Value and measurement

What does each euro return and how much is validated?

> *"A euro of value that nobody has validated is not a euro. Cost is counted in full from day one; benefit only adds up once management control validates it and the business that receives it signs it off."*

WHAT IT IS

Three states for every amount

Every amount of value is validated, declared or estimated. Only management control or audit validates it, and the validation expires. Expected value is never validated. Cost has no state: it is counted in full, including the time of the people who use the system. Presenting as validated what is not is a major nonconformity.

Implication: What share of the net presented to you is validated value, and what share is declared or estimated?

Risk: Without states, a forecast reads as a result and the board invests on figures that do not exist.

WHAT IT PROPOSES

A single criterion to decide

Annual net is efficiencies plus return minus recurring cost, and it can be negative. To invest, the only economic criterion is a net present value of zero or more, with the horizon and rate set by the board. Return on investment and payback period are for information. To prioritise, use additional net value per additional euro invested.

Implication: Do all your areas use the same horizon and the same rate to decide on an AI investment?

Risk: If each area picks its own metric, every use case looks profitable and the portfolio cannot be compared.

HOW IT IS CHECKED

The benefit belongs to the business

Before the feasibility gate, a business owner of the benefit is named. They cannot validate their own value, and they agree with management control to carry the validated saving into the next budget. The realisation plan sets the capture curve and the tranches with their pass condition, and is measured against an approved reference curve.

Implication: Has any area's budget gone down because of an AI saving that is already validated?

Risk: If the saving never reaches the budget, released capacity dissolves and the value only exists in the slides.

FOUR QUESTIONS FOR THE BOARD

1. **How much of the value presented to us is validated?**
   Each use case separates validated, declared and estimated value. Validated net is shown on its own, even when it is smaller or negative.
2. **Do we count the full cost?**
   Cost includes platform, consumption, people, suppliers and time of use, tagged by use case from day one.
3. **Who is accountable for the benefit of each use case?**
   A named business owner, who is not the builder and who carries the validated saving into their budget.
4. **Is the approved realisation curve being met?**
   Realised value is compared with the reference curve each period. If it falls short, it is corrected or the next tranche is stopped.

WHAT FAILS IF IT IS NOT GOVERNED

WHAT FAILS	LEVEL	WHAT TO DO
Estimated value presented as a result	HIGH	Mark every amount as validated, declared or estimated
Consumption cost nobody governs until the invoice	HIGH	Tag cost by use case and set a budget
Released capacity that never becomes value	HIGH	Decide where the released hours go
The builder declares and validates its own value	MEDIUM	Name a business owner of the benefit
Each area decides with a different metric	MEDIUM	Approve one horizon and one rate for the portfolio
Without a baseline, the saving cannot be attributed	MEDIUM	Measure the baseline before building

FURTHER READING

Value measurement rules
Document 40 · value states and feasibility criterion

Benefit realisation
Document 43 · benefit owner, curve and tranches

AI costs
Document 42 · full cost and consumption

Value hypothesis calculator
With fictitious data

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