

Founders Guide to Technical Due Diligence

MAKER 

Summary by



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Overview

In the fast-paced world of startups, preparing for technical due diligence is a critical step that can significantly influence the outcome of fundraising efforts. Matt Davies, CEO and co-founder of Makerx, shares invaluable insights on how founders can effectively navigate this process. From the importance of judicious documentation to the strategic involvement of technical leaders in investor discussions, Davies outlines practical strategies that aim to streamline the due diligence process and boost investor confidence.

20-Point Summary:

1. **Importance of Technical Documentation:** Early-stage startups should focus on creating essential technical documentation to facilitate due diligence, without over-documenting.
2. **Use of ADRs:** Architecture Decision Records (ADRs) are recommended for documenting key technical decisions, providing clarity for future revisions and team onboarding.
3. **Scalability Concerns:** Founders should consider scalability early, documenting steps taken to ensure the product can handle expected user growth without overengineering.
4. **Pragmatic Software Development:** Balancing between under and over-building your system is crucial; focus on what's necessary for the current stage of your startup.
5. **Automated Testing and Deployments:** Incorporating automated testing and continuous deployment practices can save time and enhance reliability, making the product more appealing to investors.
6. **Security and Compliance:** Security should be a priority from the start, as breaches can cause significant reputational damage and jeopardize the startup's future.
7. **Compliance Awareness:** For startups in regulated industries (e.g., healthcare), compliance should be considered early to avoid costly retrofits during scaling.
8. **Technical Leadership Involvement:** Having technical leaders participate in investor meetings can boost confidence in the startup's technical strategy and execution.
9. **Clear Communication:** Founders and technical leaders should be prepared to discuss technical aspects clearly and effectively with investors.

10. **Documenting Business Logic:** Documenting the rationale behind business logic and technical choices can aid in future modifications and investor discussions.
11. **Focus on Key Features:** Concentrate documentation efforts on complex or crucial features that require detailed understanding and explanation.
12. **Regular Updates:** Keep technical documentation updated as the product evolves to ensure accuracy during due diligence.
13. **Investor Assurance:** Documentation and clear strategies on scalability and security can significantly reassure investors about the startup's potential and risk management.
14. **Technical Readiness for Due Diligence:** Prepare all technical aspects of the startup for thorough scrutiny during fundraising, making sure everything is defensible and well-documented.
15. **Balance in Documentation:** Strike a balance between detailed and high-level documentation to avoid overwhelming the development process or investors.
16. **Demonstrating Technical Maturity:** Showcasing mature technical practices like automated testing and continuous integration can indicate a higher level of operational sophistication.
17. **Future-proofing:** Decisions documented in ADRs should be forward-thinking, making it easier to adapt as the market or technology changes.
18. **Investor Communication:** Train technical team members on effective communication with investors, especially concerning the technical roadmap and strategic decisions.
19. **Risk Management:** Highlight how the startup manages potential technical risks, enhancing investor confidence in the team's capability to handle challenges.
20. **Comprehensive Preparation:** Ensure all aspects of technical due diligence are covered, from security to scalability to compliance, to streamline investor evaluations.