



Do-It-Yourself Due Diligence™ System:  
**Preview**  
Vetting People for Your Business

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**Avent-Guard™**  
*Protecting the People of Business™*  
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**TRG** Corporate Counterintelligence

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**Table of Contents**

<b><u>THE DUE DILIGENCE PROCESS</u></b>	<b>3</b>
<b>INTRODUCTION</b>	<b>3</b>
THE BAD AND THE UGLY	3
VETTING	3
THE <i>DUE DILIGENCE PROCESS</i>	3
WHEN IS THE <i>DUE DILIGENCE PROCESS</i> NECESSARY?	4
<b>CRITICAL THINKING</b>	<b>5</b>
STEPS TO CRITICAL THINKING	5
<b>INTENTIONAL COMMUNICATION</b>	<b>6</b>
INTENTIONAL COMMUNICATION VS. CASUAL CONVERSATION	6
MOVING INTO INTENTIONAL COMMUNICATION	7
<b>VERIFICATION</b>	<b>7</b>
VERIFICATION WITHIN THE <i>DUE DILIGENCE PROCESS</i>	7
<b><u>GET THE COMPLETE DO-IT-YOURSELF DUE DILIGENCE SYSTEM</u></b>	<b>8</b>

**Preview**

# The Due Diligence Process

## Introduction

### The Bad and the Ugly



Time and again we hear horror stories from business owners. They usually entail spending exorbitant amounts of time and money working toward a goal only to have their plans destroyed. More often than not that decision involved trusting someone with inexperience or nefarious intent who wreaked havoc on the business. This doesn't have to happen.

In a perfect world everybody we talk to is exactly who they say they are and they've done exactly what they say they've done. In a perfect world relationships don't sour and agreements create a win-win for everyone involved. But unfortunately we don't live in a perfect world. From our experience in the counterintelligence realm of government, we learned very quickly that nothing is ever what it seems. Some people purposefully use smoke and mirrors to make people believe what they want. Some people don't keep promises they can't keep.

Because of this business owners must incorporate precautionary measures within even a second of their business. The best precautionary measure any business owner can utilize is one we call the *Due Diligence Process*. The *Due Diligence Process* is based on decades of government intelligence experience and academic research...and it works. It is modeled after information gathering methods taught at some of the elite government intelligence training centers and includes research done at top-tier universities regarding how people operate.

### Vetting

Traditional definitions of Due Diligence fail to take into account the human factor. People know they should have their attorneys review contracts and their accountants review financials before any business dealing. But few think about the people involved in the transactions. In our experience, business dealings don't go awry because of poor contracts or bad financials, they fail because of the people involved.

The new or expanded definition of due diligence must include vetting people. Historically the word "vetting" comes from horse racing and the process veterinarians employed to gauge a horse's condition. In due diligence, it simply means "to investigate thoroughly...to ensure suitability and trustworthiness." In today's ever-changing world, nothing is more important for your business than insuring the people involved are suitable and trustworthy.



### The Due Diligence Process

The *Due Diligence Process* is a process of discovery that occurs at every stage of business development. It is as essential to business success as a good strategic plan. Without it business owners

expose themselves, their businesses, and everyone else involved to undue risk. The following information identifies the three steps of the *Due Diligence Process* and explains each one in-depth. If you follow this process and apply all three steps to every business decision, you greatly increase your probability of success. Practice the process and you'll begin to see a shift in the power you wield in situations and the confidence you carry into your business.

Each step of the *Due Diligence Process* is simple to comprehend but varies in its difficulty to implement. One of the determining factors regarding the difficulty of each step is the importance of the business decision being made. The more time and/or money the decision requires the more intricate the steps.

The first step in the process is critical thinking. This step sets the stage for the entire process. In the critical thinking step, the business owner identifies the gaps in information.

The second step is intentional communication. When implemented correctly this step follows logically behind the first step and, at a minimum, should address the identified gaps.

The third step is verification. The success of this step relies completely on the effort given to the first two steps.

The three steps combine to create a powerful process of information exposure, gathering, and development. Most importantly, it puts business owners in the position of Intelligence experts for their businesses.

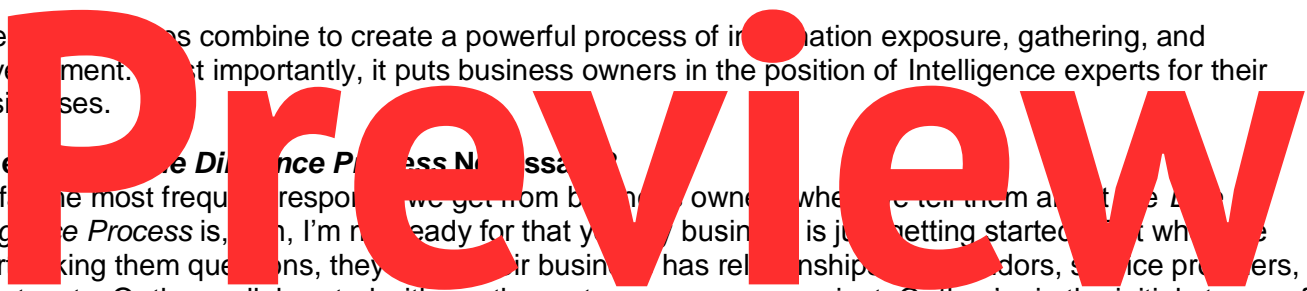
#### When is the *Due Diligence Process* Necessary?

By far the most frequent response we get from business owners when we tell them about the *Due Diligence Process* is, "Oh, I'm not ready for that yet." Their business is just getting started, but when we start asking them questions, they realize their business has relationships with vendors, service providers, clients, etc. Or they collaborated with another entrepreneur on a project. Or they're in the initial stages of fundraising.

Through a series of questioning techniques we discover they never applied the *Due Diligence Process* to any of these decisions and, in the process, exposed their business to substantial risk.

The short answer to the question is...always. The *Due Diligence Process* is always necessary. Or, if that's too vague, a more specific answer is that the *Due Diligence Process* is necessary **before** you expend significant time or money on a business-decision.

The best method for implementing the *Due Diligence Process* into your business is to weave it through your strategic plan. While the process looks different depending on what stage your business is in, the steps are the same. Whether you're just getting started and need a website service provider or you're exiting your business through a buy-out, implement the *Due Diligence Process* prior to putting your business assets at risk.



## Critical Thinking

*Much of our thinking, left to itself, is biased, distorted, partial, uninformed or down-right prejudiced.*

*Shoddy thinking is costly, both in money and in quality of life.*

*Excellence in thought, however, must be systematically cultivated.* (criticalthinking.org)

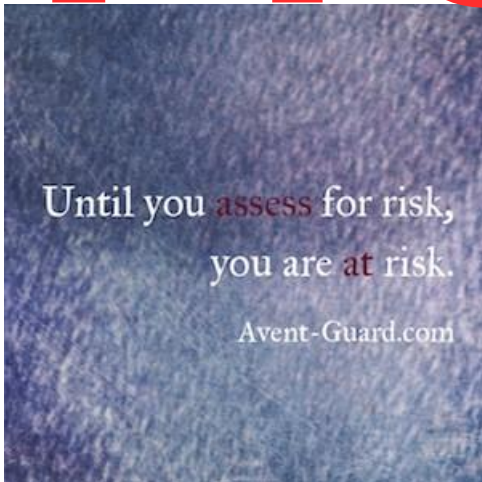
Critical thinking as it applies to the *Due Diligence Process* is the essential first step. It operates as the foundation builder for the entire process. Through applying critical thinking you can establish the areas where you don't have enough information. These are the information gaps.

We often see business-owners quickly pass through this stage because they think they have all the information they need. However, the true value of this stage is not only identifying the information you need to know, but also evaluating how you came to possess the information you do have.

For example, let's say you want to hire a CFO. When you go through the critical thinking step you identify that you know she worked for a Fortune 500 company a few years ago. She did great things for this company and produced the kind of growth you envision for your company. The first thing you should ask yourself at this step is, "How do I know she worked for that company?" Nine times out of ten the answer is, "Because she told me so."

As much as you want to be able to trust what people say before you invest time or money in a business, you must understand that the *Due Diligence Process* is designed to help you evaluate the performance of the critical thinking step accurately you need to seek the information gaps. Identifying the gaps is the stage for step two potential communication.

**Preview**



### Steps to Critical Thinking

For the purposes of the *Due Diligence Process* critical thinking requires three main steps:

1. Identify what you know.
2. Identify how you know it.
3. Assess what else you need to know.

These are extremely simplified, but illustrate the basic process. Within each of these steps includes assessment and review of information. By its very nature critical thinking takes information and applies in-depth evaluation of the information. This sounds daunting, but the process becomes easier as you continue to apply it.

Keep in mind that one of the most important distinctions to remember is the difference between verified knowledge and assumptions. Just because a vendor's website states they have over 10 years of experience in a particular field does not make it accurate. Just because someone tells you he can produce the result your business needs doesn't mean he can. And even though an investor is introduced to you through a trusted business associate, do not assume she has the funding to support your project.

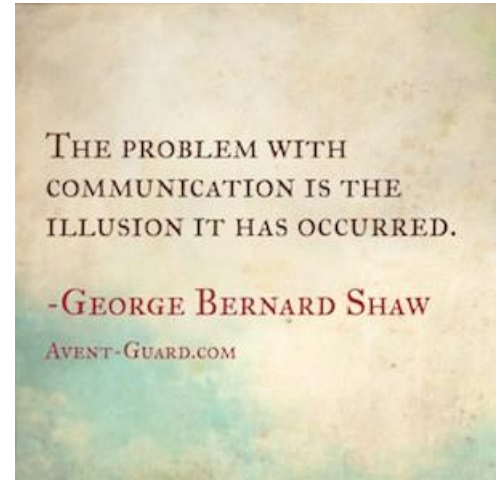
No matter how much we want to assume people have our best interests at heart, this isn't always the case. But even if someone doesn't have nefarious intent, he might just not be a good fit for your project.

You waste your business' time and money if you don't apply the *Due Diligence Process* to these decisions.

## Intentional Communication

The second step in the *Due Diligence Process* is intentional communication. Once the critical thinking step determines the information gaps, the logical next phase is to gather that information. The way we recommend getting that information is through a method of communicating most people don't think about.

The type of conversation most of us engage in everyday is casual conversation. This is true when we talk to the taxi driver, restaurant server, co-workers and even with our partners (business and personal). We're so trained in casual conversation that we rarely think about the process.



When we talk to people in the communication process, we get some initial questions, "What's so tough about communication? I talk, you listen, when you talk and I listen. How hard can it be?" But with the correct communication process, a room full of business communicators that lead to communication misunderstandings.

The issue is that many times we never know if someone understands the way we say things. Usually, in our day-to-day lives, it's a problem. We exist in our casual conversation patterns. However, when it comes to gathering information for a specific purpose, especially one for your business that requires large amounts of time and/or money, you want to be extremely clear when you communicate.

### Intentional Communication vs. Casual Conversation

The major difference between intentional communication and casual conversation is the removal of assumptions. The best way to do this is to set your intention first before you start speaking. That's why the first step of critical thinking is so important. You already identified the information gaps and now you simply need to fill them.

Most of us rarely think about our daily communication. And if we do, it's typically after the event occurs. With intentional communication, you plan out the questions you want to ask before you start. This gives you the confidence to assure you're gathering the information you need.

Another difference between intentional communication and casual conversation is the method used for asking questions. In everyday conversations the typical questioning patterns include leading questions, yes/no questions, and compound questions. With intentional communication, the best way to gather information is to use questions with a specific purpose in mind.

As an aside, when we do communication training, we can train for weeks on the nuances of the communication process. The information included here is merely a drop in the bucket but it's enough to get you started.

For our purposes, let's just address the value in asking questions using basic interrogatives: who, what, when, where, why, how. If you start a question using one of these words, the information you collect from

the answer assists you in the due diligence step of the *Due Diligence Process*. Asking a potential vendor, “How many events have you hosted?” is a much better question than, “Have you hosted a lot of events?” The answer to the first question can be verified through due diligence means. The answer to the second question is strictly subjective.

**Moving into Intentional Communication**

In addition to not knowing the right questions to ask, many of our clients get nervous about moving from casual conversation to intentional communication when they speak with a potential investor or team member. They worry that asking direct questions makes them seem confrontational.

We call this transition moving away from the I-love-you-you-love-me conversation. Usually we move too quickly into business relationships because we get excited about the shared energy and enthusiasm someone else exhibits for our project. This stage of the interaction is extremely important. Without synergy and mutual appreciation, most business relationships don’t last. But the conversation can’t stop there.

One thing we constantly remind our clients about is that the people you’re considering hiring, working with, or doing business with should be able to perform *Due Diligence* on you – if they don’t have anything to hide, if you’re talking to someone about your business and they seem interested, they should want you to succeed. Your success relies on a strong *Due Diligence Process*. It’s really that simple.

# Preview

**Verification**

The verification step of the *Due Diligence Process* relies on the knowledge gained through the first two steps. After thinking critically about the information needed and using intentional communication to obtain the information, the process continues. An easy way to understand verification in its most simplistic form is fact checking. This is when you take the information you gathered and verify it.

In traditional business settings most people assume due diligence is getting an attorney to read the business plans and a CPA to cross-check financials. These are aspects of due diligence but do not take into account the most complex piece of any business transaction – people.



In our former lives as counterintelligence agents, we quickly learned the value of not underestimating the human variable. We worked in a section of intelligence called Human Intelligence (HUMINT) that is solely concerned with people. It’s the most persnickety of all intelligence fields because people are uncontrollable and often unpredictable.

When business dealings go awry it’s very rarely because the paperwork isn’t in order, it’s usually because of the people involved. By expanding the definition of due diligence to include thoroughly understanding the people involved in the transaction, business owners greatly increase their chances of success.

**Verification within the *Due Diligence Process***

When incorporated within the *Due Diligence Process*, verification starts off being the veracity check of the information obtained during intentional communication. This usually leads to the discovery of other information. This path can be a simple, straight line or a winding, rocky road. The amount of time you spend following the information path is up to you and your level of risk aversion.

There are many different ways to verify information and the best method depends on the type of information gathered. If you need to verify someone's corporate standing then checking corporation commission websites can help. If you need to verify the work someone did for a client, then contacting that client directly might be the best bet.

It takes some practice and trial-and-error to figure out which method to apply to a specific type of information. And sometimes you can't verify the information without assistance from a specialist. There are databases and areas of inquiry that most people don't know about or can't access for situations that are particularly tricky or multi-faceted. But the verification step doesn't have to be daunting. The key to performing it successfully is to keep following the path until you don't have any questions left unanswered or information left unverified.

## Get the Complete Do-it-Yourself Due Diligence™ System

Kit includes:

- Case Studies
- Special Due Diligence Tools with Step-by-Step Instructions
- Tips, Tricks, and Advanced Techniques
- Over 100 resources so you can perform due diligence yourself
- And much, much more!

Go to [DIYDueDiligence.com](http://DIYDueDiligence.com) and Protect Your Business Today!

# Preview