

VERSION 1.0 | SEP 2022

Responsible Data & AI Diligence for M&A Overview

Data
& Trust
Alliance

About the Data & Trust Alliance

The Data & Trust Alliance is a not-for-profit consortium established in September 2020. It brings together leading businesses and institutions to learn, develop, and adopt responsible data and AI practices. It is co-chaired by Ken Chenault, chairman of General Catalyst and former chairman and CEO of American Express, and Sam Palmisano, former chairman and CEO of IBM.

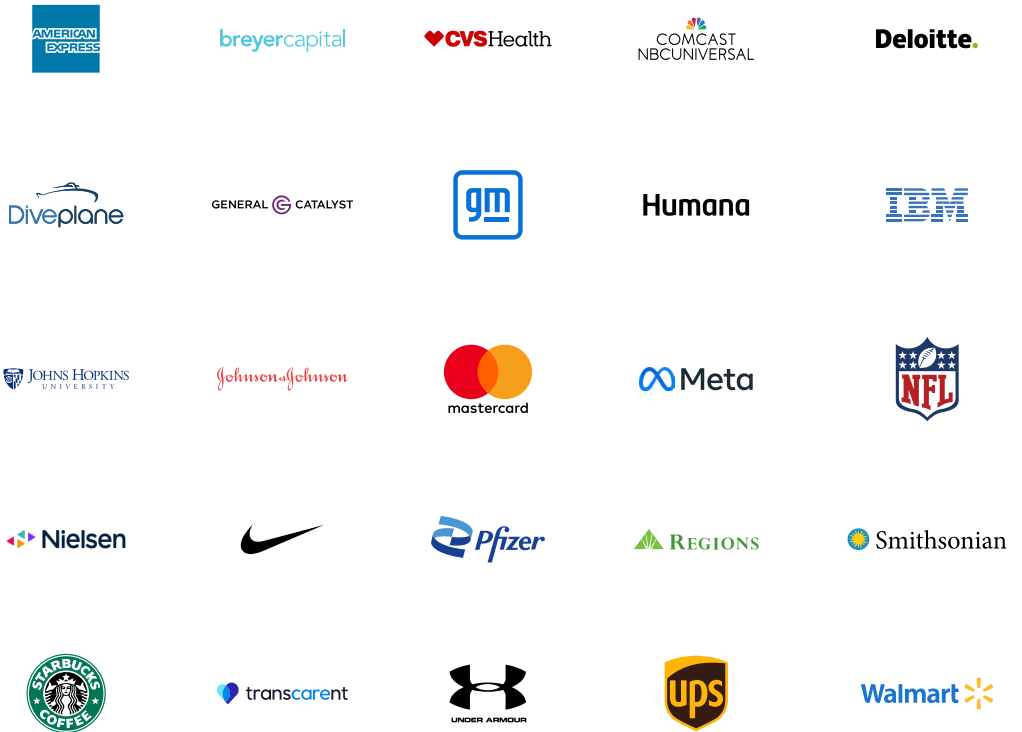
dataandtrustalliance.org

5M+
employed by Alliance
member organizations

\$3T+
market capitalization of
Alliance companies

\$1.6T+
revenue of Alliance
companies in 2021

Member Companies & Institutions (as of September 2022)



About Responsible Data & AI Diligence for M&A

\$93B
was the total global corporate investment in AI start-ups in 2021.¹

***311**
was the record number of AI mergers and acquisitions deals in 2021—up 96% since 2020).²

Businesses across industries are transforming into data enterprises and investing at record rates in AI-focused acquisitions. Yet, neither the risks nor the opportunities presented by these acquisitions are adequately assessed by traditional due diligence.

Risks such as algorithmic discrimination, lack of transparency and unreliable performance are increasingly the causes of AI failures. Critically, the start-up’s culture—the values, people and processes that govern its use of data and AI—is arguably the best indicator of its long-term value as an acquisition. Clarity on these criteria is needed for both acquirers and startups, from the beginning of their conversations.

Therefore, the Data & Trust Alliance has created Responsible Data & AI Diligence for M&A, a new tool for use by M&A teams in their target screening and due diligence to assess the value and risks of data, algorithms, and the cultures in which they are built.

01 Responsible Culture Diligence

10 questions that assess a target's mindset around data/AI and the mechanisms used to sustain a culture of responsibility and rigor.

This diligence set is a strong indicator of values alignment and is therefore suggested for the target-screening process.

02 Data Diligence

27 questions that assess how data is sourced, used, and responsibly governed in order to understand its true value and utility for an acquirer.

03 Algorithmic Diligence

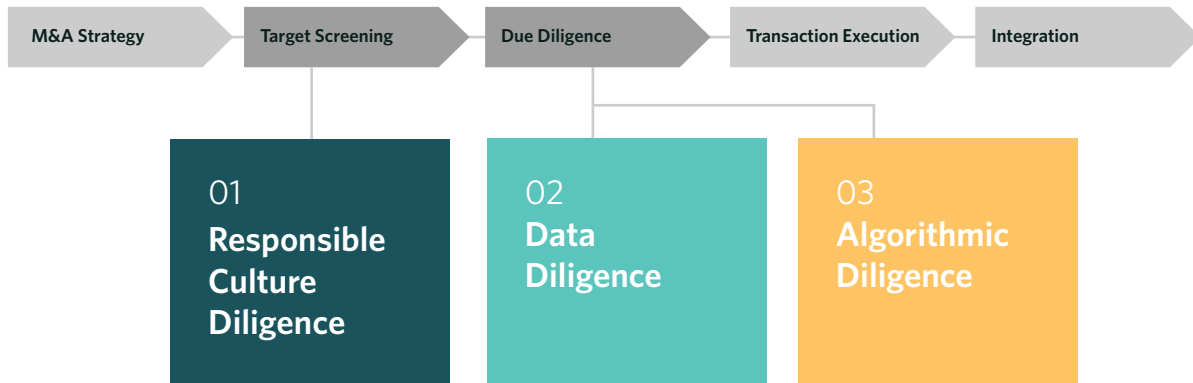
39 questions that assess a model's design, deployment, and monitoring to ensure the model performs as claimed, in a way that minimizes unintended consequences.

¹Global Total Corporate Artificial Intelligence (AI) Investment from 2015 to 2022, Statista, May 2022

²State of AI 2021 Report, CB Insights Research

When to use Responsible Data & AI Diligence for M&A

The modules were designed to be used during two phases of the M&A process: **Target Screening and Due Diligence.**



How to use Responsible Data & AI Diligence for M&A

The modules were developed with different acquisition strategies in mind. Here are the following module combinations we recommend depending on the types of acquisitions you typically make:

Deals where DATA is the main value driver

01
Responsible
Culture
Diligence

+

02
Data
Diligence

Deals where AI is the main value driver

01
Responsible
Culture
Diligence

+

03
Algorithmic
Diligence

Deals where TALENT is the main value driver

01
Responsible
Culture
Diligence

**Adapting
Responsible Data
& AI Diligence
for M&A to
your organization**

Responsible Data & AI Diligence for M&A is designed to be used in its complete form but can be adapted to fit the goals and sizes of your acquisitions.

Adoption of these diligence modules means your organization uses all three modules. However, which questions you use are at your discretion.

Importantly, many of these questions are designed for use *pre-acquisition*. We have outlined a subset of "high priority" questions that are strongly recommended for use pre-acquisition, as it may be difficult or impossible for you to remedy those issues at a later point in time.

01 Responsible Culture Diligence

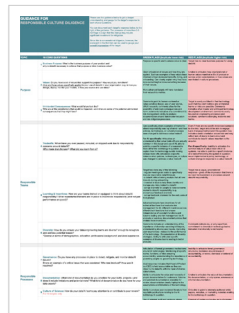
AI/ML models are fundamentally different from previous information technologies; their underlying hypotheses must be constantly tested and monitored. That testing and monitoring is carried out by the organization’s people. Without a culture of responsibility, AI failures can grow in frequency and intensity. Assessing the skills, values, and mindset of the people who design, deploy, and manage these technologies is just as important as assessing the technology itself.

This module includes 10 questions to assess a target's mindset around data and AI and the mechanisms in place to create a culture of responsibility and rigor. Maturity in this area is a strong indicator that a wide range of risks may have been considered and mitigated.

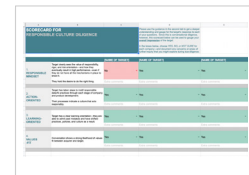
This module contains:



Questions
10 core questions to help facilitate the conversation, and education on why each question is important



Response Guidance
Guidance to help assess target responses



Scorecard Sheet
A scoresheet to grade and compare targets

Expertise needed for this diligence

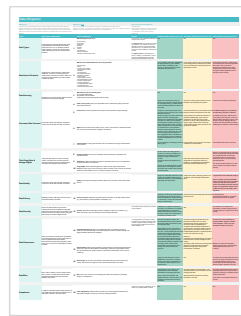
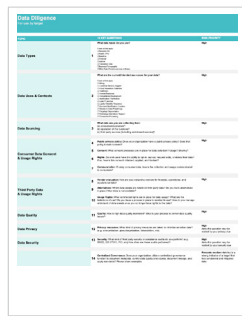
1. An M&A lead who is generally knowledgeable about data and AI. Deep technical expertise is not required. If this is not possible, invite a member of your data science or AI risk organization who has experience running teams.
2. The business unit lead who will oversee the team being acquired.

02 Data Diligence

Companies increasingly acquire targets for their data assets. Current data diligence includes a focus on privacy and security, but assessment of other aspects of data, such as data quality and data governance, is necessary to uncover its true value and additional risks.

Data diligence is meant to supplement an organization's existing technology diligence, privacy diligence, and security diligence.

This module contains:



Questions

27 questions
targets respond to in
writing, with relevant
documentation

Response Guidance

Guidance to help assess
target responses, with
education on why each
topic is important

Expertise needed for this diligence

1. Expertise can be drawn from data diligence teams, data science teams, and/or information technology teams.
2. Legal and compliance expertise is also necessary (with respect to regulation around data privacy and security).

03 Algorithmic Diligence

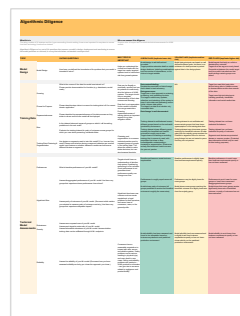
Like many early-stage technology markets, the AI/ML start-up space is constantly evolving, which can hinder accurate determinations of a company’s value and technological prowess.

Algorithmic Diligence is designed to assess an algorithmic model’s design, deployment, and monitoring to ensure that a model performs functions as claimed and was developed in a way that minimizes unintended consequences.

This module contains:



Questions
39 questions
targets respond to in
writing, with relevant
documentation



Response Guidance
Guidance to help assess
target responses, with
education on why each
topic is important

Expertise needed for this diligence

1. Expertise can be drawn from AI model evaluation teams, model risk teams, and/or AI governance teams.
2. Legal and compliance expertise is also necessary (with respect to emerging regulation around automated decision-making systems).

Contributors

The Alliance engaged a breadth of backgrounds and expertise—from M&A and due diligence to AI ethics and culture—in the development of Responsible Data & AI Diligence for M&A.

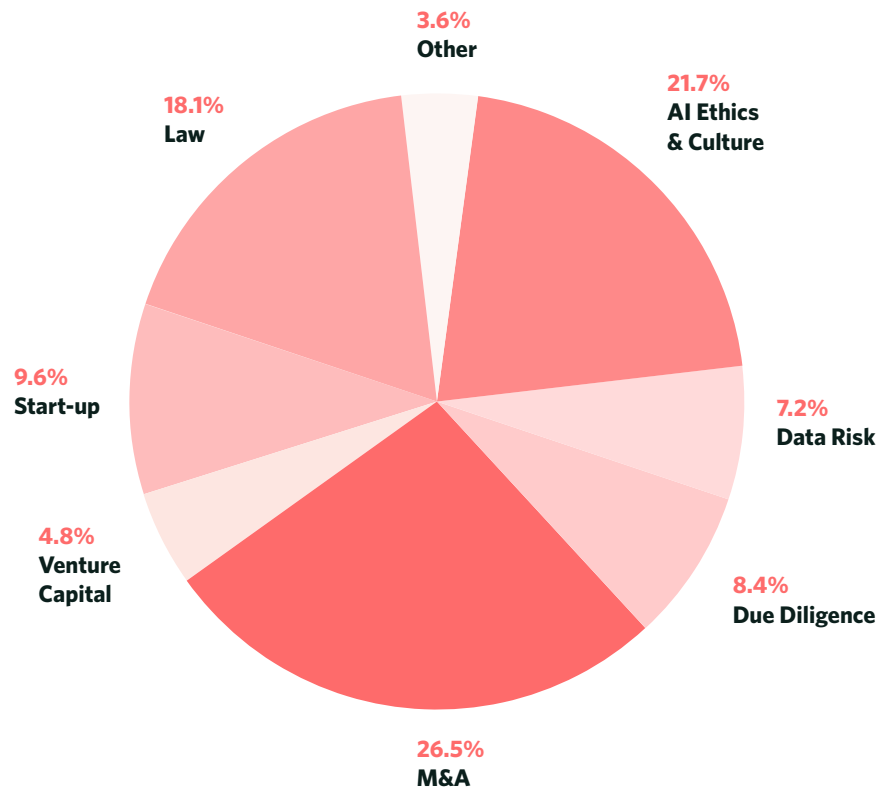
80+ experts
from 15 industries

300+ hrs
of interviews and
build sessions

55%
of contributors
from the Alliance





45%
of contributors from
outside the Alliance

Key Areas of Expertise










Chair & Oversight Team

Leadership Council members of the Data & Trust Alliance came together to guide this work and offer their expertise in data and AI, M&A, and organizational culture.

Chair	Oversight Team		
			
<p>Craig Glidden General Motors EVP for Policy, Cybersecurity & Legal</p>	<p>Mike Capps Diveplane Chairman & CEO</p>	<p>Paul Ballew NFL Chief Data & Analytics Officer</p>	<p>JoAnn Stonier MasterCard Chief Data Officer</p>

Development Group

A diverse group of experts was assembled from both inside and outside the Alliance to help build the content.

AI Ethics & Policy	AI Risk	Data Acquisition	Data Diligence
			
<p>Betsy Greytok IBM Vice President, Ethics & Policy</p>	<p>Susannah Shattuck Credo AI Head of Product</p>	<p>Will Albers NFL Director, Data Quality & Acquisition</p>	<p>Travis Carpenter Mastercard VP, Data Strategy</p>
Legal	M&A	Responsible Innovation	
			
<p>Elena Centeio GM Assistant General Counsel, Corporate Development, Strategy & Innovation</p>	<p>Drew Fletcher Nike Sr. Director, Global Corporate Development</p>	<p>Jon Zieger RI Labs Co-Founder & Executive Director</p>	

Connect with Us

If you need to contact us, please reach out to:
inquiries@dataandtrustalliance.org