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Preparing for Technical Due Diligence

TechCXO Technical Due Diligence Process Overview

2024

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Technical Due Diligence

Critical for every business transaction involving tech M&A, investments, and partnerships. **An in-depth evaluation of technology strategy, assets, systems, security, team, roadmap, and development process to identify risks, weaknesses, and opportunities.**

Leverage TechCXO Product & Technology Experts

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What is an investor / acquirer looking for?

RISK, RISK, RISK (and anything that might cost a lot of money later)

PRODUCT
Is there product-market fit and a clear plan for how to deliver needed value? Is there a solid roadmap?

ARCHITECTURE / CODE REVIEW
Is the application built in a solid and scalable way that is supportable? Does the company fully own the code?

TEAM ASSESSMENT
Is there a solid team in place with strong leaders who can lead at the next level? Can the team scale?

SECURITY
Is there anything that could potentially be a threat to the business from a breach or denial of service perspective?

HOSTING / DEPLOYMENT
Is the application hosted in a secure manner that facilitates significant scale and simple deployment.

IT
Is there anything IT-related that will make it difficult or costly to integrate and scale the business?

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What to Expect

Probably requires around 1-2 days of effort, all in. The overall process is around 3-4 weeks.

- You will likely receive a detailed list of questions to answer covering the areas outlined above.
- Kick-off call to meet the team, walk through the diligence process, and identify follow-up discussions. Also, will want access to code.
- Follow-up discussions in each of the areas outlined - could be separate or one long session. Will drill in on gaps or answers provided.
- May need follow-up discussion(s) to clarify findings or could be handled by email.

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Technical Assessment

ARCHITECTURE & CODE REVIEW	OPEN SOURCE ASSESSMENT	DEVELOPMENT PROCESS	DEVELOPMENT TEAM	DEVOPS & HOSTING INFRASTRUCTURE
Using the Architectural and Tradeoff Analysis Method (ATAM), review architecture and code quality across five standard factors.	Verify company software rights and investigate open-source distribution restrictions and/or known security vulnerabilities.	Understand the level of maturity for current product development workflows, design, quality control programs, and release processes.	Compare to high-performing team structures; evaluate team skills, capabilities, leadership gaps, and high-impact areas to consider post-transaction.	Ensure hosting environments are configured for scale and security; investigate evidence of best practices to ensure reliable code deployment.

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Product Assessment

- STRATEGIC ROADMAP PLANNING
- PRODUCT TEAM STRUCTURE & ROLES
- CUSTOMER EXPERIENCE
- OFFER COMPLETENESS & MARKET-FIT
- PRODUCT LIFECYCLE MANAGEMENT
- PERFORMANCE & METRICS

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Security Assessment

SECURITY ASSESSMENT LEVELS

TechCXO offers varying levels of Security Assessments, ranging from Quick Interview to full HIPAA or SOC2 Readiness Audit.

We typically start with an IG1 audit, following the Center for Internet Security (CIS) framework to measure safeguards for security hygiene.

STANDARD IG1 ASSESSMENT

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IT Health Assessment

- TECHNOLOGY SYSTEM GOVERNANCE
- TECHNOLOGY SYSTEM ACCESS & CONTROL
- IT TEAM STRUCTURE & ROLES
- ASSET MANAGMENT
- IT & HELPDESK PROCESS

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Lessons from 200+ Projects

- Be prepared & be honest!
- Think about it from the buyer’s perspective
- Let the technical team lead - CEO speaking for CTO is a red flag
- A problem is typically only a significant concern if there is no plan
- Nobody is going to steal your code - not giving code access is a red flag
- Treat it as an opportunity and not a threat