes even more pivotal when expansion requires coordinating teams across multiple jurisdictions.

This is precisely why local advisers have become indispensable in cross-border DD. Their role is not limited to technical review in their area of expertise; they contextualise performance, benchmark KPIs accurately, interpret management behaviour and flag risks that may not be obvious from documentation alone.

They challenge assumptions, validate market narratives and provide clarity on norms that overseas investors may misread. They also provide credibility with sellers, who increasingly expect that international bidders demonstrate a real understanding of the local market.

The difference between a deal that creates value and one that quietly erodes returns often comes down to the quality and depth of local insight supporting the diligence process.

Sector expertise

Sector-specific nuances further increase the need for specialised diligence. In healthcare, regulatory frameworks influence commercial models and act as



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a structural constraint in certain markets.

What looks like a simple compliance exercise from afar often determines pricing, reimbursement and approval timelines. Defence assets are increasingly shaped by national security considerations and evolving FDI requirements that vary considerably across borders.

Technology businesses raise questions about data sovereignty, cross-border data transfer rules and the treatment of digital assets, all of which influence scalability and platform potential.

Even in traditional industries, labour law differences, unionisation patterns and supply-chain dependencies can materially shift the investment case.

When executed well, cross-border strategies can deliver strong value-creation trajectories. Buy-and-build platforms gain new momentum when investors look beyond national boundaries for bolt-ons with strategic adjacency.

A multi-country footprint also

broadens the universe of potential exit buyers, often improving valuation multiples.

But this only works when integration planning begins during diligence, not after signing. The most successful investors now use diligence to design the first 100 days, map cultural compatibility, assess leadership bench strength and identify the operational investments needed to align systems and processes across geographies.

This ensures execution risk is addressed early and reduces friction during the integration phase.

Future trends

Looking ahead, cross-border due diligence is likely to become even more multifaceted. Technology and cybersecurity reviews will intensify as digital maturity continues to vary widely between markets.

Many midmarket businesses operate with legacy systems that

pose greater risk when scaled internationally.

ESG expectations will grow more complex, influenced not only by investor standards but also by local regulatory developments, supply-chain transparency rules and reporting requirements.

AI readiness, once a niche topic, is becoming a diligence theme in its own right. Investors want clarity on whether claims about analytics, automation or AI capability are grounded in real data foundations or reflect ambition rather than maturity.

Macroeconomic uncertainty will also shape diligence priorities. Currency risk, inflation differentials, energy pricing, wage trends and fiscal policy can influence both deal attractiveness and post-deal performance.

Investors are already putting more emphasis on stress-testing and on understanding which parts of a business model are resilient across country cycles and which are more vulnerable to local shocks.

The opportunity in cross-border investing is significant, but so are the potential pitfalls. What ultimately separates successful investors from unsuccessful ones is not their appetite for international expansion but their diligence capability.

Applying the right analytical lens, grounded in local expertise, contextual understanding and a clear view of value creation, enables firms to navigate complexity with confidence.

It's clear that rigorously executed, multi-dimensional cross-border due diligence has become a core driver of sustainable performance, anchoring clearer conviction and stronger value creation in increasingly complex markets. ●

This article is contributed by Christy Howard, partner at Accuracy. To find out more information about Accuracy, please visit www.accuracy.com

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