THE ADD-BACK · EPISODE 07

The Hidden Human Factory

Arc 2 · vocabulary · Portfolio company

In the room: Operating partner, portfolio CFO, deal team

The question: What is the name of the thing I keep seeing after an automation, and how do I test for it?

THE POSITION

SIGHTING

A portfolio company describes an autonomous process. What runs is a small group handling exceptions, surrounded by machine-generated messages, none of them in that process's cost centre.

THE CONSENSUS READ

Teething. Volume will fall as the model improves.

THE MECHANISM

It didn't. Exception volume ran 40/week at go-live and 190 by month 11, and 78% came from 9% of transactions — one structural gap, not a scatter of hard cases. Model quality was never the variable. The headcount left the schedule and didn't leave the building; it stopped being attributable to the process generating it.

THE EXPOSURE

1.5–2.0 FTE against a 3.0 FTE reduction — a factory roughly 50–65% the size of the headcount removed.

THE TEST

Find where failures land, count the frequent responders, look up their cost centres. If they all sit inside the automated function, you don't have one.

Hidden human factory

Exception-handling labour that survives automation, distributed across cost centres that never asked for it and don't report it separately.

The test. A subtraction. Count the FTE-equivalent hours consumed by exception handling, subtract the hours booked to the automated process's cost centre, and the remainder is the factory. If the remainder is near zero, the savings are clean and this doesn't apply to you.

THE BRIDGE — CLAIMED TO REALISED

The operating case below is a composite built to the shape of a real quote-to-cash automation. Cited research figures are real and sourced; the two are kept separate throughout.

LINE	MOVES	RUNNING
Claimed — An autonomous process, three FTEs removed, no residual manual handling		**3.0 FTE removed**
1. The org chart is accurate [changes the story]	-0	3.0 FTE claimed removed
Nobody is lying.		
2. Where the load actually went	-1.5 to -2.0 FTE	1.0 to 1.5 FTE net
Three people spend their mornings in the channel where failures land — one account manager, two in customer service.		
3. Why it concentrates, and what that tells you [changes the story]	-0	1.0 to 1.5 FTE net
78% of exceptions came from 9% of transactions.		
4. Where I was wrong — I looked in the wrong org [where I was wrong]	-0	1.0 to 1.5 FTE net
I went looking for the factory inside the automated function — the reduced team, its remaining members, their time allocation. Cost: Three weeks searching the wrong org chart.		
5. The arithmetic [residual]	+0	1.0 to 1.5 FTE net
A term without arithmetic is a phrase.		
Realised		**3.0 removed, 1.5–2.0 reappeared elsewhere — net 1.0 to 1.5 FTE**

THE DOWNSIDE

Multiple: 9x, illustrative

$180,000–$260,000 of unaccounted annual cost at an illustrative 9x. Arithmetic exposed so you can substitute your own comps.

$1.6M to $2.3M of enterprise value — sitting inside an adjustment that will be presented as clean, because every document supporting it is accurate

When it surfaces. In a buyer's confirmatory diligence — the buyer's team is the first party in the chain whose economics reward looking for an offsetting cost. Nobody internally is paid to find a number that reduces their own reported savings.

The Hidden Human Factory

The question: What is the name of the thing I keep seeing after an automation, and how do I test for it?

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

THE DILIGENCE PACK

1. Export the full message history, with timestamps and sender, of every channel, shared inbox and ticket queue receiving failed or exception transactions, twelve months back.

Artifact: Raw export.

The only way to find responders, and it takes an hour.

2. For every individual appearing more than twenty times in that export, provide their department, cost centre and current time allocation.

Artifact: Named list with cost centres.

The rows outside the process cost centre are the factory.

3. Provide exception volume by week for the full period since implementation, and the concentration by transaction type.

Artifact: The counts.

You are testing concentration against scatter, and the answer determines whether the fix is structural or nothing.

4. For the concentrated transaction types, identify every data element required to complete them that is not present in the transaction record, and state how it was obtained before implementation.

Artifact: Written response, from operations rather than IT.

The answer is frequently a person's name, and that person is the corridor.

5. Ask each frequent responder one question: when this fails, who do you ask, and what do they know that you don't?

Artifact: Transcripts. Thirty minutes each.

The highest-yield hour in the pack, and it expires with attrition.

DISQUALIFIER

"There's no such channel" is not a clean answer. Ask where failures go instead. There is always somewhere — and if genuinely nobody can say, that itself is the finding.

SOURCES — EVERY MEASUREMENT WITH ITS SAMPLE

CLAIM	SOURCE	SAMPLE / CLASS
Exception volume 40/week at go-live rising to 190/week by month 11; 78% of exceptions from 9% of transactions; 1.5–2.0 FTE absorbed across adjacent functions	Composite, built to the shape of a real engagement	n/a — composite (composite)
~32 productive hours per FTE-week for interrupt-driven work	Planning assumption, stated so it can be substituted	n/a — assumption, exposed (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.