THE ADD-BACK · EPISODE 02

The Baseline Is Perishable

Arc 1 · Days 1–100
In the room: Operating partner, incoming CFO, functional leads
The question: What do I have to measure before I'm allowed to cut?

THE POSITION

SIGHTING

A hundred days of political capital and a VCP with an automation workstream in it. The instinct is to spend the capital on the cut, because the cut is what shows up in the first board pack.

THE CONSENSUS READ

Measure later. The data will still be there.

THE MECHANISM

It won't. The pre-automation baseline is the only period in which the process runs one way, and it stops existing the day you change it. Exception volume, cycle-time distribution and who actually resolves failures are observable now and unreconstructable afterwards. Nobody logs a corridor conversation retroactively.

THE EXPOSURE

At exit you argue value creation from a model rather than a measurement, and a buyer discounts a model.

THE TEST

Ask your CFO for the pre-implementation exception baseline on last year's automation. If it doesn't exist, that's the whole episode.

THE BRIDGE — CLAIMED TO REALISED

Framed as provable value creation, because that is the currency at exit — a dollar of margin you cannot attribute is not worth a dollar in a bid. The operating case draws on the same composite as Episode 01; cited research is real and sourced separately.

LINE	MOVES	RUNNING
Claimed — VCP automation workstream underwritten at $1.2M run-rate savings across the hold		**$1.2M claimed / $0 provable**
1. What a buyer will pay for [changes the story]	-0%	$1.2M claimed, $0 provable
An acquirer's diligence accepts a value-creation claim on the same basis a QoE provider accepts an add-back: documented, realised, correctly characterised, net of…		
2. The four measurements that expire [changes the story]	+$0	$1.2M claimed, $0 provable — but now collectable
Each cheap now, impossible later.		
3. Why the window is a hundred days and not longer [changes the story]	-$0	unchanged
Two independent mechanisms close it.		
4. Where I was wrong — I scoped baseline capture to the systems [where I was wrong]	-$0	unchanged
On a prior engagement I treated baseline capture as an analytics task and scoped it to the systems: pull the ERP data, pull the ticketing data, build the dashboard. Cost: Six figures on a live case.		
5. What the baseline is worth at exit	+$1.2M provable, or -$1.2M	$1.2M provable for ~$15–25K, or $0 provable for free
The bridge resolves to a binary rather than a range, which is unusual and is why this episode sits where it does.		
Realised		**$1.2M provable for ~$15–25K of first-hundred-days effort, or $0 provable for free**

THE DOWNSIDE

Multiple: 9x, illustrative

A $1.2M run-rate workstream at an illustrative 9x. Capture cost is a few days of analyst time plus ~20 structured interview-hours — call it $15,000–$25,000 inside a hundred-day plan already spending multiples of that on advisors. Substitute your own comps.

$10.8M of enterprise value — defensibility turning on whether somebody spent a week on measurement in month two

When it surfaces. Three to five years later, in a buyer's confirmatory diligence — at which point the remedy costs nothing because there is no remedy. This is the only episode in the set where the failure is not detectable at the time it occurs, which is precisely why it belongs on the hundred-day calendar rather than the exit calendar.

The Baseline Is Perishable

The question: What do I have to measure before I'm allowed to cut?

Paste into a request list or a management agenda. Each question resolves to an artifact, not to a characterisation.

THE DILIGENCE PACK

1. Freeze and export twelve months of history from every channel, shared inbox and ticket queue that currently receives exceptions for each process named in the VCP.

Artifact: Raw exports, archived outside the operating systems.

Do this before scoping, not before go-live.

2. Produce transaction-level cycle time for each target process, monthly, twenty-four months back, reported at median, mean and 90th percentile.

Artifact: The transaction table.

Dashboards get rebuilt and lose history.

3. Conduct and transcribe thirty-minute interviews with every individual currently resolving exceptions in the target processes, on one question: when this fails, who do you ask and what do they know that you don't?

Artifact: Transcripts.

The item that expires with attrition. It must happen before the person knows their role is under review.

4. Provide a current time-allocation sample for every team adjacent to the target process — customer service, account management, finance ops — sufficient to establish a pre-change control.

Artifact: A two-week sample, not an estimate.

5. For each process, list every data element required to complete a transaction that is not present in the transaction record, and where it currently comes from.

Artifact: Written response, from operations.

DISQUALIFIER

Sequencing rule: items 1 and 3 before any vendor is engaged, and item 3 before any role is flagged in the VCP. If the baseline work is scheduled after scoping, it has already failed — the window closes when the process changes, not when the project ends.

SOURCES — EVERY MEASUREMENT WITH ITS SAMPLE

CLAIM	SOURCE	SAMPLE / CLASS
Pre-change exception rate ~40/week rising to ~190/week by month 11; informal resolution via an undocumented corridor dependency	Composite, built to the shape of a real quote-to-cash automation (same case as Episode 01)	n/a — composite (composite)
Meaningful voluntary attrition in the twelve months after a sponsor transaction, concentrated among experienced operational staff	General mid-market pattern, stated as a pattern rather than a measurement	n/a — asserted pattern, not measured here (argued)
Baseline capture cost of $15,000–$25,000	Estimate, exposed so it can be substituted	n/a — illustrative (illustrative)
9x entry multiple	Illustrative mid-market comp	n/a — illustrative, arithmetic exposed (illustrative)

One standing caveat. Every number in this show is somebody else's measurement, and I'll tell you whose, with the sample. None of it is diligence on your deal. Do that yourself.