

Founder Succession in DeepTech: Transferring Technical Authority without Destroying Value

A transaction framework for preserving scientific judgment, product continuity, customer confidence and intellectual property through leadership transition

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14 September 2026

Abstract

Founder succession in a deep-technology company can change more than executive leadership. A founder may carry scientific judgment, product architecture, customer credibility, regulatory memory, intellectual-property history and informal authority over critical technical decisions. When those capabilities remain concentrated in one person, a sale, investment or planned leadership change can weaken the asset that the transaction was intended to finance or acquire.

This paper presents a Founder Technical Authority Transfer framework for boards, buyers and investors. It separates corporate office from scientific authority, maps value-bearing decisions and knowledge, tests whether evidence can be reproduced without the founder, and moves authority through staged gates. The framework connects succession planning with transaction diligence, valuation, retention, intellectual-property control and the first 180 days after closing.

A wholly hypothetical deep-technology case illustrates the method. The company has an initial enterprise value of USD 120.0 million. An unmanaged founder departure creates a modelled USD 24.0 million value exposure. A gated transition reduces the exposure to USD 5.1 million. A USD 3.6 million retention and transfer programme therefore preserves USD 15.3 million of value after programme cost under the central assumptions. The illustration is a decision model and does not estimate the value of any company.

Every amount, probability, score, timing assumption and commercial outcome in the illustration is hypothetical. A live transaction requires verified employment and shareholder agreements, intellectual-property ownership, invention records, customer contracts, product evidence, regulatory obligations, data and system access, and advice from appropriately qualified legal, tax, accounting, technical and regulatory specialists.

JEL Classification: G34, M12, M14, O32, O34

Keywords: founder succession, deep technology, technical authority, key-person risk, intellectual property, M&A, knowledge transfer, retention, integration

1. Define the transaction decision

The board decision is whether the company can transfer leadership while preserving the technical capability that supports its value. In a financing, the question is whether the business can use new capital without remaining dependent on one individual. In an acquisition, the question is whether the buyer receives an operable technical system, defensible rights and a team that can continue development. In a planned succession, the question is whether the successor receives real authority and sufficient evidence to exercise it.

The decision should be framed before a successor is named. Management should identify the products, programmes, customer commitments and technical judgments whose failure would affect revenue, regulatory permission, safety, intellectual property or strategic value. It should then determine who currently makes those decisions, which evidence supports them and whether another qualified person can reproduce the reasoning.

The UK Corporate Governance Code requires an effective succession plan for the board and senior management and asks boards to maintain an appropriate combination of skills, experience and knowledge. The Code applies directly to companies within its scope, while its principles also offer a useful governance reference for private-company transactions. [1] The practical implication for a deep-technology company is that succession must cover capability and decision rights as well as job titles.

A transaction committee should approve the succession perimeter, the value-at-risk hypothesis, the evidence standard and the transition authority. Its membership will depend on the company and transaction. It commonly includes the chair, chief executive, technical leader, finance leader, legal counsel, product or programme leadership and a buyer or investor representative where permitted. Technical conclusions remain with suitably qualified specialists. The committee should record conflicts and protect privileged or restricted information.

2. Understand why deep technology concentrates authority

Deep-technology companies often develop around a scientific insight, specialist engineering method, regulated product, difficult manufacturing process or new combination of hardware, software and data. The path from research to repeatable commercial delivery can span experiments, failures, tacit judgment, supplier relationships and customer-specific adaptation. Formal documents may describe the design while leaving the reason for important choices in the founder's memory.

Current European evidence shows the scale and breadth of the sector. The European Innovation Council reported in 2026 that its portfolio included more than 800 supported start-ups and small and medium-sized enterprises, 350 EIC Fund investments and more than 1,000 venture and corporate co-investors. It also reported employment and revenue growth within its supported portfolio. These figures describe that programme rather than the whole market, but they illustrate why founder transitions increasingly intersect with institutional investment and cross-border capital. [3]

Technical authority can arise from five sources. The first is formal office, such as chief technology officer or principal investigator. The second is ownership of architecture or scientific decisions. The third is control of information, code, laboratory records, data or external relationships. The fourth is reputation with customers, regulators, partners and employees. The fifth is personal influence over what the organisation treats as technically credible.

These sources can sit in different people. A founder may hold board authority and customer trust while a principal engineer controls implementation. A scientific co-founder may direct research while a product leader owns release decisions. A regulatory specialist may be the only person who understands the evidence trail. Succession fails when the company transfers the title while leaving the other sources unidentified or unavailable.

3. Build the value-bearing authority population

The first work product is a complete population of technical authority. Start with the products, programmes and commitments that matter to value. Reconcile the product roadmap, system architecture, research portfolio, patents, trade secrets, source-code repositories, model and data inventories, laboratory notebooks, quality records, regulatory files, customer obligations, supplier dependencies and technical hiring plan.

Each item should have an owner, approver, consulted specialist, evidence location, current status and successor. The register should distinguish authority to propose, authority to review and authority to approve. It should also identify emergency authority, such as the ability to stop a release, reject a batch, suspend a model or notify a regulator.

The population should include negative knowledge. Failed experiments, rejected designs, unsafe operating ranges, abandoned suppliers and previously identified vulnerabilities can be as valuable as successful designs. A successor who sees only the approved solution can repeat costly failures because the decision history is absent.

NIST's Secure Software Development Framework includes documenting security requirements, tracking design decisions and collecting provenance information for software components. [7] These practices address software security, yet the underlying evidence disciplines are useful for technical succession. A company can extend them to model versions, test fixtures, materials, calibration, process recipes and system interfaces.

Table 1. Proposed population of value-bearing technical authority

Authority domain	Evidence to reconcile	Decision at risk	Proposed successor evidence
Scientific thesis	Research record, assumptions, rejected hypotheses and external validation	Continue, redirect or stop research	Independent explanation and challenge of the thesis
Product architecture	Design records, interfaces, dependencies and change history	Approve architecture and release scope	Reproducible design review led by the successor
Intellectual property	Invention records, assignments, licences and trade-secret controls	File, license, disclose or restrict	Verified ownership and documented protection decision
Safety and quality	Hazard analysis, validation, deviations and corrective actions	Release, suspend or remediate	Qualified approval supported by complete evidence
Customer commitment	Specifications, acceptance criteria, warranties and roadmap promises	Accept scope or change commitment	Customer-confirmed authority and delivery plan
Technical people	Role charters, critical skills, access and dependency	Hire, promote, retain or replace	Named deputies and tested operating coverage

Original framework. The population should be adapted to the company's technology, jurisdiction and assurance obligations.

4. Map authority rather than reporting lines

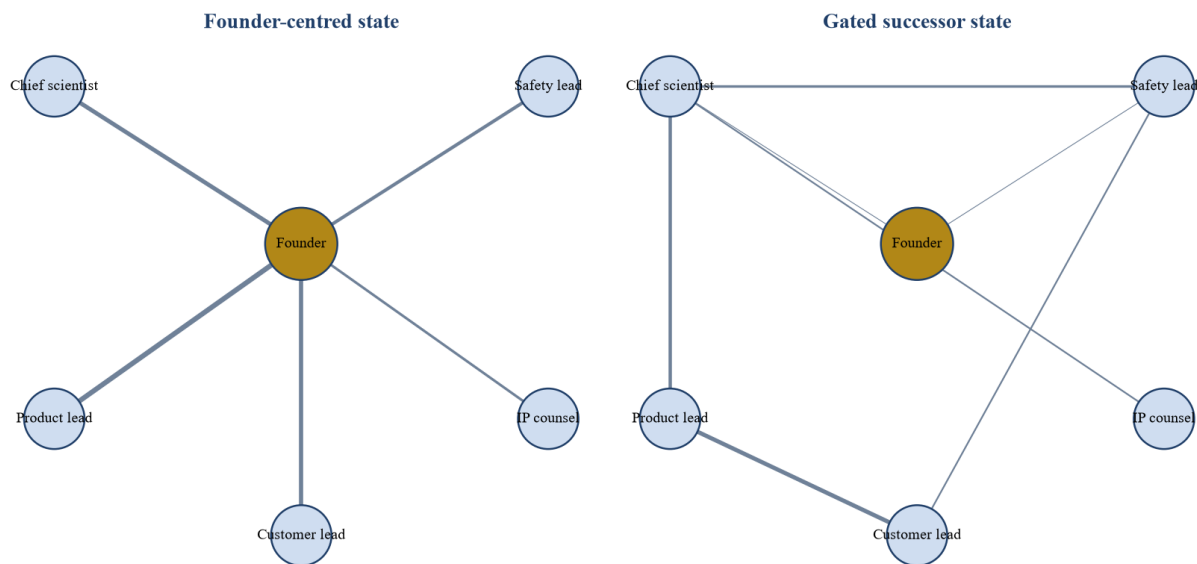
An organisation chart shows managerial accountability. It rarely shows who can overrule a design, interpret an anomalous test, approve a customer exception or decide that an experiment has failed. The authority map should connect material decisions to the people and evidence that make those decisions possible.

Begin with decision statements. Examples include approving a material substitution, changing a model threshold, accepting a safety deviation, filing a patent, disclosing a trade secret to a partner, committing to a customer specification, choosing a contract manufacturer and closing a technical incident. For each statement, record the current decision maker, the formal authority, the practical authority, the required evidence and the person who could take over.

The map should expose veto rights. A founder may have no documented veto while every major technical decision still waits for the founder's agreement. A buyer can misread this pattern as collaborative culture. The actual issue is an undocumented control. The transition plan should either formalise that control for a defined period or transfer it through observable tests.

The authority map in Figure 1 is hypothetical. Line width represents the number of material decisions shared between two roles. The founder is initially connected to product, science, customers, intellectual property and safety. The proposed state moves recurring authority into accountable roles and retains the founder for a limited set of high-consequence reviews.

Figure 1. Hypothetical transfer of technical authority from a founder-centred network



Original illustrative map. Connections and decision counts are hypothetical and describe no company.

5. Separate corporate office from scientific judgment

A founder may step down as chief executive while retaining a chief scientist or board role. That structure can preserve access to expertise, but its success depends on precise authority. Ambiguous titles allow two centres of power. Employees may seek the answer they prefer, the successor may avoid difficult decisions, and the founder may remain accountable in practice without the information or office needed to act.

Define the founder's post-transition role as a schedule of decisions. State which matters the founder approves, advises on, observes or no longer receives. Set monetary, technical and risk thresholds. Specify access rights, meeting cadence, response times, confidentiality, conflicts and how disagreement is resolved. Include an expiry or review date for every retained right.

Scientific judgment also needs a defined evidence standard. A founder's intuition may be valuable because it compresses years of experience. The company should unpack that intuition into testable questions without pretending that all tacit knowledge can be converted into a manual. Structured case reviews, paired decisions, red-team challenges and observed problem solving reveal more than a generic handover presentation.

The successor should make real decisions during the transition. A shadow role that carries no consequence does not test authority. Select bounded decisions with genuine technical and commercial relevance, provide the agreed evidence and require the successor to state the conclusion, assumptions, dissent and monitoring plan. The founder can then challenge the reasoning under a recorded protocol.

6. Define decision rights and escalation

Every material technical decision should have one accountable approver. Committees can supply evidence and challenge, while the approval should remain clear. Dual approval may be appropriate during transition for safety-critical or irreversible matters. It should be limited to named decisions and a defined period.

The escalation route should address technical disagreement. A successor may favour a faster release while the founder believes the evidence is inadequate. The escalation body needs sufficient technical competence, independence and access to evidence. Its role is to determine whether the agreed standard has been met and whether residual risk lies within authorised tolerance.

NIST's AI Risk Management Framework states that roles, responsibilities and communication lines for AI risk must be documented and clear. It also assigns executive leadership responsibility for decisions about risks associated with AI development and deployment. [6] These provisions are especially relevant when the founder has informally combined model design, product approval and executive risk acceptance.

Decision rights should extend to decommissioning. Technology value can be damaged when an inherited model, experimental process or prototype continues without an accountable owner. The transition register should specify who can suspend, supersede or retire each system and how customers or regulators are informed.

Table 2. Proposed authority transfer record

Decision	Current authority	Transition evidence	Successor test	Release condition
Product architecture change	Founder and product lead	Design history, interfaces, test results and customer effect	Successor chairs independent design review	Review closes material actions
Safety deviation	Founder and safety lead	Hazard record, validation and residual-risk statement	Successor decides a bounded deviation	Qualified safety leader concurs
Patent or trade-secret choice	Founder and IP counsel	Invention record, novelty search and disclosure plan	Successor presents protection rationale	Ownership and authority verified
Customer technical commitment	Founder and customer lead	Contract, specification, capability and delivery evidence	Successor leads customer review	Customer recognises the authority
Research programme continuation	Founder and chief scientist	Hypothesis, learning record, spend and milestone evidence	Successor recommends continue, redirect or stop	Board approves capital envelope

Original framework. Legal authority and regulatory accountability require jurisdiction-specific confirmation.

7. Measure knowledge concentration

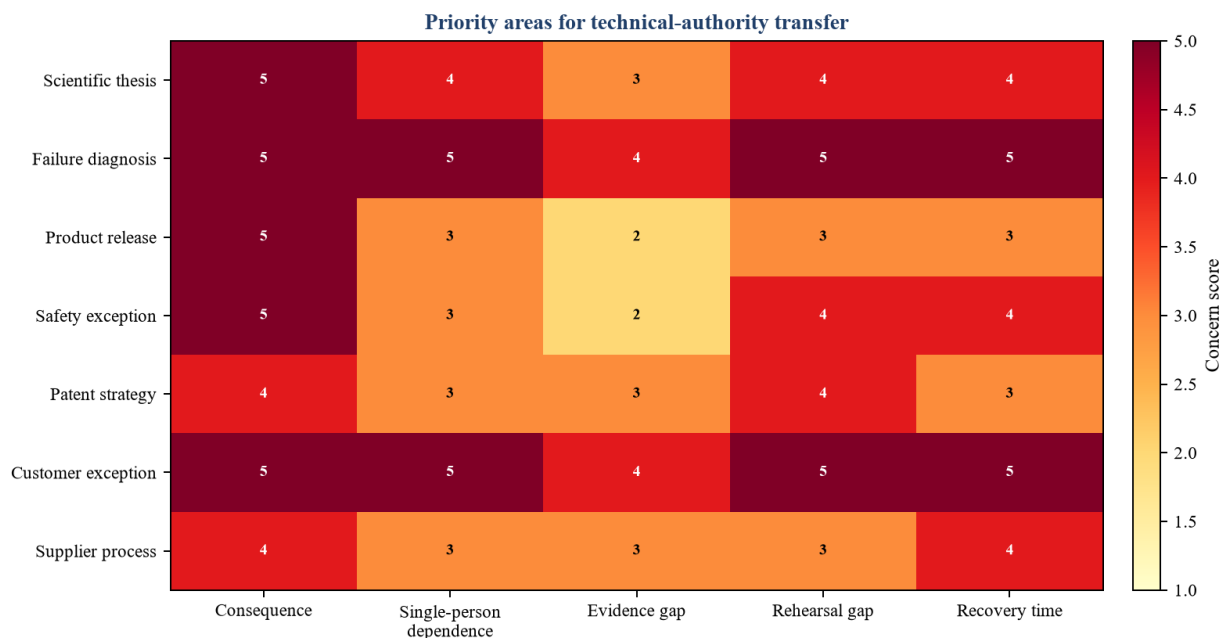
Knowledge concentration should be measured by consequence and reproducibility. Counting documents or trained employees does not establish transfer. A critical item remains concentrated when only one person can locate the evidence, explain the decision, perform the task, diagnose failure or persuade the relevant customer or regulator.

Score each knowledge domain across six tests: consequence of absence, number of capable people, evidence completeness, recency of rehearsal, external dependence and time to recover. Keep the component scores visible. A single composite score can hide a safety-critical weakness behind well-documented routine work.

Reproducibility should be demonstrated. Give the successor an unfamiliar but representative case, access to the approved evidence and the authority to decide. Observe whether the person can identify missing information, reach a defensible conclusion and explain monitoring. The test should avoid exposing restricted data beyond authorised access.

Figure 2 shows a hypothetical heat map. The founder remains highly concentrated in customer exception design and experimental failure diagnosis. Product release and patent decisions have nominated successors but incomplete rehearsals. The map directs investment toward the few transfer actions that protect the most value.

Figure 2. Hypothetical knowledge concentration and transfer readiness



Original illustrative heat map. Scores range from one for low concern to five for high concern and are wholly hypothetical.

8. Protect intellectual property and trade secrets

Founder succession can expose uncertainty about ownership, inventorship, licences and confidentiality. The company should reconcile patents, applications, invention disclosures, assignments, employment and consultancy agreements, university or laboratory rights, open-source obligations, data rights, background intellectual property and field-of-use restrictions.

WIPO describes intellectual-property due diligence as an audit used by investors, partners or buyers to examine a venture's intangible-asset portfolio. [4] The diligence should connect each material technology claim to an owned or permitted right. A list of patent numbers is insufficient when value depends on know-how, data, manufacturing parameters, research tools or third-party licences.

Trade-secret protection requires evidence of reasonable protective measures. WIPO identifies employee departure as a high-risk situation and recommends context-specific controls over access, return of materials, confidentiality reminders and exit processes. [5] Applicable employment, privacy, competition and trade-secret law varies by jurisdiction. The transition plan should therefore be reviewed by qualified counsel and should avoid treating a broad non-compete as the primary control.

The handover should preserve both secrecy and usability. Excessive restriction can leave the successor unable to operate. Classify information by purpose and sensitivity, identify authorised recipients, log transfers, preserve provenance and confirm that external advisers or buyers can use the material for the agreed purpose. Third-party confidential information should remain segregated from company-owned trade secrets.

9. Convert the product roadmap into evidence

A roadmap often mixes scientific possibility, product intent and customer commitment. Succession can expose the difference. The founder may understand which milestones are exploratory and which are contractual, while the written plan presents all milestones with similar confidence.

Each roadmap item should identify the technical hypothesis, current maturity, dependencies, acceptance criteria, evidence owner, customer effect, capital requirement and decision date. It should distinguish research completion from engineering readiness, manufacturing readiness, regulatory permission and commercial acceptance.

The European Innovation Council's 2026 reporting describes substantial activity in scaling deep-technology companies. [3] Scaling increases the need to translate technical progress into evidence that investors, boards and commercial partners can evaluate. The company should keep programme claims tied to dated tests and defined conditions.

A successor should re-baseline the roadmap during the overlap period. The exercise is not a forecast reset designed to create room. It is an evidence review that classifies each milestone as achieved, supported, conditional, disputed or unsupported. The board should approve changes that affect financing, valuation, customer commitments or regulatory obligations.

10. Preserve customer and partner trust

Customers may buy access to a founder's expertise as well as a product. This is common where the technology is novel, mission-critical or still being adapted. A leadership announcement can therefore trigger questions about performance, support, roadmap credibility and access to decision makers.

Map customers by dependence on the founder, contractual rights, revenue, renewal date, product criticality, unresolved technical issue and relationship owner. Separate relationship dependence from product dependence. A customer may trust the team but rely on the founder for one specialist approval. Another may have little personal contact while believing the founder's continued involvement signals stability.

The transition plan should give each priority customer a named technical and commercial owner, a factual continuity statement and an escalation route. Communications should match signed agreements and securities-law or confidentiality constraints. Avoid promising that the founder will remain available beyond the documented term.

Customer recognition is an observable transfer test. The successor should lead selected design, governance or incident reviews while the founder remains available under the agreed protocol. Record whether the customer accepts the successor's authority, whether decisions close on time and whether new commitments bypass the successor.

11. Retain the technical system around the founder

Founder departure can affect other inventors and technical leaders. Empirical research using sudden founder-chief-executive deaths in public firms found a decline in citation-weighted patent output and evidence of inventor departures following the transition to professional chief executives. The setting and historical period limit direct application to any specific private company, but the findings support explicit attention to technical-team retention. [9]

Build a role-based retention population. Identify people whose departure would impair a product, experiment, customer, approval, data asset or system. Verify the dependency rather than assuming seniority equals criticality. Include engineers, scientists, technicians, quality staff, programme managers, regulatory specialists and external collaborators where contractually relevant.

Retention should combine purpose, authority, workload, development and economics. A cash award cannot cure an unclear operating model. People need to know who decides, whether the technical mission continues, how performance will be evaluated and what role they can hold after the founder leaves.

The buyer or board should monitor leading indicators: regretted departures, declined offers, access bottlenecks, unresolved decisions, missed experiments, customer escalations and unauthorised founder bypass. Compensation data is sensitive and should remain within approved access. The monitoring design should comply with employment, privacy and consultation obligations.

12. Design the founder's transition role

The founder role should be built from the authority map. Common structures include a time-limited executive role, chief scientist position, board membership, technical advisory agreement or defined consultancy. The appropriate structure depends on the transaction, the founder's capability and preference, conflicts, tax and employment status, regulatory accountability and the successor's needs.

Specify deliverables. Examples include completing named customer handovers, closing defined invention records, transferring laboratory or system access, chairing a fixed number of design reviews, documenting specified failure modes, introducing external partners and rehearsing incident response. Each deliverable should have evidence and acceptance criteria.

Set boundaries around representation and instruction. Employees and customers should know when the founder speaks for the company and when advice is non-binding. The founder should not retain informal power over hiring, spending, architecture or customer commitments outside the agreed rights.

Plan the exit from the transition role. State the expiry date, extension authority, unresolved-item process, continuing confidentiality, intellectual-property obligations, record return and communications. A role with no completion condition can delay the successor's legitimacy and create continuing key-person risk.

13. Select and test the successor

Successor selection should start with the decisions the role must make. Define the required scientific depth, systems judgment, product discipline, customer credibility, people leadership, regulatory understanding and capital-allocation capability. Some companies need one chief technology officer. Others need a chief scientist and an engineering or product executive with separate authorities.

The FRC Code emphasises a formal, rigorous and transparent appointment process and an orderly succession pipeline. [1] A private deep-technology board can apply the same discipline while tailoring it to ownership and scale. Candidate assessment should include conflicts, references, technical challenge and observed decision making.

Use cases drawn from the company's real decision types while protecting confidential information. Ask the candidate to evaluate contradictory test results, a customer request that changes architecture, a security issue, a patent-versus-secrecy choice or a delayed research programme. Assess how the candidate requests evidence, handles uncertainty, records dissent and connects technical judgment to customer and financial consequences.

An internal successor may carry context and relationships. An external successor may bring scale experience or independence. Research on succession origin finds that performance effects depend on multilevel context rather than a universal preference for insiders or outsiders. [11] The board should therefore test fit against the actual authority map and transition conditions.

14. Establish a technical authority council

A temporary technical authority council can provide challenge and continuity during the transfer. It should have a narrow charter. Its purpose is to review defined high-consequence decisions, monitor evidence completion and resolve escalated disagreements. It should not become a substitute management team.

Membership should cover the technical domains that matter to the company. Independence matters where the founder and successor disagree or where a transaction incentive could bias a milestone conclusion. External experts may help, subject to confidentiality, conflicts, export controls and professional competence.

The council should record the question, evidence reviewed, conflicts, dissent, conclusion, owner and review date. Minutes should avoid disclosing sensitive detail beyond authorised recipients. Privilege should be managed by counsel where relevant.

The council should dissolve or reduce scope as transfer gates close. A permanent body can remain appropriate for safety, ethics or regulated oversight, but its long-term role should be governed separately. Succession completion requires the normal organisation to exercise authority without routine dependence on a transitional forum.

15. Quantify value exposure without false precision

Valuation should connect founder dependence to specific cash flows, assets and options. Avoid applying an arbitrary key-person discount to enterprise value. Identify the pathways through which transition can affect revenue, margin, product timing, capital needs, intellectual property, employee retention and terminal value. Estimate ranges and show overlap.

IAS 38 describes identifiable intangible assets and distinguishes research expenditure from qualifying development expenditure. It also notes that patents, software, licences and contractual rights can meet the definition of an intangible asset. [8] Accounting recognition differs from transaction value, but the standard helps separate identifiable rights from internally generated goodwill and continuing organisational capability.

The hypothetical case begins with an enterprise value of USD 120.0 million before succession adjustments. Under an unmanaged departure scenario, product delay creates USD 8.0 million of exposure, customer and partner disruption USD 7.0 million, technical-team attrition USD 5.0 million, and intellectual-property or evidence remediation USD 4.0 million. These categories are adjusted for overlap, resulting in USD 24.0 million of net value exposure.

A gated transition reduces the net exposure to USD 5.1 million. The model assigns USD 3.6 million to retention, overlap, evidence completion and independent technical assurance. The central net value preserved after programme cost is USD 15.3 million. These values are hypothetical, sensitive to assumptions and unsuitable as valuation benchmarks.

Table 3. Hypothetical founder-succession value bridge

Value item	Unmanaged departure exposure	Gated transition exposure	Exposure reduction
Product and approval delay	8.0	1.8	6.2
Customer and partner disruption	7.0	1.4	5.6
Technical-team attrition	5.0	1.1	3.9
Intellectual-property and evidence remediation	4.0	0.8	3.2

Value item	Unmanaged departure exposure	Gated transition exposure	Exposure reduction
Net exposure before programme cost	24.0	5.1	18.9
Transition programme cost	0.0	3.6	negative 3.6
Net value preserved	0.0	0.0	15.3

Original model. Amounts are USD millions, describe no company and require replacement with verified transaction evidence.

16. Use scenarios and explicit overlap

Risks should not be added mechanically when they affect the same cash flow. Product delay can cause customer loss and staff attrition can extend the delay. Build a pathway model that shows primary effects, dependencies, timing and recovery. Use management-approved scenarios with traceable evidence.

The downside scenario assumes an abrupt departure, incomplete ownership evidence, customer concern and loss of two critical technical leaders. The modelled enterprise value after exposure is USD 96.0 million. The central scenario uses a six-month gated transfer and produces USD 114.9 million before programme cost is considered separately. The upside scenario assumes authority has already been institutionalised and a broader leadership team improves commercial execution; the illustrative value is USD 120.8 million.

The upside should remain disciplined. Succession can create value when it removes a scaling constraint, improves capital allocation or strengthens customer coverage. That value requires evidence and should not be included merely to balance downside cases.

Transaction models should show whether exposure affects enterprise value, net debt, working capital, earn-out metrics, purchase-price adjustments or post-close funding. The same issue should not be deducted twice. Finance, valuation and accounting specialists should review the bridge.

17. Structure consideration around transfer evidence

Transaction structure can allocate founder-transition risk through deferred consideration, earn-outs, retention awards, escrow, warranties, covenants, closing conditions and post-close services. Each instrument should address a defined risk and respect applicable law, tax, accounting and employment requirements.

An earn-out based only on revenue can motivate commitments that increase technical risk. A milestone based only on technical completion can ignore customer acceptance or cash. A balanced structure may combine objective technical evidence, customer continuity and organisational transfer, with clear definitions and dispute procedures.

Avoid paying twice for the same obligation. Purchase consideration, employment compensation, restrictive covenants and consultancy fees can have different legal and accounting treatment. The transaction documents should identify the purpose, recipient, conditions, timing and remedies for each payment.

The hypothetical USD 3.6 million programme allocates USD 1.5 million to founder transfer milestones, USD 1.2 million to critical technical-team retention and USD 0.9 million to evidence completion, independent assurance and customer transition. The amounts are illustrative and assume no particular tax or accounting treatment.

Table 4. Hypothetical retention and transfer structure

Component	Illustrative amount USD million	Evidence condition	Principal failure to avoid
Founder transfer milestones	1.5	Named authority gates, customer handovers and completed evidence accepted	Payment for presence without transfer
Technical-team retention	1.2	Continued service, role acceptance and critical programme coverage	Retaining titles while losing capability
Independent assurance and evidence	0.6	Verified ownership, access, validation and decision records	Self-certification of incomplete transfer
Customer and partner transition	0.3	Priority relationships recognise successor authority	Informal dependence continuing after close
Total programme	3.6	Committee acceptance under defined protocol	Uncontrolled discretion and double payment

Original illustration. Terms, enforceability and treatment require transaction-specific professional advice.

18. Make diligence test operability

Technical diligence should test whether the buyer or company can operate after the founder leaves. Review documents and interview the people who use them. Trace a product claim from research record to design, test, release, customer obligation and cash. Trace a patent or trade secret from creation to ownership, protection and authorised use.

WIPO's current venture guidance recommends preparing ownership records, registrations, licences, employee and contractor agreements, and evidence of protection for intellectual-property diligence. [4] The company should also identify disputes, encumbrances, open-source obligations, university rights and third-party confidential information.

Ask the successor or deputy to run a real operating cycle. Examples include chairing a design review, approving a bounded release, responding to an anomalous result, explaining a regulatory submission, negotiating a technical customer issue or deciding whether to continue an experiment. Observe where founder intervention remains necessary.

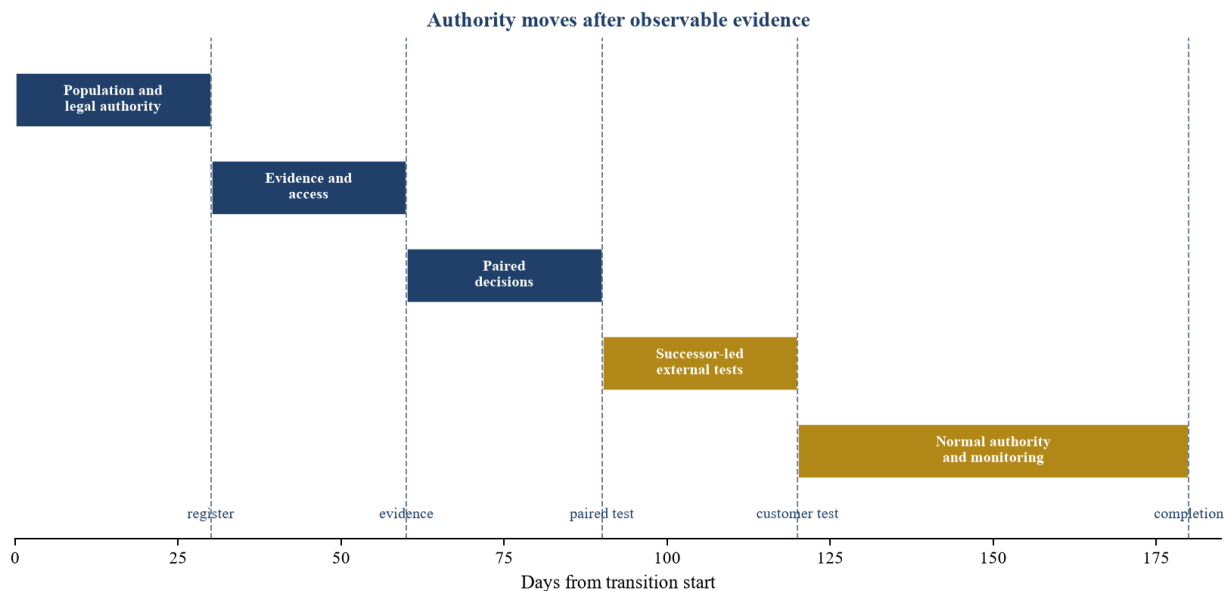
Diligence conclusions should use dated evidence. Classify each issue as verified, partly verified, unresolved or contradicted. State the consequence and proposed transaction response. Avoid treating interview confidence as proof of ownership, reproducibility or customer acceptance.

19. Release authority through transition gates

Authority should move through gates tied to evidence. The first gate establishes the population and legal authority. The second verifies intellectual property, access and technical records. The third demonstrates paired decisions. The fourth tests independent successor decisions. The fifth transfers external recognition and normal governance.

Figure 3 presents a hypothetical 180-day sequence. The founder remains involved in high-consequence decisions during the early gates. The successor takes recurring authority by day 60, leads customer and product decisions by day 120, and operates under normal governance by day 180. Timing must follow evidence and applicable obligations.

Figure 3. Proposed 180-day technical-authority transfer gates



Original illustrative roadmap. Timing should be adapted to product, transaction, regulation and evidence readiness.

20. Monitor value and complete the transition

The board should monitor whether the company is becoming less dependent on the founder. Measures should connect to the authority map. Examples include successor-led decisions completed on time, evidence exceptions, customer recognition, product milestones, safety deviations, critical staff retention, access bottlenecks and founder interventions outside the agreed role.

Founder interventions require interpretation. Early intervention can be part of the designed transfer. Persistent intervention after a gate may indicate incomplete authority, weak successor capability, missing evidence or cultural resistance. Record the reason and the decision consequence.

Completion should require evidence from four areas. The successor has exercised the defined authority. The technical team operates under clear roles. Priority customers and partners recognise the operating model. Intellectual property, systems, records and external obligations are controlled. The committee should identify any residual founder dependence and decide whether to accept, mitigate, transfer or avoid it.

Research on succession and innovation reports mixed and context-dependent results. One 2023 study found a negative association between formal succession planning and innovation in its sample, while other research connects founder departure and successor characteristics to changes in innovation. [9] [10] [11] These findings do not determine an individual transaction. They reinforce the need to test how a proposed transition affects the specific people, decisions and evidence that produce value.

The transaction should close its succession work when ordinary governance can run the technical system. The lasting asset is an organisation that can explain what it knows, identify what remains uncertain, make authorised decisions and continue learning without depending on one person's availability.

21. Connect succession to signing and closing

The transaction timetable should treat founder succession as a closing workstream. The heads of terms should identify whether continued founder service, invention assignment, access transfer, customer consent or key-person retention is required. The diligence plan should then convert each requirement into evidence, responsibility and a date. Deferring the design until documentation creates pressure to accept vague obligations or untested conditions.

Signing conditions should be reserved for matters that genuinely affect the buyer's ability to own or operate the asset. Examples can include verified ownership of material intellectual property, execution of a defined founder agreement, retention of named critical personnel, delivery of controlled credentials and completion of customer or regulatory steps required by contract or law. Counsel should determine enforceability, disclosure and remedy.

Interim operating covenants require technical input. A broad restriction on changing the business can prevent necessary experiments, releases or security actions. A permissive covenant can allow the technical perimeter to change before closing. The parties should define ordinary-course research and development, permitted spending, required consultation and matters needing consent. Emergency safety or security action should have a clear route.

Completion deliverables should include more than signed agreements. Confirm repository administration, laboratory and facility access, signing keys, certificates, domain and cloud control, data permissions, regulatory portals, supplier contacts, technical insurance information and custody of original records. Sensitive credentials should move through secure procedures and should not be placed in a general data room.

The first board meeting after closing should approve the authority map, transition charter, capital envelope, reporting cadence and unresolved-item register. It should also confirm who can speak to customers, regulators, employees and external partners. The minutes should record accepted residual risks and delegated actions without reproducing protected technical detail unnecessarily.

If a required condition remains unresolved, the parties need an explicit decision. They can postpone closing, change the perimeter, hold back consideration, fund remediation, obtain an appropriate protection or accept the risk through authorised governance. The response should follow verified consequence and available remedies. Transaction urgency should not convert an unidentified technical dependency into an assumed capability.

Frequently asked questions

Is founder succession always necessary before a deep-technology sale

No. The required structure depends on the buyer, founder, team, technology and transaction. The diligence should identify actual dependence and define the authority needed after closing.

Can the founder remain chief scientist after stepping down as chief executive

Yes, subject to a clear role, decision rights, conflicts, employment or consultancy terms and an agreed completion path. The title should correspond to observable authority and deliverables.

How should a buyer value key-person risk

Connect the risk to specific cash flows, product timing, customer commitments, intellectual property, staff retention and capital needs. Use ranges, disclose assumptions and adjust for overlap.

What proves that technical knowledge has transferred

Evidence includes successor-led decisions, reproducible tests, accessible records, functioning deputies, recognised customer authority and successful incident or exception rehearsals.

Should every technical decision be documented

Material decisions and their evidence should be traceable. The depth should reflect consequence, regulation, safety, security and commercial importance. Routine work can use proportionate controls.

Can an earn-out solve founder dependence

An earn-out can allocate part of the risk when metrics are objective and controllable. It cannot replace ownership evidence, operating authority, team retention or customer transition.

How long should a founder transition last

The period should follow the evidence needed to transfer authority. Product cycles, regulatory milestones, customer approvals and transaction terms can materially change the appropriate duration.

Who should certify that succession is complete

The authorised board or transaction committee should accept completion using input from accountable technical, legal, finance, people and customer leaders. Independent specialist review may be appropriate for high-consequence matters.

Appendix A. Proposed diligence request list

Request the current organisation chart, delegated authorities, board and technical-committee charters, founder employment and shareholder agreements, succession plans and post-transition role proposal. Reconcile the list of material products, programmes, experiments, customer commitments, technical incidents and regulatory obligations.

Request system architecture, design history, test and validation records, source-code and model repositories, data lineage, laboratory notebooks, manufacturing process records, quality deviations, security records, supplier dependencies and access lists. Identify documents or systems that only the founder can access or interpret.

Request patents, applications, invention disclosures, assignments, employment and consultancy intellectual-property clauses, licences, university or government-funding rights, open-source records, data rights, trade-secret inventories and protection measures. Ask counsel to identify jurisdiction-specific ownership, mobility and confidentiality issues.

Request critical-role and retention analysis, current vacancies, regretted departures, succession candidates, compensation arrangements and post-close organisational proposals within authorised access. Request customer and partner dependency maps, unresolved technical commitments, change-of-control rights and proposed communications.

For each material decision, record the current authority, successor, evidence, rehearsal, external recognition, open issue and target gate. Confirm that the diligence record distinguishes verified evidence, management representation and unresolved matters.

Interview planning should avoid allowing the founder to answer every technical question. Begin with management's explanation of the operating model, then test the accountable technical and commercial owners separately. Reconcile differences to records. A consistent narrative can support confidence, while documentary and operating evidence remains necessary.

Request a list of incidents, failed releases, rejected experiments, customer exceptions and material technical disputes. Select a risk-based sample and trace the decision from detection through evidence, authority, action, communication and closure. This test can reveal whether the company operates through repeatable controls or through the founder's personal intervention.

Review the proposed 180-day plan against product and customer calendars. A handover date that falls immediately before a major regulatory submission, factory transfer, clinical milestone, safety validation or customer launch may create avoidable concentration. Sequence the transfer so the successor has participated in at least one representative operating cycle where practicable.

Appendix B. Hypothetical model assumptions

The illustration begins with enterprise value of USD 120.0 million. The unmanaged case deducts USD 8.0 million for product and approval delay, USD 7.0 million for customer and partner disruption, USD 5.0 million for technical-team attrition and USD 4.0 million for intellectual-property and evidence remediation. The stated USD 24.0 million net exposure assumes overlap has already been incorporated.

The gated case retains residual exposures of USD 1.8 million, USD 1.4 million, USD 1.1 million and USD 0.8 million. The total is USD 5.1 million. The programme cost is USD 3.6 million. Exposure reduction is USD 18.9 million, and net value preserved after programme cost is USD 15.3 million.

The downside enterprise value is USD 96.0 million after unmanaged exposure. The central enterprise value is USD 114.9 million before separately considering programme cost in the transaction bridge. The upside value of USD 120.8 million assumes institutionalised authority and a small improvement in execution. No probability is assigned to any scenario.

All figures are hypothetical. The model excludes tax, accounting classification, financing effects, working capital, transaction costs, currency, time value, litigation, regulatory remedies and many company-specific interactions. Users should replace each input with verified evidence and prevent double counting across valuation, purchase-price and funding adjustments.

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