

Teel & Company

STRATEGISTS AND CPAs

M&A READINESS · FIELDWORK SLIDES NO. 01

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# Building the Enterprise That Passes Diligence

*A path for enterprise leaders and their boards*

*Issued · May 2026*

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PART ONE · THE READER AND THE MOMENT

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## The path and the test

*For most midmarket enterprises, the path to M&A liquidity begins years before the transaction itself. By the time a buyer arrives at due diligence, the enterprise is already what it has become.*

**Diligence does not build the enterprise. It examines what was built.**

The buyer's examination extends well beyond the financial statements. It tests how coherently the enterprise was built—across leadership and team, operating processes that carry work, execution that converts decisions into results, customer relationships that reflect delivered value, and economic structure that sustains it under constraint.

The *Enterprise Science*™ system—a body of work published separately by [Enterprise Science](#)™—articulates these dimensions across the [Five Enterprise Domains](#)™. The system is descriptive: it names what is already there. We reference it throughout this guide because it is the most precise vocabulary available for the structural conditions that determine diligence outcomes.

This guide is written for two audiences: the enterprise leader, building the team and capabilities; and the Board, exercising oversight on whether the path is being walked credibly.

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*Diligence does not build the enterprise.  
It examines what was built.*

See [Map No. 01-B](#) · See [Field Note No. 01-A](#)

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PART TWO · THE BUYER'S VIEW

# What diligence examines

*Diligence is conducted by people who do this professionally and have seen many enterprises. Their examination follows a structural pattern.*

## LEADERSHIP & TEAM

### Who runs it, and what happens without them

Founder dependency. Bench depth. Succession architecture. Retention of key team members through the transition. Capacity to operate under new ownership.

## OPERATING PROCESSES

### How the work is actually carried

Documentation of the systems that run finance, HR, operations. Process maturity. Integration across functions. Scalability under growth and under change of ownership.

## EXECUTION CAPABILITY

### Whether decisions translate into results

Management reporting cadence and quality. Decision velocity. Speed of corrective action. Evidence the enterprise can read its own condition, catalog lessons learned and respond.

## CUSTOMER RELATIONSHIPS

### What the relationship to revenue actually is

Customer concentration. Contract structure and renewal economics. Net retention. Reference customers. Whether revenue is recurring, episodic, or transactional in nature.

## ECONOMIC STRUCTURE

### Whether the financial story holds under constraint

Revenue quality. Margin structure and durability. Working capital posture. Cash conversion. Whether the financials reflect the enterprise or compensate for it.

See [Map No. 01-A](#) · See [Field Note No. 01-A](#)

PART THREE · THE ENTERPRISE SCIENCE SYSTEM

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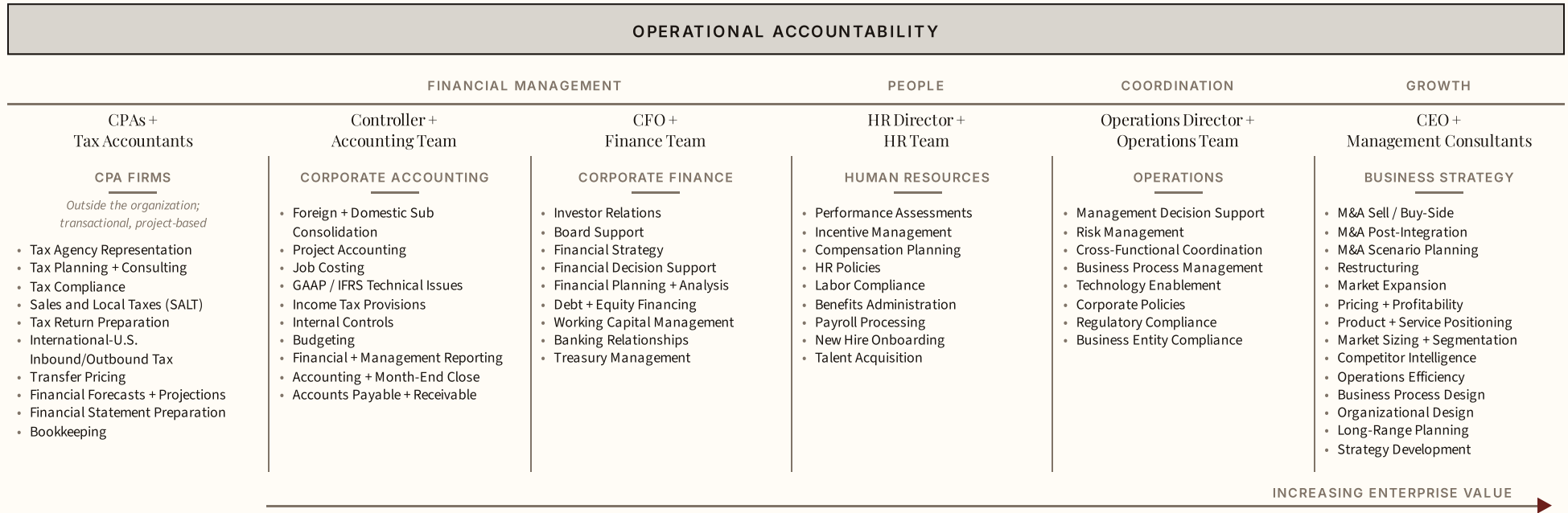
## Reading the enterprise: the Five Enterprise Domains

The Enterprise Science system—a body of work published separately by [Enterprise Science](#)<sup>™</sup>—articulates the structural conditions of enterprise coherence across five domains. Each domain governs a phase of how enterprise value is either created or eroded—the key drivers in the M&A valuation.

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|-----------|--|---|
| <b>01</b> | <b>People + Alignment</b><br><i>Where interpretation forms</i>                       | Purpose, expectation, and decision authority—the meanings that shape how the enterprise reads its own situation before any work is undertaken.                        |
| <b>02</b> | <b>Processes + Integration</b><br><i>Where work is carried</i>                       | The structural sequences and interfaces that move work, decisions, and information through the enterprise. Whether the architecture fits the work it must support.    |
| <b>03</b> | <b>Execution + Intelligence</b><br><i>Where the system reveals itself under load</i> | Decisions translating into action under real conditions. What execution exposes about reality. The motion that registers what the enterprise actually is.             |
| <b>04</b> | <b>Customer + Interaction</b><br><i>Where enterprise behavior becomes experience</i> | Consistency, reliability, and delivered value as interpreted by those who benefit from the enterprise's products and services. Where value is recognized or rejected. |
| <b>05</b> | <b>Economics + Metrics</b><br><i>Where constraint is enforced</i>                    | How resources are allocated, tradeoffs accumulated, and continuity sustained or consumed. The structural reading of the enterprise's economic condition.              |
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See [Map No. 01-A](#) · See [Field Note No. 01-A](#)

**PART FOUR · EXECUTION ARCHITECTURE · BUILDING ENTERPRISE VALUE WITH INTERNAL TEAMS AND EXTERNAL ADVISORS**



See [Map No. 01-G](#) · See [Field Note No. 01-F](#)

PART FIVE · PATTERNS AT THE TABLE

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## Where coherence breaks under diligence

*Across midmarket due diligence, the patterns that erode enterprise value tend to map cleanly to the Enterprise Science system. What appears as a single financial finding usually originates as a structural condition in one or more domains.*

PEOPLE + ALIGNMENT

*The leader is the system*

Founder dependency without succession architecture; key decisions still concentrated in one or two people; institutional memory uncodified.

PROCESSES + INTEGRATION

*Manual where it should be structural*

Spreadsheets carrying critical processes; key-person dependencies in month-end financial close; controls described in interviews but not documented.

EXECUTION + INTELLIGENCE

*The enterprise cannot read itself*

No reliable management reporting; month-end close runs ten or more days; decisions made without timely data; corrective actions arrive late.

CUSTOMER + INTERACTION

*The relationship is concentrated or undocumented*

Top-three customer concentration outside diligence-comfortable bounds; contracts informal or expired; assignment issues in customer contracts; renewal logic not visible in the data; reference customers shallow.

ECONOMICS + METRICS

*The financials compensate for the enterprise*

Margin variance unexplained; working capital trapped; cash conversion lagging earnings; revenue recognition decisions that don't survive scrutiny; no prior annual financial statement audits.

See [Map No. 01-C](#) · See [Field Note No. 01-C](#)

PART SIX · THE HORIZON, READ IN CAPABILITY

# The capability build sequence

*Diligence-grade capabilities take time to build and must be sequenced. The horizon dictates when each capability needs to be in place—not when it begins.*

## 5+ YEARS OUT

### Foundation

- Organizational design that scales
- Financial systems and chart of accounts
- Key commercial relationships established
- Corporate-strategy posture defined

## 3–5 YEARS OUT

### Maturity

- Management reporting at monthly cadence
- Financial close discipline established
- Annual financial statement audits at 3 years out
- Process integration across functions
- Talent depth at the second tier

## 12–24 MONTHS OUT

### Diligence Preparation

- Audit-ready financial records
- Customer concentration analysis
- Documented controls and policies
- Management team retention plan
- Investment bankers and M&A lawyers retained

## 0–12 MONTHS OUT

### Transaction Posture

- Data room assembled
- Q-of-E analysis completed
- Negotiation positioning prepared
- Transaction execution coordination in place

▶ TOWARD LIQUIDITY

See [Map No. 01-D](#) · See [Field Note No. 01-D](#)

PART SEVEN · THE TEAM THAT BUILDS THE ENTERPRISE

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## The team build sequence

Capabilities require people. The roles below are the structural team a midmarket enterprise needs in place to build the operating reality diligence will examine. Sequence matters.

### 01 CEO + Management Consultants

*Strategy, long-range planning, M&A scenario work*

Strategic posture; market sizing; capital allocation logic

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### 02 CFO + Finance Team

*Financial leadership and capital decisions*

Financial planning; investor relations; treasury; financing posture; tax strategy and compliance; FP&A; management reporting; financial decision support

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### 03 Controller + Accounting Team

*Financial discipline and accounting integrity*

Close discipline; reporting cadence; GAAP/IFRS technical issues

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### 04 HR Director + HR Team

*People systems and incentive architecture*

Compensation planning; performance assessment; retention

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### 05 Operations Director + Operations Team

*Cross-functional coordination and process discipline*

Process management; risk management; technology enablement

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### 06 Project Manager

*Transaction execution coordination*

Data room assembly; diligence response; transaction logistics

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See [Map No. 01-F](#) · See [Field Note No. 01-E](#)

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PART EIGHT · A STRUCTURAL MODEL

## Operational accountability

*The diligence preparation horizon requires team and capabilities in place years before the transaction. The structural challenge for most midmarket enterprises building toward liquidity is institutional: the team that diligence examines, and the operating standards that team holds, are structurally difficult to build at the depth diligence requires while running the business that pays for them.*

Operational accountability for execution is the structural condition where experienced professionals—internal teams and the external parties they work alongside, including advisors, accountants, lawyers, and bankers—operate with day-to-day responsibility for whether decisions convert into operating results. The structural commitment is to the work itself, not periodic touchpoints from outside it.

The condition produces a documented operating reality that survives ownership transition. Institutional memory accumulates across the multi-year preparation horizon and is held inside the enterprise—in its team, its systems, and the operating standards both internal and external parties carry through to transaction close.

### ARCHITECTURE

#### Integrated team and advisors

Internal teams operating day-to-day enterprise execution, integrated with external advisors providing specialized services where outside expertise is required.

### HORIZON

#### Sustained presence

Across the diligence preparation window—institutional memory through to close. The horizon, not the project.

### SCOPE

#### Operational architecture

The four function categories diligence examines—integration across financial management, people, coordination, and growth.

### POSTURE

#### Inside the organization

Operational accountability for the work itself, not periodic external touchpoints from outside it.

See [Map No. 01-G](#) · See [Field Note No. 01-B](#)

PART NINE · THE GOVERNANCE POSTURE

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## The Board's view

*The Board faces the same horizon, but in oversight posture. Its work is to evaluate whether the path is being walked credibly—and to ensure the institutional weight of the team building it.*

### THE BOARD'S STRUCTURAL QUESTIONS

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- Is the team being built—beyond the founder?
- Is operating reality documented in the systems, or only in the people?
- Does management reporting tell the Board what diligence will eventually find?
- What is customer concentration, and what is the renewal economics?
- Does the financial story hold under scrutiny—or compensate for the enterprise?

### WHAT GOOD GOVERNANCE LOOKS LIKE

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#### *Visible bench*

The team building the path is observable; founder-dependency risk is reduced through documented succession architecture.

#### *Documented operating reality*

Daily institutional records, controls, and reporting that survive ownership transition.

#### *Continuity through transaction*

Sustained team architecture across the preparation horizon; institutional memory through to close.

#### *External institutional perspective*

Governance-grade observation in Board discussions of management posture from sources outside the operating team.

See [Map No. 01-G](#) · See [Field Note No. 01-F](#)

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*The seat at the principal's table*

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