

Teel & Company

STRATEGISTS AND CPAs

M&A READINESS · MAPS NO. 01

Building the Enterprise That Passes Diligence

A path for enterprise leaders and their boards

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STAKEHOLDER PERSPECTIVES

The same enterprise, five lenses

Five stakeholders looking at the same enterprise see five different enterprises. The contrast is the diligence gap—what the leader sees as growth, the buyer sees as risk; what feels coherent inside is read as fragile under examination.

THE CONTRAST IS THE INSIGHT

An enterprise has no single vantage. What gets discounted at diligence is the gap between how leadership reads its own institution and how buyers, boards, and senior employees read it.

LENS 1

Founder

What the founder sees inside their own enterprise.

- Revenue and margin moving in the right direction
- Team performing; key customers stable
- Personal relationships are the firm's strength
- Operational decisions handled in real time

"We're approaching milestone. The growth story is intact."

LENS 2

CFO & finance

What the senior finance officer sees in the close cycle.

- Month-end discipline still inconsistent
- Revenue recognition treatment unsettled in places
- Customer concentration showing in the numbers
- Reporting infrastructure two upgrades behind

"We need two more years of clean reporting before anyone audits this."

LENS 3

Board

What the Board sees in oversight materials and meetings.

- Trajectory directionally right; verification thin
- Founder concentration is the named risk
- Succession architecture not visible
- Strategic options being scoped—readiness uncertain

"How ready, structurally, are we—really?"

LENS 4

Buyer

What the acquirer sees during diligence examination.

- Single point of failure: the founder
- Customer relationships not transferable
- Reporting inconsistencies surface quickly
- Talent retention through transition unverified

"What survives without the founder?"

LENS 5

Senior employees

What the second-tier leadership sees from inside operations.

- Critical decisions still escalated to founder
- Authority boundaries informal and shifting
- Customer relationships belong to founder
- Process documentation thin or absent

"We work hard. The founder still drives the calls that matter."

See [Fieldwork Slide No. 02](#) · See [Field Note No. 01-A](#)

INVERSION—THE FAILURE CATALOG

What “not building” specifically looks like

The deck argues for building. This Map inverts: when each horizon's capabilities are not built, these specific failures surface at diligence. The catalog is not theoretical—each item is what a buyer's diligence team writes in the report.

FOUNDATION ABSENT

When the institution is not designed

No organizational architecture, no financial systems, no decision framework.

DILIGENCE FINDS

- **Org chart with one node.** Founder is operationally everywhere; no second tier with real authority.
- **Chart of accounts that cannot reconcile.** Reporting changes month to month; comparability across years impossible.
- **Decision rights undefined.** Every material decision escalates; bottleneck is structural.
- **Strategic posture inconsistent.** Public narrative and operating reality diverge under questioning.

“There is no enterprise to acquire—only the founder.”

MATURITY ABSENT

When systems do not yet operate

Foundation in place, but reporting cadence, audit history, and second-tier capacity not built.

DILIGENCE FINDS

- **Monthly reporting unreliable.** Numbers change after the fact; close discipline absent.
- **No audit history.** Three years of audited statements unavailable; comfort level low.
- **Process integration thin.** Functions operate in silos; cross-functional coordination is founder-mediated.
- **Talent depth missing.** Function leaders cannot run their functions independently.

“The institution exists but does not operate institutionally.”

DILIGENCE PREP ABSENT

When the structure has not been examined

Capabilities partly in place, but never tested under examination conditions.

DILIGENCE FINDS

- **Records not audit-ready.** Documentation gaps surface across financial, customer, and operational records.
- **Customer concentration unmeasured.** Concentration risk known to leadership but never analyzed or disclosed.
- **Controls undocumented.** Internal controls exist informally; cannot demonstrate to a third party.
- **Management retention unaddressed.** Key talent flight risk through transaction not mitigated.

“Preparation is a project the institution did not start.”

TRANSACTION POSTURE ABSENT

When the close is approached unprepared

Diligence prep capabilities partly in place, but transaction execution not coordinated.

DILIGENCE FINDS

- **Data room incomplete.** Information requests met with delays; trust degrades during examination period.
- **Q-of-E surprises.** Quality-of-earnings analysis surfaces adjustments leadership did not anticipate.
- **Negotiation positioning weak.** Without preparation, leadership negotiates from incomplete information.
- **Execution coordination ad hoc.** Bankers, lawyers, and management not aligned; deal velocity slow, errors compound.

“The transaction reveals the work that was not done.”

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

VISIBLE / INVISIBLE ARCHITECTURE

What you see—and what diligence sees

Operational visibility and diligence visibility are not the same. The leader's dashboard renders confidence; diligence renders structure. The same enterprise reads as healthy from above and fragile from below.

WHAT LEADERSHIP SEES DAILY

The operational dashboard

<p>REVENUE</p> <p>+24% YoY</p> <p>Top line growing on plan; Q4 targets in reach.</p>	<p>EBITDA MARGIN</p> <p>18.2%</p> <p>Margin holding through expansion phase.</p>	<p>CUSTOMER COUNT</p> <p>142 +18</p> <p>New logos added; net retention strong.</p>	<p>HEADCOUNT</p> <p>87 +12</p> <p>Hiring on plan; key roles filled.</p>	<p>CASH POSITION</p> <p>\$8.4M</p> <p>Runway healthy; no near-term financing needed.</p>
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The dashboard renders the enterprise from above—diligence reads it from below.

WHAT DILIGENCE SURFACES

The structural reading

FOUNDER CONCENTRATION

Single point of failure

Operating decisions, customer relationships, and institutional memory all run through one person. The growth metric is the founder's signature, not the enterprise's.

CUSTOMER CONCENTRATION

Top three = 47% of revenue

Behind the customer count number, three relationships carry the firm. Each is held in the founder. None has been tested for survival of transition.

REPORTING DEPTH

Margin not reproducible at audit

EBITDA presented monthly does not reconcile to year-end financials. Adjustments are personal judgment, not documented method. Q-of-E will compress the number.

TALENT FRAGILITY

Second tier underbuilt

Headcount counts heads. The structural question is which heads can decide, which can run a function alone, which the institution would survive losing. Most cannot.

CASH QUALITY

Working capital under-managed

Cash position reflects timing, not structure. Days-sales-outstanding lengthening; receivables concentration mirrors customer concentration; the runway number is fragile to working capital normalization.

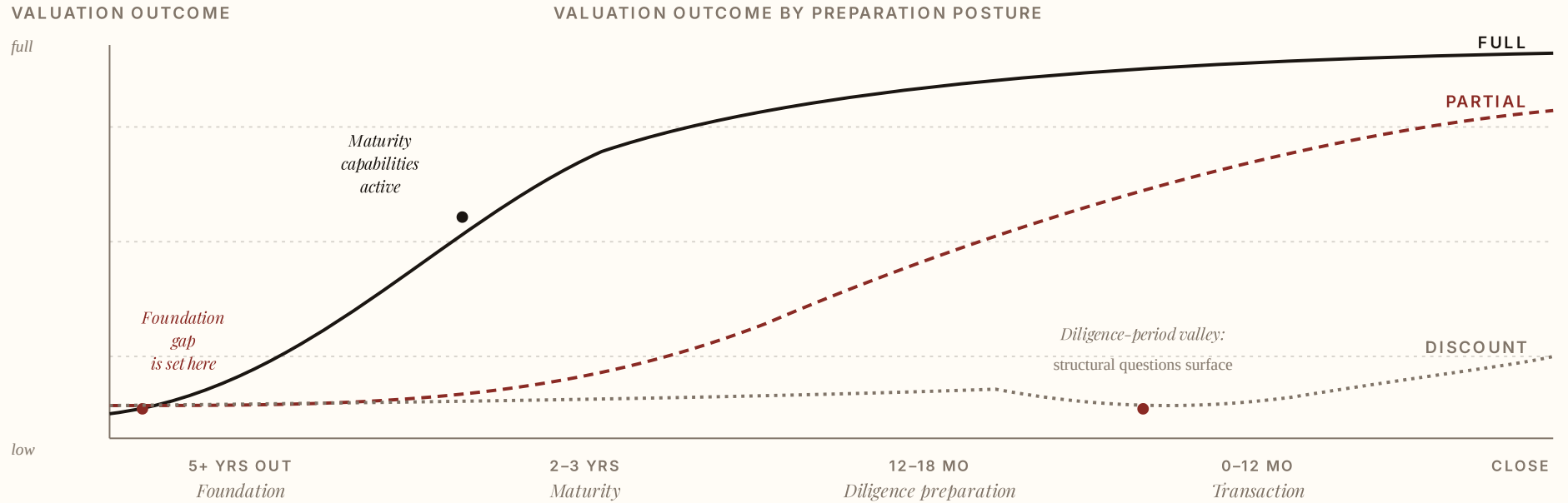
See [Fieldwork Slide No. 05](#) · See [Field Note No. 01-C](#)

Simulated midmarket enterprise case data used for demonstration purposes.

COST-OF-DELAY TRAJECTORY

The compound cost of waiting

Three preparation postures, three valuation outcomes. The discount at transaction is not what the leader paid in months before the close—it is what the leader did not build in the years before that.



<p>POSTURE A BUILD THROUGHOUT</p> <p>Foundation begun 5+ years before transaction</p> <p>With capabilities placed at each horizon over years, diligence finds an enterprise that holds together; transaction posture sits as a thin overlay on coherent build, and valuation reflects what was built.</p>	<p>POSTURE B BUILD 2-3 YEARS BEFORE</p> <p>Foundation begun late; Maturity capabilities accelerated</p> <p>With institutional architecture partly in place but multi-year reporting history thin, diligence finds partial coherence—and valuation reflects what was built, with discounts for what was not.</p>	<p>POSTURE C PREPARE 12 MONTHS BEFORE</p> <p>Foundation absent; Maturity skipped; preparation activities only</p> <p>Where the institutional architecture was never built, diligence finds the absence: the data room is organized but the underlying structure is not, and compression of valuation is severe and structural.</p>
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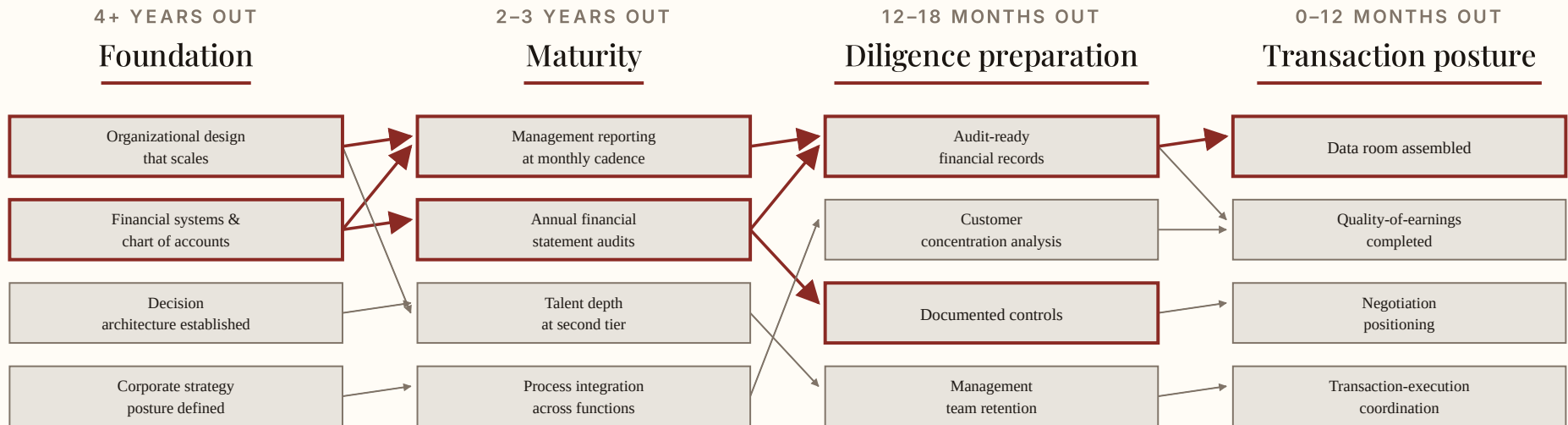
Schematic; not to scale.

See [Fieldwork Slide No. 06](#) · See [Field Note No. 01-D](#)

CAPABILITY DEPENDENCIES

What enables what—the capability compounding tree

Capabilities at each horizon enable the capabilities at the next. The dependencies cannot be shortcut: late preparation cannot succeed because the chain must be built in order.



→ TIME PROGRESSES; CAPABILITIES COMPOUND. →

Heavy red lines mark the critical path. Foundation gaps surface as Diligence-stage failures four to five years later.

See [Fieldwork Slide No. 07](#) · See [Field Note No. 01-D](#)

THE TRANSLATION

From founder to enterprise—the translation map

The structural project of building toward liquidity is the translation of what is held in the founder into what is held in the enterprise. Some translations are mechanical; some require years of deliberate construction. The difficulty rating is the structural project.

HELD IN THE FOUNDER

Carried in one person's accumulated capacity

OPERATING STANDARDS

"How we do things here" lives in the founder's accumulated judgment and direct example.

TRANSLATION

—————→
MECHANICAL

HELD IN THE ENTERPRISE

Carried in systems, roles, and documented standards

DOCUMENTED OPERATING SYSTEMS

Process documentation, SOPs, training materials, decision rights matrices.

FINANCIAL CONTROL

Founder approves the close, signs the major checks, holds the cash judgment.

—————→
MECHANICAL

CFO FUNCTION & CONTROLS

Independent close discipline, audit-ready records, documented controls, treasury function.

DECISION FLOW

Critical decisions escalate to the founder—the bottleneck and the assurance both.

—————→
STRUCTURAL

DISTRIBUTED DECISION ARCHITECTURE

Decision rights documented; second-tier authority real; the founder in strategic decisions only.

ENTERPRISE MEMORY

The founder remembers why decisions were made, which customers matter, where the bodies are buried.

—————→
STRUCTURAL

DOCUMENTED ENTERPRISE RECORD

Decision logs, customer histories, enterprise retrospectives, codified strategic rationale.

TALENT LEVERAGE

The team performs because the founder leads and corrects in real time.

=====>
YEARS OF WORK

SECOND-TIER ENTERPRISE CAPACITY

Function leaders who can run their function without founder intervention; decision capacity at the second tier.

CUSTOMER RELATIONSHIPS

The founder is the relationship. Customers stay because of trust in the person.

=====>
YEARS OF WORK

ENTERPRISE-HELD CUSTOMER RELATIONSHIPS

Customers know multiple firm contacts; trust transferred to the enterprise; relationships survive transition.

See [Fieldwork Slide No. 07](#) · See [Field Note No. 01-B](#)

OPERATING MODELS

Where the advisor operates—the surface area

Four operating models, four structural relationships to the enterprise. The distinction is not value or fee—it is the surface area of the advisor's presence inside the enterprise.

MODEL 1 Advisor	MODEL 2 Consultant	MODEL 3 Fractional executive	MODEL 4 Operational accountability																																
<p><i>Periodic counsel from outside the organization.</i></p>	<p><i>Project-based engagement on defined scope.</i></p>	<p><i>Part-time leadership of a single function.</i></p>	<p><i>Continuous interior leadership and operational presence across function categories.</i></p>																																
<p><i>Touchpoints from outside</i></p>	<p><i>Defined scope, bounded duration</i></p>	<p><i>One function, fractional time</i></p>	<p><i>Full interior; minimum twelve months</i></p>																																
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See [Fieldwork Slide No. 04](#) · See [Field Note No. 01-F](#)

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The seat at the principal's table

FOR OPERATING RELATIONSHIP INQUIRIES

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