

TECH DUE DILIGENCE – WHAT YOU NEED TO KNOW

WHAT A TECH DUE DILIGENCE TYPICALLY COVERS

- Overall business context (to determine tech requirements)
- Leadership and tech strategy
- Product management
- Tech organization and team
- Development process
- Infrastructure and deployment
- Software architecture
- Quality assurance
- Metrics and KPIs
- Company and Engineering culture
- BI and Analytics
- Artificial Intelligence / Machine Learning
- Business process automation
- Security, compliance, and privacy (GDPR)
- Hiring and on-boarding

TYPICAL GUIDING QUESTIONS DURING A TECHDD

- Is the tech platform and organization able to scale, supporting the business strategy and growth plans?
- Is a certain technology an asset for the business?
- Do the CTO / CPO / VPs provide great leadership?
- Is the team motivated and highly skilled? Are they able to (fail and) learn quickly?
- What are the main complexity drivers from a technological perspective?
- What are major challenges and risks from a technical perspective?
- Is the technology of the company safe and law-compliant?
- For B2B: Are their product and technology enterprise-ready?
- Is the code base maintainable and adaptable to fast-changing requirements in the business, e.g. in high-competitive contexts are in case of a pivot?

DEFINITION TECH DUE DILIGENCE

A technology and product due diligence is a health check on the:

- Tech leadership
- Teams
- Organization
- Technology
- Processes

in order to identify and assess risks, assets, and potentials to attain business goals.

WHEN CAN YOU DO IT?

- Funding rounds
- Bridge financing
- Strategic discussion on the technology of a company
- Follow-up to a previous TechDD, to re-investigate on the extent to which previously defined action items have been achieved.

Done right, it is the most thorough, honest, and valuable external feedback you and your target company can get. See TechDD as one core pillar of your risk and opportunity determination, helping you in your investment decisions-making process.

TECH DUE DILIGENCE CHECKLIST

INVOLVED STAKEHOLDERS AND INFORMATION REQUEST

Stakeholders on the target company's side typically are:

- CEO, Founder(s)
- CTO, CPO, Head of Product
- Team Leads & Software Architects

The confidence level of a TechDD usually increases with the number of different roles being interviewed. Therefore, it makes sense to also include the perspective of product owners, software engineers, and even stakeholders to get an end-to-end understanding of the organization during the DD. Which documents are exactly requested can vary depending on the individual audit case and process. Generally speaking, to be well-prepared, your target company should be able to provide the following:



Business & Product

- Company pitch deck strategy
- Product vision and strategy: roadmap for the next 3 to 6 months
- Business process overview



Legal

- Privacy / data security policies
- List of 3rd party software and libraries incl. licenses



Technology

- Tech strategy
- Tech roadmap for next 3 to 6 months
- Architecture diagram (Hosting infrastructure and software)
- Architectural guidelines
- List of technology stack (programming languages, frameworks, tools)
- List of technical debt
- Most recent security audit / pen-test report
- Incident management and disaster recovery plan
- Key tech and quality assurance metrics
- Description of core technology assets (such as Machine Learning algorithms)



Organization & Processes

- Company organization chart (esp. Engineering, Product, and Data / BI teams)
- Product delivery process



TECHDD SMELLS AND ANTI-PATTERNS

Tech Leadership

- Lack of business strategy understanding on tech leadership side
- Lack of delegation (“hands-on CTO”)
- “Build” decisions where “buy” would have been advantageous
- Not enough focus on hiring the right talent and key roles

Technology

- No clear and documented understanding of software and platform architecture
- Unawareness of the amount of technical debt
- Historically grown code base with high complexity
- Overly sophisticated architecture (“Astronauts Engineering”)
- No or few automated tests

Data

- Several competing or unclear sources of truth for data
- Inconsistencies in naming and defining metrics

Culture

- Lack of learning culture
- Fear of failure

FAQ

How long does a DD usually take?

Between 2 and 14 days in a VC funding context.

How long in advance should I start a Tech DD?

Ideally, four weeks before the closing appointment at the notary.

What do you need from us?

An introduction to the startup and a briefing call with you in order to understand why you want to invest.

What is the deliverable of a TechDD?

A report with a clear summary, understandable for non-tech people, a scoring of important areas of interest, and a list of findings and recommendations for you and the startup.

ABOUT PHILIPPS & BYRNE

We are a tech advisory - but not yet another consultancy! We are an industry leader in product and technology due diligence and health checks. As true allies to founders and investors, we play a vital role in the tech industry. We are a fast-thinking and moving team who live and breathe technology and love working with startups, scale-ups, and investors to help them build the world of tomorrow. With 14B+ EUR of guided funding, 20+ years of experience in 25+ countries, and 500+ tech assessments under our belt, we help the investors and tech companies build the world of tomorrow. We stand for honest, reliable, and applicable tech advisory with zero bullshit.