A CONCEIVIAN BRIEFING · XI

On *Buying a Lemon*

The verdict a buyer reaches about the company they bought, and the due diligence no one performs.

SAQIB RASOOL · AUGUST 2, 2026

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> “Organizations are networks of conversations.”

FERNANDO FLORES

ABOUT THIS BRIEFING

For the owner who did everything right, wired the money, and eighteen months later suspects they bought a lemon. The books were beautiful and the diligence was thorough, and still something heavy came with the company that no data room had a folder for. This is a diagnosis and a way through. It names what standard diligence cannot photograph, why firing the people does not remove it, and the order of operations that turns a position held at arm's length into a company you actually own. Read it if the numbers have begun to sag, the meetings have gone quiet, and you have caught yourself reaching for the knife.

Let me tell you one story that is really four stories braided together. I have changed everything that must be changed: the industries, the numbers, the geographies, the names. If you have bought a company, at any price, in any industry, I suspect you will recognize the pattern before the end of this page.

I

The verdict

Eighteen months after the closing dinner, in a conference room with the deal toys still on the shelf, one of the partners finally says it out loud. We bought a lemon.

A firm raised money and bought a company. An unglamorous business with steady contracts, real customers, and a workforce that showed up every day. The books were beautiful. The diligence was thorough. Quality of earnings, verified. Customer concentration, acceptable. Working capital, modeled. Legal exposure, contained. The thesis held in every scenario the analysts could build. The partners wired the money, shook hands with the seller, and the seller smiled in a way they would think about later.

Within two quarters, the texture changed. Not the numbers at first. The texture. The mood. Meetings where nobody proposed anything. Managers who executed but never risked or offered any action. Veterans who were polite and very far away. Customers who had stopped complaining, which is worse than complaining, because a customer who complains still expects something. Then the numbers began to sag, quietly, the way a roof sags before it leaks.

And then the sentence. We bought a lemon.

I have heard that sentence, in exactly that tone, from a man who spent two hundred thousand dollars on a small services company. I have heard it from a corporate team that spent thirty million acquiring a business far from its headquarters. I have heard it from partners who spent three hundred and fifty million on a national platform. Sit with that for a moment, because it is the first clue.

> If the same verdict arrives at two hundred thousand dollars and at three hundred and fifty million, then whatever produces the verdict is not on the books.

The books were fine at every price. Something else came with the company. Something no data room has a folder for.

Before we go further, an acknowledgment, and I mean it. You moved to action and you bought the company. Most people spend their whole lives circling that decision and never signing. You raised the money, took the risk, put your name on the line, and stepped into ownership while the safer road stayed open to you at every step. That took a courage the commentators will never understand, and nothing in this Briefing takes it away from you.

But now you are living with what you bought, and you suspect it is a lemon. Stay with me. By the end I intend to show you that there is no lemon, that there never was, and that discovering what is actually there is the beginning of the most valuable work you will ever do as an owner.

II

What the books could not show

Standard diligence photographs a business. Quality of earnings, contracts, tax, licenses, systems, the organization chart, the customer list. Photographs, taken from the outside, of things that hold still.

But a business is not a thing that holds still. A business is a network of commitments. Every line of revenue on the statements you verified is a promise that someone made and someone kept. Every recurring contract is a conversation that has gone well enough, for long enough, that both sides stopped watching it. Every cost overrun is a conversation that failed. The financials you bought are the residue of thousands of promises, requests, offers, and refusals moving through human beings every day. You did diligence on the residue. Nobody did diligence on the promises.

Economists have a name for the buyer's fear. In 1970, George Akerlof showed why markets for used cars go sour: the seller knows things the buyer cannot know, so buyers discount everything and good cars leave the market. The lemons problem. Deal lawyers built an entire architecture of representations and warranties to fight it. It is a fine architecture, and it defends you against exactly one thing: hidden information.

But what ambushed you was not hidden information. Information lives in documents, and you read every document. What ambushed you lives where no document can go. It lives in the bodies and the habits of the people. In what they expect, in what they have given up expecting, in how they speak to each other when no owner is in the room. It is mood, and mood cannot be represented, warranted, or escrowed. It can only be listened to. Nobody listened, because nobody knew there was something to listen for.

And here is what nobody told you at the closing dinner. The moods came with the purchase, and most of them were formed before you ever appeared. Consider what it means that this business was for sale at all. Somewhere before you, an owner began holding it at arm's length. A business being prepared for sale is usually a business that has already been held as a lemon by somebody. Squeezed for the multiple. Groomed for the photographs. Its people watched the deferred maintenance. They watched hiring freezes dressed up as discipline. They watched the owner's attention leave the building years before the owner did. Then came the sale process itself, with its secrecy, its rumors, its retention anxiety. By the day you took the keys, the company had already learned its lesson: owners come, owners squeeze, owners go. It met you braced. It was ready for you.

So the moods you found on your new floors have names. There is a mood my teacher Chauncey Bell named the mood of Detroit: you paid for it, you bought it, we are done, and nobody checks whether anybody is actually satisfied. There is the mood of working from the assembly line: process what lands in the inbox, never look up, never negotiate, never wonder. There is the mood of making no offers: proposals come from above, and our job is to wait until we are told. When you walked the halls of your new company and felt something heavy that you could not name, this is what you were feeling. Not incompetence. Not laziness. Moods. Old and entrenched ones. And they were never going to appear in the data room, because they do not live on paper. They live in the people, and the people came with the deal.

III

There are no lemon businesses

Now the hard sentence, the one this Briefing exists to deliver.

> There are no lemon businesses. There are lemon moods in buyers.

Let me be precise, because you are a rigorous reader and you deserve precision. Sellers do sometimes lie. Revenue is sometimes invented. For genuine fraud there are lawyers, and I hope you never need them. But notice something about your own case. What convinced you that you bought a lemon was almost certainly not the books. The books are the one thing you verified. What convinced you was the encounter with the human material: the silence in the meetings, the flatness in the hallways, the sag. And your verdict about that encounter, the sentence "this business is a lemon," is not a fact you discovered. Watch the logic carefully here, because this is where owners lose years. A fact can be witnessed and verified by anyone standing in the room. What you have is an assessment. An interpretation, produced by a particular man, in a particular mood, at a particular altitude of disappointment. In my tradition we hold that most of the waste in enterprises flows from one confusion: leaders who cannot tell their assessments from facts. They take their opinions to be discoveries. Then they act on the discoveries. Then their actions produce evidence. Then they say, you see, I was right all along.

Where did this mood come from? From the way you held the company in your hands. Ask yourself honestly why you bought it. Buyers of businesses come in three families. The first bought a freedom project: buy the boring business, install the systems, delegate the operations, and collect distributions from a beach. There is an entire literature now selling this dream. The second bought a squeeze: the numbers work if we take out cost. Buy low, cut, hold, exit. The third bought a strategic asset: a capability, a market, a tidy tuck-in for a larger thesis. Three different stories, and one identical grip. In all three, the company is held as an instrument. A machine for absence. A fruit for juice. A piece for the board. And an instrumental grip works beautifully on instruments. But wait, you did not buy an instrument. You bought a living network of people and promises, and living things resist being held as instruments. They go quiet. They stop offering. They brace for impact.

> The lemon verdict is simply the sound an instrumental grip makes when the living thing resists.

Here is the mechanism, and it explains why you cannot think your way out from where you currently stand. A mood is not a feeling. A feeling passes through you in an afternoon. A mood is the background through which you see the future. In a mood of ambition, the same company, the same people, the same numbers show you openings everywhere. In the lemon mood, they show you exactly one future: get the juice back out. Every option you generate from inside that mood will be an extraction option, and every extraction option will deepen the resistance of the living network, which will confirm the mood that produced it. You believe you are analyzing. But you are being operated.

Then, quietly, comes the second verdict, the one you speak only to yourself at night. How could I have been so stupid. A Briefing like this owes you honesty about that sentence too. It wears the costume of humility. Look at its structure. It assumes that you, thinking harder, should have foreseen everything, that sufficiently clear thinking sees around corners. That is not humility. That is arrogance in a hair shirt: an ungrounded faith in your own thinking, which first blames you for the purchase and will next assure you that you can figure the whole thing out alone. Hold on to that thought. We will meet it again shortly.

One more thing, since you may still be searching for it. There is no midway. I have watched many owners hunt for the midway between absence and engagement, some setting of the dial at which the business runs itself and they merely receive. It does not exist, at any price, in any industry. A business is a stream of anomalies and events, and anomalies cannot be prevented, only met, and they can only be met with dignity and power by an owner who is actually there. The dream of the self-running machine was the first lemon-hold, the one you brought with you through the door.

IV

The knife

Watch what the lemon mood does next, because it always does the same thing. It reaches for the knife.

The logic is clean. If the asset is impaired, reduce the cost of carrying it. The first round of cuts shows up in the numbers within a quarter, and the numbers say thank you. This is the most dangerous moment in the life of an acquired company, because the owner has just been rewarded for squeezing, and a rewarded mood digs in.

You believe you are cutting fat. But from inside the lemon mood you cannot tell fat from organ, because the organs of a business do not appear on any chart of accounts. The organs are the veteran who knows why the biggest customer actually stays. The informal promise between two departments that keeps a chronic problem from reaching you. The fifty small conversations through which the place quietly repairs itself every week. The knife cannot see any of this. It severs it wholesale and books the savings.

Then revenue sags further, and the mood reads the sag as confirmation. The mood says: you see, I told you it was a lemon. Cut deeper.

The braided firm did exactly this. Two rounds of cuts, each rewarded briefly, each followed by a deeper sag. Then they did the thing that feels boldest and is most futile. They decided the problem was the people, all of them, the whole inherited culture, and they resolved to clear it out and hire fresh.

And here is the discovery this entire Briefing exists to hand you, so read it twice. The mood survived the cut. The new hires arrived bright, and within a single quarter they had dimmed to match the room. Because a mood does not live in individuals. A mood lives in the network of conversations that individuals step into. It lives in the customer who has been trained not to expect a callback. In the meeting whose real purpose, as everyone silently knows, is the performance of activity. In the story the survivors tell at lunch on the new hire's third day. You can fire every resigned person in the building, and if you keep the conversations, the resignation grows back like mold whose spores are in the walls.

> You cannot terminate a mood.
> You can only lead it somewhere.

I will tell you how I know, and it is not from a balcony. I write this with lemon juice on my own hands. Years ago I held a firm of my own this way. We had built something our clients genuinely loved, and then, slowly, I fell out of love with our customers. Their requests began to feel like impositions on our real work. I never said this out loud. I did not have to. The firm heard it anyway, the way every firm hears its owner's mood, and it began to die of what I was carrying. Nobody who worked for me deserved that ending, and no client did either. So take this from the floor of the operating theater, not the gallery. Put down the knife until you can see this clearly.

V

The missing due diligence

If moods and commitments are what actually came with the purchase, then there is a diligence for them. It is the due diligence no one performs. Let me describe it, first for the buyer who has not yet closed, and then for you, who already have.

Before a purchase, alongside the quality of earnings, run a diligence of moods, commitments, and habits. Sit with the people who touch the customer. Not surveys. Surveys collect the words people use to protect themselves. Conversations. Ask them: what is the last promise this company broke to you? What did you stop bringing up because nobody listened? What do you no longer expect? Who do you go to when something is truly broken, and what happens then? What are you proud of here that nobody has asked you about in years? Listen for which promises hold this company together, and which ones broke long ago and were never mentioned again. Then listen to the seller, at length, about everything except price, because the seller's mood is soaked into the walls of what you are buying. An afternoon of this listening will tell you what no data room will ever hold: whether the company is braced or hopeful, squeezed or led, and what its people have quietly stopped hoping for. Price that. It moves real value more than working capital does.

You, however, have already closed. So run it now, as the first act of the new ownership, and run it yourself. Do not delegate this to human resources, and do not hire a firm to bring you engagement scores. The listening is not research. The listening is the intervention. When the owner personally sits down across from the person closest to the customer, asks what promise this company last broke to them, writes down the answer, and does not flinch, something moves in the network that no memo can move. Word of that conversation crosses the whole building by nightfall. The company begins, cautiously, to consider the possibility that this owner might be a different kind of owner.

Notice what you are not doing in these conversations. You are not evaluating who to keep. If you walk in with the cut list folded in your breast pocket, everyone will smell it, and the listening will be theater, and theater deepens the very moods you came to shift. The question "who is deadwood" is premature and poisoned. Premature, because you have not yet declared the future against which anyone could be measured. Poisoned, because it is the lemon mood asking. What the listening reveals is something else entirely: what this company has been through, what it is braced against, where the broken promises pool, and, here and there, quietly, who is still taking risks and making offers after all these years. Mark those last names. Not for the organization chart. For promotions later.

VI

Declare before you cut

Here is the order of operations, and it is the whole Briefing in one sentence.

> No verdicts on people before you have declared a future, and no declaring a future alone.

Take the second half first, because it is where the smartest buyers fail. You are, forgive me, likely to be very intelligent, and that is precisely the risk. Intelligence whispers that this is an analysis problem, and analysis is best done alone with the numbers. So the typical buyer moves straight from feeling to verdict to action, and skips the one conversation that could save them: the slow, deliberate conversation with advisors and allies in which possibilities are examined before anything is decided. They skip it because asking feels like weakness, and because some part of them fears the advisors might disagree. Remember the arrogance in the hair shirt. This is where we meet it again. The refusal to be helped and the midnight self-flagellation are the same mood in different clothes, and both rest on the same ungrounded faith that thinking alone will save you. It will not. It has never saved anyone at this altitude. Convene two or three people inside the business who can still see clearly, and at least one master outside it who has no stake in your comfort, someone with license to tell you your mood before telling you your strategy. In thirty years I have watched many owners come through this season. Every one of them came through in conversation with others. Not one came through alone.

Now the first half, the declaration. Before the new organization chart, before the fourth version of the integration plan, the owner must answer, out loud and in writing, a question the data room never asked. What is this company now for? Not the investment thesis. The thesis was about your fund. This is about the company: what it will stand for, what it will refuse to do, what will count here as good work, and what will count here as waste. You must invent this company's own good and its own waste, put it on a page that everyone reads, and let it visibly cost you something, or nobody will believe a word of it. A future built merely on the necessity of making a buck is not a future. It is a treadmill, the people can tell, and it produces more of what everybody else already has. Charles Spinosa and his colleagues, in a book I put in the hands of every owner in this season, Leadership as Masterpiece Creation, set the standard where it belongs. The leader building a culture is "a moral and aesthetic artist," designing the practices through which people encounter what the company holds sacred. The moods that make organizations formidable, radical hope, admiration, zeal, joy, cannot be purchased and cannot be mandated. They are manifested through practices built on moral grounds, says Spinosa. Admiration is the currency. People give their finest work to what they admire, customers return to what they admire, and the market pays for what it admires, and none of it can be extracted in advance. Masterpieces are not built for money. Masterpieces make money, more of it than the squeeze ever will, precisely because they were built for something else.

If you want to see this done from the bottom of a hole, study Ray Dalio in 1982. He had predicted a debt crisis and a depression, publicly and confidently, and he was wrong. The market rallied and his own certainty destroyed Bridgewater, the firm he had built. He let everyone go until the company was one man, and he borrowed four thousand dollars from his father to cover his family's bills. Every move we have examined in this Briefing was available to him that year: the verdict, the hair shirt, the squeeze on whatever remained. What he did instead was write. He began setting down principles. The firm would be an idea meritocracy. It would practice a radical honesty in which the truth of a matter outranked the rank of the speaker. Disagreement would be designed into its practices rather than managed out of them. Pain plus reflection equals progress, he would later put it. The firm rebuilt on those pages became the largest hedge fund in the world, studied, argued over, imitated, and above all admired. The money followed the masterpiece. It always follows, and it never leads. Ed Catmull did the same at Pixar in a gentler key, building the truth-telling practice he called the Braintrust, where candor flows freely to the director and authority stays with the director. The practice became the culture, and the culture made the films, and the films made the money, in exactly that order.

When you have declared, deploy the future the way futures are actually deployed: through promises. Ask specific people for specific promises with dates. Track them. Celebrate the kept ones loudly and investigate the broken ones honestly. A declaration without promises behind it is a poster in the lunchroom.

Then, and only then, comes the organizational question, and notice that it has changed shape. It is no longer "who is deadwood." It is: who can hear this declaration? Put the future in front of your people and watch what happens. Some you had marked for cutting will straighten in front of your eyes. They were never dead. They were braced, and you have finally given them something to unbrace for. Watch, too, the ones you marked earlier, the ones still making offers after all these years. Some of them become your spine. And some of the old regime's stars will discover they have no appetite for what the company is becoming, and they will select themselves out with their dignity intact, which is a mercy for everyone. There will still be cuts. This is not a Briefing against the knife. A turnaround without a knife is a fantasy. But a cut made after a declared future is precise surgery, performed in the light, and the company understands it, and the mood comes through it clean. A cut made before the future is declared is butchery in the dark, and the mood it leaves behind is the one you already know.

VII

The second buying

You buy a business twice. The first buying happens in the data room and at the wire transfer, and it makes you the owner of the assets. The second buying happens later, if it happens at all, on the day you stop holding the company as an instrument and declare, with your own word, in front of your own people, what it now stands for. The first buying costs money. The second costs something harder, your detachment, and it pays incomparably better. Until the second buying, you do not yet own a company. You own a position. And a position held at arm's length curdles into the thing you have been calling a lemon, which was never in the fruit. It was always in the grip.

So, the order, once more, plainly. First, refuse the verdict. Write the sentence “we bought a lemon” on a page and label it for what it is: an assessment made in a mood, not a fact you discovered. Second, run the missing diligence now, yourself: the listening sessions, the map of promises kept and broken, the honest census of what your people have stopped hoping for. Third, convene the two or three inside and a master outside, and let them see your mood before they see your model. Fourth, declare the future: this company’s own good and its own waste, on one page, at visible cost to yourself. Fifth, reset the promise you made at home. Every buyer promised someone this would be easy. A spouse was promised a hands-free future, or a committee was promised a mechanical thesis. That promise needs an honest funeral before anything true can be built in its place. Sixth, deploy the future through promises with dates, and track them. Seventh, and only now, the knife, in the light, executed once.

Then one day, somewhere in the middle of all this, on an ordinary Tuesday, you will catch yourself defending this company in a conversation, with heat, the way an owner defends what is their own. That is the second buying, arriving. Nobody signs anything. But from that day forward the word lemon will sound strange in your mouth, the way it now sounds to the partners of the braided firm, who, three years on, run a business that others in its industry quietly study from the sidelines, and who have stopped asking how to get their juice back out, because they are too busy growing the orchard.

> “You buy a business twice. Once with your money, and once with your word.”
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> SAQIB RASOOL

This Briefing draws on the tradition of Fernando Flores and our teacher Chauncey Bell, and the work of Business Design Associates on the enterprise as a network of commitments. It stands on George Akerlof on markets and hidden information, Charles Spinosa and his colleagues on leadership as masterpiece creation, and Jonathan Lear on radical hope. The mood of Detroit and the notion of coordination waste we owe to Chauncey Bell. We offer it in their debt.

For conversations and correspondence, write to care@conceivian.com.

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