

TRACEABILITY RATIO

Counted, *Not Proven*

Why leaders may be defending a number their operating model cannot trace.

A point of view for executives, boards, and value-creation leaders accountable for converting transformation investment into governed execution and measurable enterprise value.

EXECUTIVE SUMMARY

In Brief

Most enterprises can report performance. Far fewer can prove the work that produced it.

Beneath every reported number sits a working operating model — the live system through which demand enters, becomes governable work, gets executed, produces evidence, and creates value. Most leaders can see the number. Far fewer can follow the work behind it.

The *Traceability Ratio* measures the share of detected work exposure that reconciles to a governed origin — work the model can follow from governed entry to current or final state, giving proof and correction analysis a governed work population to test. It is the prior question beneath finance, delivery, and process analytics: how much of the work that produces the number entered the operating model where it could be seen at all.

A high ratio lets leaders defend the work population behind performance. It does not prove causation, but it gives finance, delivery, process, and governance analysis a population sturdy enough to interrogate. A low ratio means the enterprise is running on work it sees only after the fact — side-door demand, hidden capacity, expert heroics — without knowing which part of the result is reproducible and which part was borrowed from work the model never formally admitted.

THE TERMS

1:1

Work entered through a governed origin and can be followed to a current or final state.

0:1

Work detected downstream, with no governed origin behind it.

SIGNAL

A number you can report is a claim. A number you can trace is a defense.

THE ARGUMENT IN FIVE MOVES

The reading → The proof principle → The ratio → *The deceptive case* → The standard

01

The reading that should worry a board

Most enterprises can report performance. Far fewer can prove the work that produced it.

Revenue lands on plan. Utilization looks healthy. The transformation dashboard is green. An AI pilot reports hours saved. None of it proves the operating model converted strategy into governed value. It proves that outcomes were reported. And reported is not the same as proven.

A number you can report is a claim. A number you can trace to the work that produced it is a defense. The difference is becoming harder to ignore as work moves faster across systems, platforms, and AI-enabled workflows.

Banking learned the same principle through failure. After the financial crisis, the Basel Committee concluded that many institutions could not aggregate risk exposures fully, quickly, and accurately enough to support timely decisions. BCBS 239 made risk-data aggregation a control issue, not a data-quality nicety.

Transformation has rarely been held to that standard at the level of the work itself. Traceability Ratio proposes that standard for transformation work.

88%

of business transformations fail to achieve their original ambitions — even when companies invest heavily and call the work strategic.

— Bain & Company, 2024

SIGNAL

Reported is not the same as proven.

02

Traceability as the proof principle

Beneath every transformation sits a working operating model: not the org chart, the platform, or the target-state deck, but the live conversion system through which demand enters, becomes governable work, gets executed, produces evidence, and creates value.

Transform The Core calls this system the Core. It is not one function's process map. It is the operating model's value-conversion surface: the place where strategy becomes work and work becomes evidence.

To make that surface legible, the work uses *GSDPI* as an operating-model taxonomy — not a process map, but a shared language for classifying where value-producing work sits in the operating cycle. That matters because operating work rarely moves through one clean linear path. One team's output becomes another team's input; the enterprise is a chain of nested operating cycles, not one straight line.

From that comes the principle.

THE PROOF PRINCIPLE

Value-producing work should be followable from governed origin to current or final state, proof, and correction.

Proof principle does not mean traceability proves causation or value realization. It means traceability creates the operating condition required to test and defend a transformation claim. Leaders cannot prove the operating model changed if they cannot follow the work the model is supposed to govern.

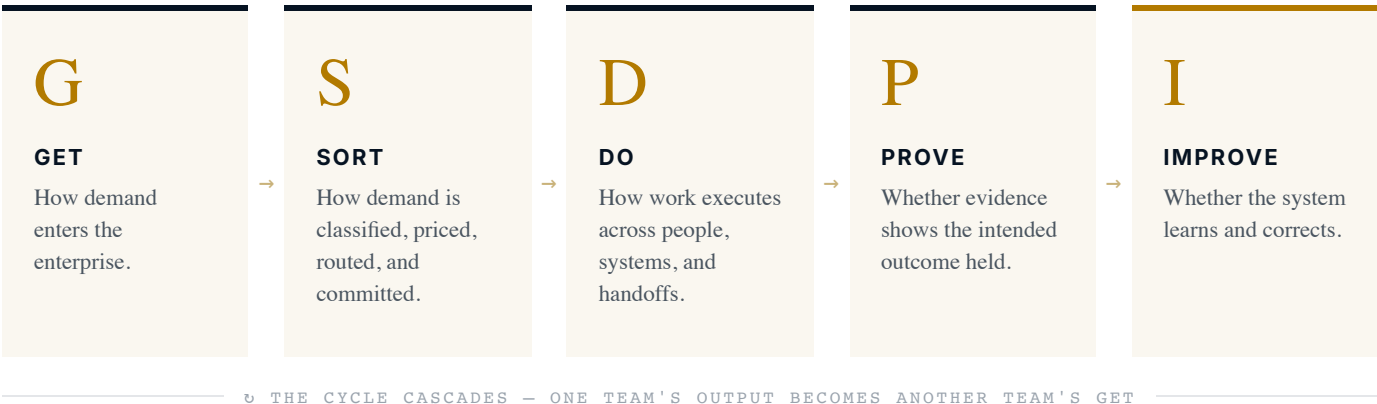
Not reported. Not completed. Not counted.

Followable.

FIGURE 1 • THE OPERATING CYCLE

The GSDPI taxonomy and the traceability line

Where value-producing work sits in the operating cycle — and what it means to follow it.

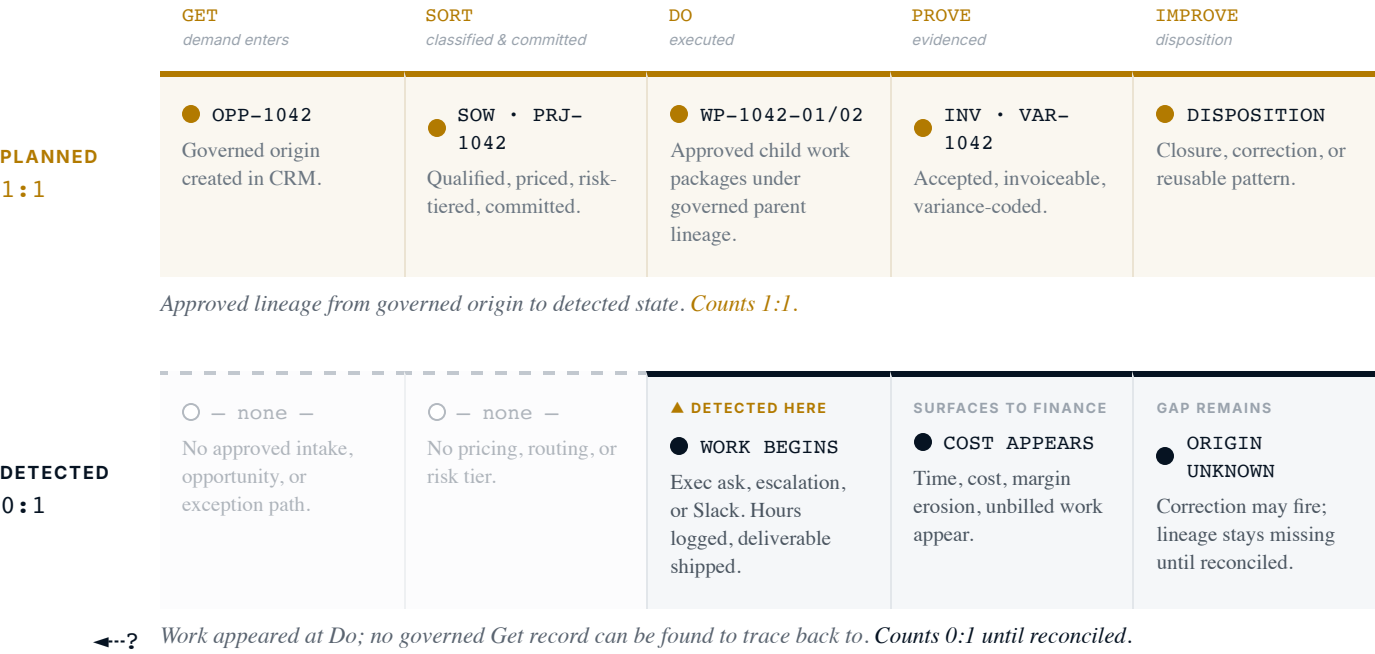


The Traceability Ratio measures how often the 1:1 holds across detected work. GSDPI is a taxonomy for classifying where work sits, not a workflow every function runs the same way.

FIGURE 2 • THE OPERATING CYCLE, FOLLOWED

How a unit travels — and how detected work doesn't

The same five stages as Figure 1, walked by two units: one governed end to end, one the model never admitted.



LINEAGE, NOT A LITERAL ID

1:1 does not require one identical ID everywhere — only approved lineage from governed origin to detected state: OPP-1042 → SOW-1042 → PRJ-1042 → WP-1042-01 → INV-1042 → VAR-1042

One contrast looks harmless. Multiply it across a quarter and the 0:1 column becomes forecast exposure the enterprise cannot defend — Exhibit 2 scales it.

RULE

Lineage-normalized Get ≥ Sort ≥ governed Do; every Do carries a Prove record and an Improve disposition. Break the first and you have a side door; break the second, Work-at-Risk.

EXHIBIT 2

Reading the model in counts

A directional screening read — reconcile output ledgers against governance ledgers, by function and stage.

Illustrative · one business unit · one quarter · opportunity-to-cash · unit = one work item · counts are directional; record-level IDs prove the ratio.

WHAT IT SHOWS

Where governed demand narrows, where execution exceeds origin, and where proof falls short.

HOW TO USE IT

Read each row's deltas — Do vs Sort for origin risk, Do vs Prove for proof gap — then confirm with record-level lineage.

WHAT IT GUARDS AGAINST

Treating totals as proof, or summing the two risk pools without reconciliation.

FUNCTION	GET	SORT	DO	PROVE	IMPROVE	0:1 SIGNAL	GOV. DO	PROOF-GAP WaR
Sales	40	36	36	34	32	0	36	2
Delivery	24	24	41	18	14	17	24	23
Resourcing	34	33	39	30	26	6	33	9
Finance	30	29	28	27	24	0	28	1
Client Success	32	28	40	21	16	12	28	19
TOTAL	160	150	184	130	112	35	149	54

184

Detected work (Do) — the denominator

149

Governed Do — reconciles to origin

0.81

Directional Traceability Ratio · 149 ÷ 184

35

Origin-risk units (0:1 signal)

54

Proof-gap WaR units

Origin-risk and proof-gap are distinct lenses; their populations may overlap. Record-level reconciliation determines the unique Work-at-Risk population and prevents double-counting.

0:1 signal = max(Do - Sort, 0), lineage-normalized
Governed Do = Do - unresolved 0:1 residual
Directional TR = Governed Do ÷ Do

Proof-gap WaR = Do - Prove
Closure gap = Prove - Improve
Unique WaR = record-level union of the above

SO WHAT · FOR THE BUSINESS

A directional 0.81 reads fine on a dashboard. Here is what it actually means.

WHAT IT MEANS NOW

You are managing 149 units of governed work. You are running 184 detected units. The 35-unit residual is exposure-at-risk: work drawing capacity the model has not yet reconciled to plan or budget.

THE IMPACT

54 units of delivered work sit in the proof gap. Until proved, they are economically at risk: margin, realization, and utilization leak here first, and the forecast is priced on a base it never fully saw.

WHY YOU SHOULD CARE

When the quarter closes, the miss reads as underperformance. The correction falls on headcount, hiring, and investment — not on the invisible work that caused it. Good people absorb a structural gap.

That is the cost of a number you can report but cannot prove.

03

The ratio

Traceability Ratio is the metric produced by applying that principle to detected work. The unit rule is simple.

THE UNIT RULE

Every detected unit of value-producing work should reconcile to a governed Get record, or an explainable lineage back to one.

If an invoice, ticket, case, deliverable, hire, shipment, labor charge, revenue event, or customer commitment exists, there should be a governed origin behind it. Services work can split, merge, expand, stall, cancel, or move across teams — so the rule is not that one request produces one output forever. The rule is that every detected work state should have a followable origin.

The operating pattern is **1:1**: the work entered through a governed origin and can be followed to a current or final state. **0:1** means the work was detected downstream, but no governed origin can be found.

THE BOARD READ

$$\text{Traceability Ratio} = \frac{\text{exposure-weighted 1:1 work states}}{\div \text{total detected work exposure}}$$

IN PLAIN LANGUAGE

The share of detected work exposure that reconciles to a governed origin. A unit-count view is still useful, but only inside a comparable work class — a board should not read a *\$5 million* engagement and a *\$5,000* request as equal units.

Critically, unresolved 0:1 should be treated as *additive until reconciled*. It may represent bypass work, lineage failure, duplicate records, late admission, or parent-child split. Until the enterprise knows which, the exposure is at risk — one way a low ratio erodes forecast realization: capacity or exposure consumed outside what the forecast priced.

Exposure weighting should distinguish actual, committed, and estimated exposure. A billed invoice carries a different confidence level from an early scope estimate or stale commitment value. A governed ratio reports both reconciliation confidence and exposure confidence.

04

What counts as governed origin

A governed Get record is not any record someone can create after the fact. To qualify as 1:1, the origin must meet a minimum admissibility standard.

Detailed pricing, routing, resource assignment, and execution quality belong downstream in Sort and Do. They should not be smuggled into the admission read. But a hollow or retrofitted Get record is not traceability. It is *cleanup theater*.

This keeps the numerator honest. Thin-but-real admission can count. Backfilled administrative cover cannot.

SIGNAL

A retrofitted record is not traceability — it is cleanup theater.

MINIMUM ADMISSIBILITY STANDARD

A governed origin must —

- 01 exist at or before commitment or first material execution; for approved exceptions, be reconciled within the defined window;
- 02 enter through an approved channel or approved exception path;
- 03 carry an accountable owner;
- 04 identify the work class or commitment;
- 05 include a unique work ID or approved parent-child lineage;
- 06 attach at least a basic economic or risk exposure reference.

05

How detected work is found

The denominator is not theoretical "all work." It is *detected* work. Detection comes from reconciling the output ledger against the governance ledger — what the business billed, shipped, staffed, closed, consumed, delivered, or reported, against what formally entered through Get.

If the work was real, it usually left a shadow: an invoice, time entry, closed ticket, report, shipment, delivered artifact, or customer commitment. Where that shadow exists but no governed Get record sits behind it, the work is detected as suspected ungoverned until reconciliation resolves bypass, mismatch, duplicate, split lineage, or late record.

DETECTION HAS DEGREES OF CONFIDENCE

HARD Output with no governed Get record behind it. <i>An invoice, shipment, hire, or billed milestone with no admitted work unit.</i>	MEDIUM Capacity consumed beyond admitted work. <i>A team logs 1,000 hours while governed work explains only 700.</i>	SOFT Cross-system evidence or accountable attestation. <i>A CRM note, timesheet, or practice leader confirming work outside Get.</i>
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The system may have high confidence the work existed and lower confidence that it is truly orphaned. It could be a bypass — or a key mismatch, parent-child split, duplicate, or late record. A governed Traceability Ratio reports not only the ratio, but the confidence of the reconciliation behind it.

METHOD NOTE · DIRECTIONAL TODAY, GOVERNED AS THE SYSTEM MATURES

A directional ratio identifies suspected 1:1 and 0:1 work, estimates the exposure attached to each, and reports reconciliation confidence. A governed ratio is the destination: locked population, stable work IDs, approved lineage rules, and confidence narrow enough to survive audit-committee review. In the lowest-maturity environments, the confidence band may be wide. *That is not a footnote. It is the finding.* Only unresolved 0:1 residual should remain in the low-traceability read after approved reconciliation rules are applied.

06

The condition boards should worry about most

Pair traceability with performance and four conditions appear. Three are legible. The fourth is the one that should worry a board.

The most deceptive case is performance on plan with low traceability. The number looks healthy, but the operating model may be running on unresolved low-traceability exposure: side-door work, hidden capacity, expert heroics, and demand the model only sees after the fact.

That is not necessarily bad performance. It may be good performance. But it is *unsupported* performance. Leaders scale it, automate it, staff to it, and forecast from it without knowing which part of the result is reproducible — and which part was borrowed from work the model never formally admitted.

A high Traceability Ratio would not have guaranteed the forecast. It would have made the forecast's exposure legible before it was banked.

THE FOUR CONDITIONS

Defensible

High trace · plan achieved.

Governed underperformance

High trace · plan missed.

Opaque underperformance

Low trace · plan missed.

Unsupported

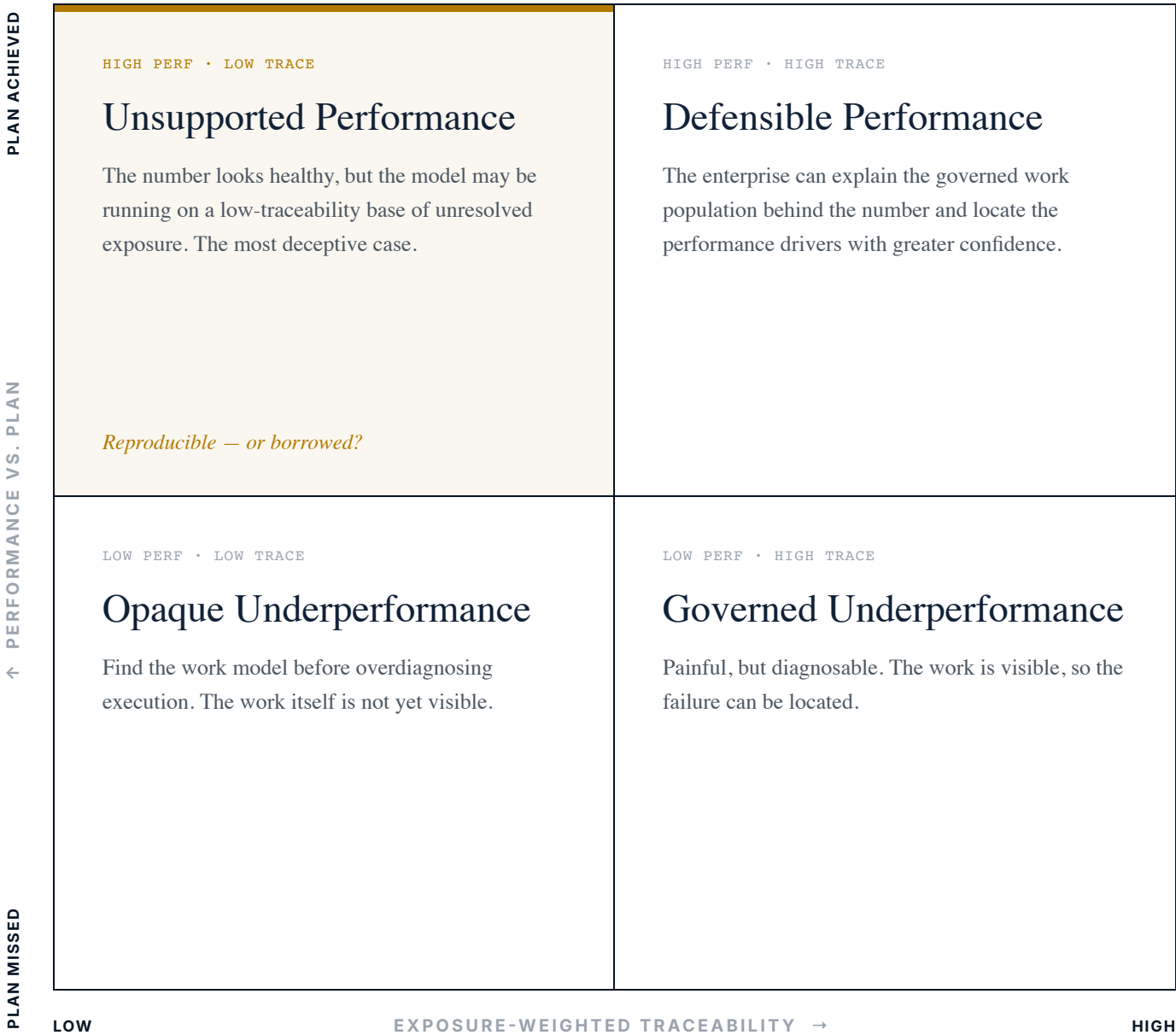
Low trace · plan achieved. *The deceptive case.*

→ EXHIBIT 1, OVERLEAF

EXHIBIT 1

The Traceability–Performance Matrix

Pair traceability with performance and four conditions appear.



Board read: exposure-weighted. Operating read: unit-count within comparable work classes.

07

Visibility is not yet control

Professional-services benchmarking illustrates the scale problem. SPI Research's 2026 benchmark finds that as organizations grow, they often gain operating efficiencies but lose close communication and agility. It frames executive real-time visibility as the ability to see operational information across sales, delivery, marketing, and finance — achieved through application integration.

That supports the operating point, but Traceability Ratio pushes the question one level deeper. Visibility tells leaders they can see across functions. Traceability asks whether the work seen across those functions reconciles to a governed origin.

At small scale, a partner may know the work, a delivery lead may know the workaround, and finance may see the margin. At enterprise scale, local knowing is not control. Until the work resolves into a 1:1 line — governed origin to detected state — the enterprise is still managing fragments.

SPI's data does not measure traceability. It shows the kind of operating contradiction Traceability Ratio is designed to investigate: headline financial improvement beside deteriorating utilization and weak margin-target attainment. The question is whether the operating base behind the number is visible enough to explain the contradiction.

17.2%

of firms achieved 100% or more of their annual margin target.

— SPI Research, 2026

THE DIVERGENCE



— Financial KPIs improved

— Billable utilization → survey low

Headline up, base down — the contradiction a traceability read is built to investigate.

08

What traceability is not

Traceability Ratio does not replace finance, process mining, project governance, or data quality. It tells leaders whether those instruments are reading a complete enough work population to be trusted. Each view is powerful inside its observed population. The risk is that leaders mistake the observed population for the complete one.

FINANCE	sees realization, margin, utilization, and revenue leakage.
DELIVERY	sees schedule, cost, quality, and service performance.
THE PMO	sees declared risks.
PROCESS MINING	sees how system-recorded work moved.

THE PRIOR QUESTION

Of the exposure-bearing work the enterprise later detects, how much entered the operating model in the first place?

That is its boundary. It is not a project-status score. It is not a data-quality score. It is not a leakage score. It is the origin-to-detection read that determines whether downstream analysis is structurally credible.

09

How the ratio scopes transformation

Traceability Ratio does not replace transformation. It scopes it — separating a demand-governance problem from a value-conversion problem, and telling leaders which one they have.

LOW RATIO

Points first to Get and lineage

Too much detected work is either bypassing governed channels or failing reconciliation lineage.
The requirement is upstream:

intake standardization · demand capture · work-ID design · governed exception paths · finance-to-delivery reconciliation · BI lineage repair.

HIGH RATIO · WEAK ECONOMICS

Points downstream

The work entered the model, so the issue is conversion, not intake:

- SORT** classification, pricing, routing, risk tiering.
- DO** rework, handoff drag, capacity leakage.
- PROVE** weak margin evidence, poor variance coding.
- IMPROVE** no owner for correction; the failure recycles.

A low ratio does not mean every ungoverned item was illegitimate. A CEO, partner, or customer may push urgent work directly to the team for good reason. The problem is not urgency. The problem is that urgent work went dark. The requirement is a *governed fast path* — executive, strategic, and exception work should move quickly without escaping trace.

WORK-AT-RISK

Work-at-Risk begins with the unresolved 0:1 residual — detected work the model still cannot reconcile to a governed origin after approved reconciliation rules are applied. It extends to 1:1 work when GSDPI shows leakage against time, cost, quality, service, margin, SLA, capacity, or customer-outcome tolerances.

ILLUSTRATIVE

A worked read

What the ratio looks like on a single services unit — and how to run your own first read.

A SINGLE \$50M SERVICES UNIT

A 300-person Product, SaaS, and Services delivery operation across three regional P&Ls. Of \$50M in detected services exposure, \$42M reconciled to a governed origin — intake, pricing, acceptance, resourcing, and PSA records. \$8M could not.

0.84

EXPOSURE-WEIGHTED TRACEABILITY



The same discovery surfaced 6–8 billable hours per consultant per week of recoverable capacity – work the model was absorbing but had never formally admitted. Illustrative figures from a real engagement; rounded.

YOUR FIRST DIRECTIONAL READ

Four moves, two ledgers, one number

01

PULL TWO LEDGERS

The output ledger — what was billed, shipped, staffed, or closed — beside the governance ledger of what formally entered through Get.



02

RECONCILE TO ORIGIN

Match each detected work state to a governed Get record. Whatever will not match is flagged, not deleted.



03

WEIGHT BY EXPOSURE

Value each unit by its economic or risk exposure, keeping actual, committed, and estimated confidence separate.



04

READ RATIO, THEN RESIDUAL

Compute the directional ratio, then treat unresolved 0:1 as exposure-at-risk and locate where it draws capacity.

A first read is directional, not audited. Its value is not precision — it is the first time the work behind the number becomes a population leaders can see.

10

Whose job is this — and the standard it sets

A low Traceability Ratio is often no one's job to fix, which is why it persists. The COO runs the operating model at steady state — cadence, performance, productivity, service. But a structurally low reading says the model itself may be unwell. Work is entering through side doors. Evidence appears downstream.

The work of transformation is to change the health of the operating model, not merely run the current one harder. Whether that discipline sits with a Chief Transformation Officer, an operating partner, or the CEO, someone must own the movement from a model that reports performance to one that can defend it.

SIGNAL

Not a turf claim. A health reading.

The standard does not ask whether the enterprise is busy, whether the transformation office is green, or whether an AI pilot produced a local gain. It asks whether the work exposure that delivers the number entered the operating model where it could be followed.

That question matters more as AI moves from task assistance into workflow execution. The AI point is not that AI causes low traceability. It is that AI widens the consequence of weak trace when execution starts moving inside workflows, agents, and automated handoffs. AI does not weaken the case for traceability. *It raises the cost of not having it.*

A low reading is not a verdict. It is a health signal, and the decline it names is reversible — the work of transformation is to move from a number that looks healthy on a low-traceability base to one the enterprise can actually defend.

If leadership can trace the work, it has the starting condition for defending the transformation. If it cannot, the first requirement is not another tool, dashboard, or initiative.

It is to find the work.

SOURCES & NOTES

References

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- [1] Bain & Company, "*88% of Business Transformations Fail to Achieve Their Original Ambitions*," Transformation & Change practice. April 15, 2024.

Drawing on Bain's 2023 Transformation & Change Survey of more than 400 executives, the firm reports that only about 12 percent of business transformations achieve their original ambition, and that a dedicated Chief Transformation Officer is associated with materially more realized value. Cited as transformation-outcome context, not as causal evidence for Traceability Ratio.

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- [2] Basel Committee on Banking Supervision, "*Principles for Effective Risk Data Aggregation and Risk Reporting*," BCBS 239. January 2013.

The Committee found that the 2007 crisis exposed banks' inability to aggregate risk exposures quickly and accurately, making risk-data aggregation a control imperative.

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- [3] Service Performance Insight, *2026 Professional Services Maturity Benchmark*, 19th annual edition.

A benchmark of 509 firms representing more than 245,000 employees and approximately \$63 billion in services revenue. Reports billable utilization at the lowest point in survey history while several financial KPIs improved, and only 17.2 percent of firms achieving 100 percent or more of their margin target.

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- [4] McKinsey & Company, "*The State of AI in 2025: Agents, Innovation, and Transformation*," QuantumBlack by McKinsey. November 2025.

Cited for the broad pattern of widespread AI adoption with uneven enterprise-level economic impact, and the importance of embedding AI into workflows and processes.

ABOUT THE AUTHOR



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Darrin advises executives, boards, and operating partners on transforming the operating model — the Core — into governed work and provable value. Since 2004 he has led 60+ transformations across PE-backed and corporate enterprises, from \$400M to \$20B in revenue. He holds an MBA from The Citadel and is a 2027 Doctor of Business Administration candidate in Strategic Management at Liberty University.

ABOUT ETEGY

ETEGY advises executives, boards, and value-creation leaders on operating-model transformation, enterprise governance, and provable value realization — helping organizations convert strategic intent into governed work, measurable performance, and defensible enterprise value.

ETEGY

FOR EXECUTIVE DISCUSSION OR BOARD-LEVEL APPLICATION OF THIS POINT OF VIEW

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