

Great businesses change hands all the time. The ones that thrive under new ownership usually share a quiet, stubborn constant: a management team that can execute without hand-holding. When you are Buying a Business, financials draw the eye, but operating results are a lagging [Buy a Business](#) indicator of decisions made by a small group of people who show up every day. If you want the forward view, evaluate that team with rigor. This is not a paper exercise. You are assessing judgment, habits, and the ability to steer through jolts that will not show up in the data room.

I have looked under the hood of dozens of companies across sectors, from HVAC roll-ups to niche software to precision machining. Strong teams have a smell. So do fragile ones. The trick is to replace hunches with disciplined observation that holds up under stress. Below is a field-tested approach shaped by Business Acquisition Training and the bruises you get from real deals.

Begin with the job you need the team to do

Not every acquisition needs the same kind of management muscle. A simple route-based services company with steady demand asks for operational discipline and workforce management. A fast-growing e-commerce brand asks for digital marketing, supply chain responsiveness, and unit economics literacy. Before you evaluate people, name the playbook you expect them to run in the first 18 months. Will they integrate an add-on? Expand into a new market? Hold the line and compound? The yardstick for the team flows from that answer.

I walk in with a one-page thesis, written in plain language: what must stay the same, what must change, and in what order. That sets the questions I ask. If my plan calls for professionalizing pricing, I care a lot about the head of sales and finance working in lockstep. If my plan calls for lean improvements, I will probe the COO’s cadence of gemba walks, daily huddles, and visuals on the floor. Your thesis is not a straitjacket, but it defines fit.

Map the org as it truly works, not as it is drawn

Org charts lie, often innocently. The title says one thing. The work flows elsewhere. Early in diligence, request the formal structure and then spend time uncovering the shadow structure. Who does the plant call on Saturday? Who signs off on discount exceptions? Who can greenlight a feature in a sprint without the CEO? I ask each executive to describe their week in 15-minute blocks, then compare stories. The overlaps and gaps reveal where decisions actually live.

Pay attention to spans of control. If a CFO manages AP, AR, HR, IT, legal, and purchasing in a 300-person shop, you either have a unicorn or a setup where nothing gets the attention it deserves. Conversely, bloated layers with unclear accountabilities slow the business. Healthy spans match the complexity of the work and the capability of the leaders. When there is misfit, you will inherit either chaos or drag.

Interview for evidence, not polish

Good managers will not always be good interviewees. Some of the best operators I have met are terse, allergic to buzzwords, and do their best thinking at a whiteboard. Design a process that surfaces how people think, decide, and recover from mistakes, not how they perform in a conference room.

I use a common pattern across roles. Ask for two or three decisions that changed the business over the last year. For each, walk the timeline: trigger, options considered, data used, dissent voiced, risks weighed, outcome measured, and what they would change. If you watch closely, you will see their mental model. Strong leaders balance data with field input, call out what they did not know, and name trade-offs without defensiveness. Weak leaders retrofit a story and skip the costs they imposed on others.

Case prompts can help, but keep them anchored in the company’s reality. With a distribution business, bring last quarter’s top ten customers and margins, then ask the VP of Sales to price a hypothetical RFP under three competitive scenarios. With a software company, place a live backlog on the table and ask the product lead to prioritize with a fixed engineering capacity. Note who invites peers into the problem. Great teams solve together, not in adjacent silos.

Watch meetings, not just resumes

Resumes tell you what happened. Meetings show you how it happens. Ask to observe at least three recurring sessions: a leadership team meeting, an operating review with numbers on the wall, and one frontline huddle. The cadence matters. So does the energy in the room.

In a strong leadership meeting, agendas circulate beforehand with clear owners. People arrive with facts, not impressions. There is a rhythm: review last week’s commitments, discuss blockers, decide, assign, move on. Disagreement is visible and bounded. When issues reach an impasse, someone frames the decision criteria and names who decides by when. You hear a lot of “we” and very little “they.”

In a weak meeting, conversations detour into anecdotes, data is missing or contested, and decisions dissolve into vague next steps. People edge-guard their turf. The CEO answers too many questions or refuses to answer any. These patterns are hard to break, especially when the business adds the pressure of new ownership.

Trace the line from strategy to the daily schedule

A decent team can write a plan. A great team can translate that plan into what people do Tuesday at 10 a.m. Ask to see the operating system, whatever they call it. It could be EOS, OKRs, Hoshin planning, or a homegrown set of rituals. The label matters less than the loop. Do they set a handful of priorities, assign owners, commit to targets, and run a weekly or biweekly review where red items trigger action? Do dashboards tie to these priorities? Can the shop floor or the SDR pod see how their metrics ladder up? I want to see a thread from the quarterly themes to the metrics on the whiteboard by the time clock.

Where this thread is missing, execution depends on heroics. Those can carry a company for a while. They cannot scale or sustain a transition.

Test operational depth without the CEO in the room

Owner-led businesses often orbit around a founder who carries customer relationships, pricing authority, or technical know-how. If that person is exiting or meaningfully stepping back, you must test the bench. Run a day where you meet each function head one-on-one without the CEO. Give them an hour to walk you through their world: org, processes, performance, tooling, risks. Ask what would break if two key people left. Then ask what they would do in the first 90 days of new ownership if they had final say.

A surprising number of teams cannot answer these questions plainly. The ones that can will name specific controls, cross-training plans, and projects they would kill or fund. If everyone aims for a different north star, you will have to pick one and reset. That is not fatal, but it is slow and expensive.

Follow the cash trail as a management artifact

The financial statements tell you what happened. Working capital tells you how the team runs the business. I always meet the controller and the person who actually sends invoices, collects cash, and pays bills. Walk invoices from creation to cash received. Count touches. Note exceptions. Ask about disputes and DSO by cohort. Do the same on payables. If procurement sidesteps purchasing to rush orders and sales offers extended terms without finance visibility, you are watching governance fray.

Inventory discipline speaks volumes. In a manufacturing or distribution setting, ask for cycle count accuracy by location, obsolescence reserves, and the cadence of SIOP meetings. Look at how often forecasts hit within the tolerance they set. Teams that treat inventory as a balance sheet item, not a warehouse full of stuff, tend to run cleaner ships across the board.

Check the quality of hires, not the size of the team

Headcount growth can hide weak judgment. Review the last ten salaried hires in roles that matter. For each, note time-to-fill, sourcing channel, assessment method, ramp time, performance outcome, and whether the manager would rehire them. The batting average over two years is a credible proxy for talent judgment. When managers cannot name misses or wave off turnover as “bad culture fit,” probe harder. Strong leaders own their hiring outcomes and revise their process after mistakes.

Also examine compensation structure. If the sales comp plan is 20 pages long with swiss-cheese exceptions, someone papered over deeper issues. If engineers receive one-size-fits-all bonuses that ignore impact, you will struggle to keep your best people. Alignment shows up in pay design.

Culture you can touch

Culture reads fuzzy until you start touching artifacts. Walk the facility or scroll internal Slack channels with a purpose. Is safety visible with leading indicators, near-miss reporting, and corrective actions, or is it just posters? Are shop boards current with hand-written notes that reflect today’s reality, or laminated relics that no one updates? In a software shop, are pull requests small and frequent, or giant merges that signal poor collaboration? These are not showpieces. They are the work.

Language tells you a lot. In companies with accountability, people name problems and attach owners. In fragile ones, people talk around issues and attach explanations. Listen for pronouns. Listen for time horizons. If everyone is stuck in last week’s fire, leadership has not carved out air for improvement.

Customers as a mirror

Ask for the last ten customers gained and lost, then call a sample of each. Keep these conversations short and specific. Why did they buy? Why did they leave? How did the company respond to a mistake? Name two people who made a difference. If the same names recur in wins and service recoveries, you have a concentration risk wrapped in a hero. If no names recur, you may be dealing with a faceless organization where no one owns outcomes.

I sometimes run a net revenue retention cut by sales leader or CSM to see the pattern under the hood. High NRR with low logo churn often indicates good account management and value capture. Choppy NRR tied to calendar promotions points to tactical thinking and threadbare relationships. A management team that monitors these indicators by cohort and acts on them tends to be ahead of the curve.

Systems and reporting: do they own their numbers?

Ask for the weekly or monthly packet leadership uses to run the business. You are not evaluating the elegance of the charts. You are looking for clarity and cause-effect thinking. Do the metrics lead or lag? Are they stable definitions quarter to quarter? Can managers explain variance without hand-waving? Is there a habit of root-cause analysis that gets beneath labels like “market softness” or “staffing challenges”?

Tooling matters, but not as much as ownership. I have seen great teams run on scrappy dashboards built in Google Sheets, and weak teams hide behind beautiful BI that no one trusts. If the data lineage is opaque and people cannot reconcile numbers, you will spend the first six months fixing plumbing before you can manage the business. Budget for that if you have to, but price the deal accordingly.



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Succession and depth: who can do whose job?

Even in mid-sized companies, you want at least two-deep coverage on roles that move revenue or cash. Ask each executive to name their successor and what that person would need to be ready. Then ask the named person privately what they would do on day one. Where you find brittle nodes, consider how you would shore them up: key-person insurance, retention agreements, shadowing plans, or an external hire timed to minimize disruption.

Founders sometimes promise to stay for a year and then evaporate. Be realistic about personality fit and capacity. If you sense a founder’s identity is inseparable from the business, plan for a shorter, more ceremonial transition and a stronger underlayer.

Integrity tests you can run in diligence

Trust is not a vibe. It is evidence. I run a few straightforward tests.

- Ask for a sensitive set of data with a tight deadline, something they should have at their fingertips, like aged receivables by top 20 accounts or rolled-up backlog with promised ship dates. See how fast and how clean it arrives.
- Introduce a small, purposeful error in a model you share and observe whether they catch it and how they raise it.
- Share a tentative plan that will be unpopular with one function, then watch whether leadership socializes it constructively or triangulates.

These are not games. They replicate the pressure and ambiguity of real work. Teams that respond with openness and speed usually run tighter ships elsewhere.

Legal, compliance, and the skeleton closet

Even well-run small companies can be casual about paperwork. Your job is to distinguish between manageable sloppiness and systemic risk. Review wage and hour practices, classification of contractors, overtime calculations, I-9 completeness, safety citations, and any letters from agencies. Ask for the last three years of customer master service agreements and note indemnities, SLAs, and auto-renewal clauses. Where risks exist, what controls does management apply? If the GC is a part-time consultant, how does the team escalate issues? People who treat compliance as a chore tend to have other blind spots.

Reference checks that matter

Backdoor references, done ethically, give you a clearer picture than the curated list. I aim for three categories: a former boss, a former peer, and a former direct report for each key executive. Keep questions [where to buy a business](#) consistent and behaviorally anchored. What was the hardest piece of feedback you gave them, and how did they respond? When did they surprise you positively under pressure? Would you hire them again, and under what conditions? You are listening for patterns more than isolated stories. If three people across contexts call someone “calm under fire, sometimes slow to decide,” you can plan around that.

The red flags that should slow you down

Not every flaw is fatal. Deals are exercises in controlled imperfection. Yet some signals deserve extra caution.

- A CEO who cannot articulate where they are no longer the best person for a task, or who reflexively answers for others.
- A CFO who talks about closing the books but not about cash conversion, forecasting accuracy, or scenario planning.
- A sales leader who cannot segment customers by profitability and chirps only about top-line growth.
- Operational leaders who resist measurement, dismiss variation as “noise,” or cannot show a stable daily management system.
- A team that attributes misses to external forces while taking credit for hits.

Any one of these can be coachable. Stack two or three, and your first year will be a rebuild, not a tune-up.

What a strong team looks like in practice

A few years ago, we looked at a specialty maintenance provider with 220 employees and EBITDA just under 7 million. The owner was stepping back. On paper, it was ordinary. In meetings, it was crisp. The COO opened with a three-page packet: last quarter’s safety, uptime by route, first-time fix rate, and technician utilization, tied to the rolling plan. The controller walked us from invoice to cash with seven documented exceptions, down from 23 a year prior. The head of HR could quote frontline turnover by supervisor and shift, and showed a pipeline of apprentices tied to local trade schools. When we asked for last week’s customer escalations and actions taken, they sent a log within two hours, with timestamps and follow-ups.

That deal closed. The first year felt like joining a relay mid-stride. We made changes, but we did not carry the business. The team did.

Contrast that with a tooling company of similar size. The CEO did all pricing. The VP of Sales could not name margin by product line. The plant manager’s board had targets but no trendlines. The CFO’s aging was a snapshot, not a movement, and they could not reconcile inventory. Everyone was polite and energetic. The business showed decent TTM numbers. We passed. Six months later, a major customer cut volume. The house of cards toppled. That team was not bad. They were misaligned and under-instrumented. Buying that business would have meant installing basic management systems before we could operate. That might be your play. It was not ours at that price.

Balance sheet the cost of gaps

If you do find gaps and still love the asset, cost them. A missing head of operations with credible experience might run 180,000 to 250,000 in base compensation, plus bonus, plus a six-month ramp risk. A data rebuild to clean CRM and ERP pipelines could require 100,000 to 300,000 in tools and contractors, plus the hidden cost of manager time. A sales comp overhaul and territory redesign will dent bookings for a quarter. Price, structure, or plan earn-outs with these realities in mind. Business Acquisition Training often focuses on valuation models. Bake in the cost of managerial fit and the time value of organizational change, or your IRR will evaporate in year one.

How to run a focused on-site

If you only get two days on-site, sequence matters and attention is finite. Here is a compact plan that tends to surface what you need without exhausting the team.

- Day 1 morning: leadership team meeting observation, then CEO and CFO deep dive on the rolling 13-week cash forecast and the next 12 months of drivers.
- Day 1 afternoon: operations walk with the person who runs daily scheduling, then a sit-down with the controller and AR lead to trace working capital.
- Day 2 morning: functional one-on-ones without the CEO present, starting with sales, operations, and HR.
- Day 2 afternoon: customer and vendor calls from their conference room while you have real-time access to systems for verification.

Keep the camera on process. Collect artifacts. Leave with commitments for any open items and a date to receive them.

After close: convert evaluation into alignment quickly

Your first 30 to 60 days set a tone. Convert what you learned into a shared plan. Hold a session with the management team to confirm the thesis, choose no more than three priorities, define owners and metrics, and publish a cadence. Bring humility. They have been running the business. Your job is to focus energy and clear obstacles. Set decision rights clearly. Preserve what works, retire what does not, and do not confuse newness with improvement.

A simple move that pays outsized dividends is a weekly one-page note from you to the leadership team. What we learned, what we decided, what we are watching. It models transparency and compresses rumor. Invite the same in return. You bought a going concern, not a spreadsheet. Treat the management team as the asset it is, and it will compound.

The quiet advantage in competitive processes

When you are competing to buy, sellers notice who shows respect for their people. It is not flattery. It is professionalism. Ask sharp questions without theatrics. Offer to share back helpful artifacts you create, like a cleaned customer map or a refined KPI set. When you point out a gap, pair it with a constructive path. Founders often choose buyers who will safeguard their team and legacy, even at a small discount to the top price. Your diligence approach can be that signal.

Buying a Business requires more than capital and a closing set. The management team is the engine. Evaluate it as if your returns depend on it, because they do. When you leave a site visit with a clear view of how decisions are made, how the work runs, and how the team learns, you are no longer betting on past numbers. You are backing a way of operating. That, more than any model, is what keeps compounding alive after you sign.