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Business Invincibility Advisory

Invincibility Blueprint

Senior-Led Diagnostic Report

Model Ltd

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SAMPLE REPORT

FICTIONAL COMPANY | CREATED FOR DEMONSTRATION PURPOSES

CONFIDENTIAL

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Non-Reliance and Confidentiality

This report has been prepared on a confidential basis for the named client. The findings are derived from evidence supplied by the client, from the structured interviews conducted during the engagement, and from the analytical framework applied during the diagnostic. The report is not a financial audit; financial figures are referenced for diagnostic purposes only.

Outcomes from comparable engagements are indicative; specific results depend on the client's execution, market conditions, and the operational and financial trajectory described herein. This report does not constitute a binding commitment to specific outcomes.

The report and the analytical method that produced it are provided to the named client and to the senior leadership team specifically. The report should not be circulated, copied, or distributed beyond that audience without prior written consent.



Section 1: Executive Summary

Invincibility Blueprint: At a Glance



Figure 1: Executive Summary - At a Glance

Model Ltd has built a high-quality fibre network, delivered on schedule and within budget, that carries 99.97% uptime and serves 28,000 subscribers. The business that operates that network has not yet been designed.

The management system has two pockets of competence that sit outside the eleven-component Reality Test scope: network quality monitoring, which operates a three-tier monitoring architecture with trained redundancy, and build programme delivery, which has passed 180,000 premises on schedule and within 3% of original budget using a documented project management methodology. These two areas function at Stage 3 or above. Within the Reality Test scope every component carries a structural gap, and everything outside the two pockets above functions at Stage 1.

The system is constrained by the build-phase governance framework, which is applied to operate-phase decisions it was not designed for. Six of eleven management system components carry gaps in the "form without substance" or "compromised function" categories. Two are absent entirely: workforce planning and customer lifecycle management. The operating system itself carries the Cargo Cult classification, the most structurally significant gap category, because the build-phase governance meetings take place, the forms are completed, and the approvals are sought, but the system was designed for capital expenditure decisions with long-term infrastructure consequences, not for operational decisions that are routine, reversible, and time-sensitive.

The overall assessment is Stage 1 (Heroic Effort). The build programme operates at Stage 3 or above, but the lowest-stage indication governs the organisational assessment. The gap between the build programme and the operating business is not a capability gap. It is a system gap. The management discipline that built the network has not been extended to the business that runs it.

The Performance Profile across the four diagnostic dimensions, set out in full in Section 3, reflects this split. Throughput and flow discipline scores 1.0 (Amber): fault resolution averages 52 hours against an industry benchmark of 4-8 hours, and provisioning takes 14 days against a benchmark of 3-5, both driven by the governance process designed for the build phase. Cash and cost control scores 1.5 (Amber): gross revenue growth of 12% reduces to net growth of 4% once churn is accounted for, and the 8.3% operating margin is compressed by approximately £730K-910K in build-phase overhead that has not been adjusted. Management precision scores 1.0 (Amber): the build



programme runs a structured weekly management cycle while operational functions run on corridor conversations and the COO's personal attention. Accountability and authority clarity scores 0.5 (Red): operational managers carry responsibility for outcomes they cannot influence because every material decision routes through build-phase approval chains designed for capital expenditure.

The financial position is not distressed. Cash is adequate at £2.1M, the current ratio is 1.42, and the business generates returns above its indicative cost of capital. But the cost structure is carrying the build programme into a phase where it is no longer the primary activity, and the customer economics are eroding value that the revenue growth should be creating: acquisition cost at nearly double benchmark, churn at 18% costing approximately £1.4M in annual revenue, and fault resolution cost 70-100% above industry norms.

Revenue concentration adds a structural risk: the largest wholesale customer accounts for 34% of total revenue, with no pipeline or documented plan to diversify the wholesale base. The retail subscriber base of 28,000 provides a direct debit revenue stream with zero overdue receivables, but churn is eroding that base faster than acquisition replaces it. The combined annual value impact of excess customer economics (acquisition cost, fault resolution cost, and churn) is approximately £2.3M-2.6M. Not all of this is recoverable, but the magnitude confirms that the governance mismatch has material financial consequences beyond the operating margin compression.

The three blockers are the build-phase governance framework applied to operational decisions, the absence of an operate-phase operating system, and the authority vacuum at operational management level. Six quick gains are identified in Section 12, ordered by dependency. The top 3 quick gains are a parallel change management track for BAU faults (target: fault resolution under 12 hours within 90 days), delegated operational spending authority at department head level (target: decisions in days, not weeks), and standing operational KPIs on the board agenda replacing the current build-only reporting. Six quick gains are identified in total, with a combined estimated impact of £410K-560K in annual cost reduction plus £400K in working capital release, all achievable within 90 days through policy decisions that require no structural change.

The full diagnosis sits in Section 3. The two pathways for acting on it, sequenced in detail, are set out in Sections 11 and 12: a sequenced DIY implementation plan with nine priorities ordered by dependency, and the Business Invincibility programme designed for exactly this type of transition from build to operate. The strategic cross-reading in Section 10 identifies a time-sensitive dynamic: the strengths that position the business well (network quality, build record, subscriber base) are being eroded by the weaknesses (churn, authority vacuum, absent operating system) while external threats (Openreach overbuild, talent competition, regulatory pressure) intensify. Every strength-opportunity combination in the SWOT depends on removing the primary constraint first.

This report is advisory and does not constitute legal, financial, or specialist advice. Non-reliance and full engagement terms are set out in the engagement agreement.



Section 2: About This Report

This report presents the findings of a diagnostic assessment of Model Ltd conducted over a four-week period. The purpose was to assess the organisation's management system, operational effectiveness, and financial position, and to identify the primary constraint limiting performance.

Evidence Collection

Evidence was collected through three streams. First, a structured interview programme: 16 semi-structured interviews across four organisational layers (directors, department heads, managers, and supervisors), each following a standardised protocol designed to test the same operational questions from different perspectives. The protocol tests each claim from at least two organisational layers; where interviewees converge on the same finding independently, the evidence carries higher confidence. Where accounts diverge, the contradiction is recorded in Appendix E.

Second, an upload pack of 127 documents provided by the business, covering financial records, operational data, HR documentation, governance frameworks, and commercial information. Third, on-site observation: a visit to the headquarters, network operations centre, customer service floor, and a field team morning briefing. On-site observation provides a check on both interview claims and documentary evidence; what people say and what documents describe is tested against what actually happens on the ground.

The upload pack had a gap rate of 28%. Key gaps include the absence of an operate-phase budget or forecast, customer lifecycle metrics, a workforce planning model, and an operational authority matrix. Where documents were requested but not provided, this is noted in the relevant findings. The absence of a document does not confirm the absence of a capability; it confirms that documentary evidence was not available for review. The full evidence inventory, including gap analysis and key observations per document, is presented in Appendix B.

Analytical Method

The analysis applies four independent analytical frameworks, each examining the business from a different perspective: management precision and the quality of the management cycle; throughput and the constraints that limit the rate at which the business converts effort into revenue; accountability and the authority structures that enable or obstruct management; and the operational system and whether the management infrastructure matches the business's current needs. Each framework was applied independently before the findings were compared. Where all four converge on the same issue, the finding carries the highest confidence level. The convergence on the primary constraint, the build-phase governance framework applied to operate-phase decisions, is a four-lens finding: each analytical framework independently identified the same structural issue.

The diagnostic includes a Reality Test: a structured assessment of whether each component of the management system exists, what type of gap is present if it does not fully function, and what evidence supports the assessment. The eleven components are classified using eight gap categories ranging from "Absent" (the component does not exist) through to "Solid" (fully functioning). The Reality Test results are presented in Section 3, with full scoring detail in Appendix D.



Financial Assessment Basis

The financial analysis draws on twelve months of management accounts (profit and loss), balance sheet data at three dates, customer revenue breakdowns, the capital expenditure schedule, and the build programme financial summary. All financial ratios are calculated from this data and presented in Appendix A with full workings, monthly trend analysis, and cross-analysis commentary. Where data limitations affect a calculation, this is stated explicitly. The financial assessment is a diagnostic tool; it does not constitute financial advice. The client should obtain independent professional advice before acting on any financial findings.

Confidence Framework

Every finding in this report carries a confidence level from 0 to 3. Confidence 3 means the finding is supported by convergent evidence from multiple sources and evidence streams. Confidence 2 means the evidence is consistent across layers but relies on fewer sources or lacks full documentary support. Confidence 1 means the finding rests on a single source and is explicitly flagged as requiring further investigation. Confidence 0 findings are not presented as findings; they appear only in the contradiction register (Appendix E) where relevant.

The language register used in the report is calibrated to the confidence level. Confidence 3 findings are stated as direct conclusions ("the authority matrix does not distinguish..."). Confidence 2 findings use evidential language ("evidence suggests..."). Confidence 1 findings carry explicit caveats and are identified as areas for further investigation. This calibration is applied consistently throughout the report; where the language softens, the confidence level is lower.

Limitations

This diagnostic is based on the evidence available during the assessment period. It reflects a point-in-time assessment, not a continuous audit. Areas not covered by the upload pack or interview programme may contain relevant information that was not available for review. The gap rate of 28% means that approximately one in four requested document categories was not provided. Where this affects a finding, the limitation is stated in the relevant section.

This report is prepared for Model Ltd only and does not constitute legal, financial, or specialist advice. Findings reflect professional judgement based on the evidence available during the diagnostic period. All recommendations are advisory. The client retains responsibility for its own decisions and should seek independent professional advice where appropriate. Full terms are set out in the Master Terms of Engagement.



Section 3: Diagnostic Overview

3.1 The Reality Test

Operating System Cargo Cult	C3
Power and Authority Ritual	C3
Business Development Strategy Wrong tool for the job	C3
Competitive Advantage Strategy Virtual	C2
Marketing Strategy Virtual	C2
Organisational Structure Built around individuals	C3
Business Processes Conflicting approaches	C3
People Management Demo version	C2
Workforce Planning and Development Absent	C2
Network Change Mgmt Wrong tool for the job	C3
Customer Lifecycle Mgmt Absent	C2

■ Absent / Virtual ■ Compromised / Individual-dependent
■ Ritual / Demo / Cargo Cult ■ Solid

The management system has two solid areas (network quality monitoring and build programme delivery) but is constrained by the Operating System, which sits at Cargo Cult. Two components are absent entirely: Workforce Planning and Customer Lifecycle Management.

Figure 2: Reality Test Component Diagnostic



Every management system component has been assessed against a framework that distinguishes between eight specific types of gap: absent (the component does not exist), virtual (discussed but never implemented), ritual (the form exists without the substance), demo version (partially built but not functioning at scale), cargo cult (a system exists but is the wrong system for the task), wrong tool for the job (designed for a different purpose), conflicting approaches (multiple systems pulling in different directions), and built around individuals (functions only while a specific person is present). A fully functioning component is labelled "Solid."

Component	Primary Gap	Confidence	Key Evidence
Operating System	Cargo Cult	C3	Build-phase OS applied to operate decisions; forms followed without function
Power and Authority	Ritual	C3	Authority matrix exists on paper; designed for capital decisions, applied to operational
Business Development Strategy	Wrong tool for the job	C3	Build plan tracked monthly; no operate-phase plan, budget, forecast, or board-level operate targets
Competitive Advantage Strategy	Virtual	C2	Investor-era strategy unrevised; churn, Openreach overbuild, and wholesale concentration unaddressed
Marketing Strategy	Virtual	C2	No go-to-market plan, no pipeline, no pricing or target-customer definition; acquisition via website and word of mouth
Organisational Structure	Built around individuals	C3	COO personally manages all operational decisions; no intermediate management layer
Business Processes	Conflicting approaches	C3	Build processes and emerging operate processes clash at every integration point
People Management	Demo version	C2	HR administration functional; performance management informal



Component	Primary Gap	Confidence	Key Evidence
			and inconsistent
Workforce Planning and Development	Absent	C2	No model for operate-phase workforce; build team not reviewed against operate needs
Network Change Mgmt (industry)	Wrong tool for the job	C3	Build-phase change management applied to BAU fault resolution; 52-hour average
Customer Lifecycle Mgmt (industry)	Absent	C2	No framework; customer journey crosses 4 departments with no single owner

The management system has two pockets of competence that sit outside the eleven-component Reality Test scope: network quality monitoring and build programme delivery. Within the Reality Test scope itself, the system is constrained by the operating system, which functions as a cargo cult: the build-phase governance framework is applied to operate-phase decisions it was not designed for, creating delay and management workarounds without delivering the control it was built to provide. Six components sit in the "form without substance" or "compromised function" categories. Two, workforce planning and customer lifecycle management, are absent entirely.

The pattern across the eleven components is not random. It divides along a single boundary: whether the component was designed as part of the build programme or emerged to serve the operate phase. Components built for the build programme (the operating system, the authority matrix, business processes, and the planning discipline behind business development) exist as documented, functioning systems within the build context. Applied to the operate phase, the same components produce friction. The three strategy components tell the same story from the commercial side. Business development has a detailed build plan but no operate-phase plan, budget, or board-level target. Competitive advantage rests on an investor-era strategy document that has not been revised since the build reached 60% completion and does not address churn, the Openreach overbuild threat, or the concentration risk in wholesale. Marketing has no go-to-market plan, no pipeline, and no defined pricing or target-customer profile; customer acquisition runs on the website and word of mouth at nearly double the benchmark cost. Components that should have been designed specifically for the operate phase (workforce planning and development, customer lifecycle management, operate-phase targets) either do not exist or exist as informal initiatives created by individual managers without organisational backing.

The operating system carries the Cargo Cult classification because this is the most structurally significant gap category. A cargo cult is not the absence of a system. It is the presence of the wrong system, which is more damaging than absence because it creates the appearance of governance without the substance. The build-phase governance meetings take place. The forms are completed. The approvals are sought. But the system was designed for capital expenditure decisions with long-term infrastructure consequences, not for operational decisions that are routine, reversible, and time-sensitive. The governance activity consumes management time without producing the control it



was built to deliver. Staff follow the process because it is the only process available, not because it helps them do their work. Three HoDs independently described this pattern using near-identical language: the process exists, the process is followed, and the process makes things slower without making them better.

The absence of customer lifecycle management is a particular concern for a business whose primary revenue base is recurring subscription income. The system that should manage the most commercially important relationship, the ongoing subscriber, was not evidenced during this diagnostic and does not appear to exist in practice. Acquisition is handled by the website and word of mouth. Provisioning is handled by the NOC. Faults are handled through the change management process. Billing is handled by finance. Churn is managed by nobody. No single view of the customer exists across these handoffs. The 18% churn rate documented in Section 5 is the financial consequence; the absent customer lifecycle component is the structural cause. The business acquires customers through four different touchpoints and loses them through the gaps between those touchpoints.

Workforce planning is absent in both the strategic and operational sense. No model links headcount to business direction. The build-phase engineering team of 45 was sized for a peak rollout rate of 3,500 premises per month. Current build activity requires approximately 30-32 engineers. The gap has not been reviewed because no workforce planning function exists to trigger the review, and no one below the COO has the authority to initiate a headcount restructuring. The customer service team grew from 6 to 22 in 18 months without a capacity model, a service-level framework, or a workforce plan. The growth was reactive: each new hire was a response to rising queue times, not a planned investment against a staffing model. No one is accountable for the growth pattern or its cost because no one was asked to produce a plan against which the growth could be measured.



3.2 Performance Profile

Performance Profile: Model Ltd

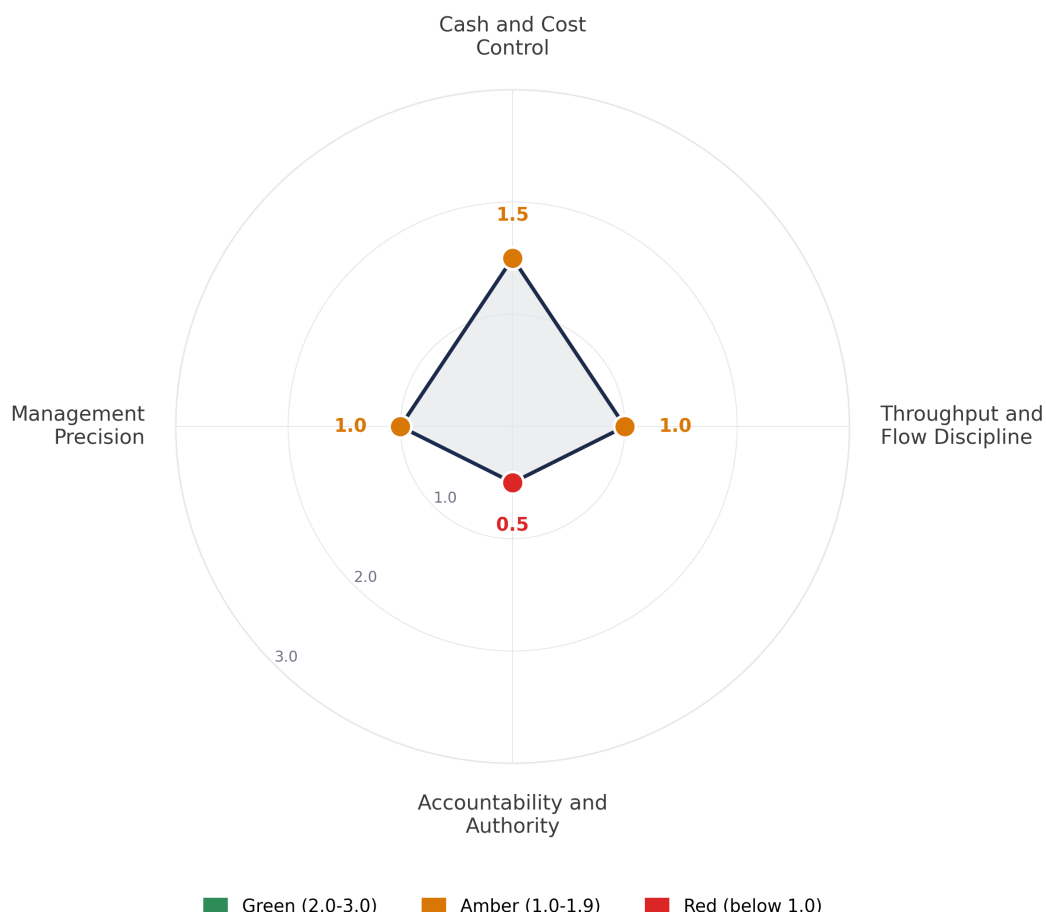


Figure 3: Performance Profile (4 dimensions)

Dimension	Score (0-3)	RAG	One-sentence summary
1. Throughput and Flow Discipline	1.0	Amber	Fault resolution and provisioning cycle times are multiples of industry benchmarks, driven by governance processes designed for the build phase.
2. Cash and Cost Control	1.5	Amber	Revenue growing but net growth eroded by 18% churn; operating margin compressed by build-



Dimension	Score (0-3)	RAG	One-sentence summary
			phase overhead.
3. Management Precision and Follow-up	1.0	Amber	Structured management cycle exists within the build programme but not in operational functions.
4. Accountability and Authority Clarity	0.5	Red	Operational managers carry responsibility without matching authority; every material decision routes through build-phase approval chains.

Dimension 1, Throughput and Flow Discipline (score 1.0, Amber). At 52 hours, the average fault resolution time is six to thirteen times the industry benchmark for comparable full-fibre operators. The root cause is not technical capability, which is strong (Section 9), but the change management process that sits between fault diagnosis and fault resolution. The NOC team can identify a fault within minutes using their 340-type knowledge base. Fixing it takes days because of the governance layer imposed between diagnosis and dispatch. Each fault fix requires a change request form, a risk assessment, a peer review, and an approval before an engineer is dispatched. For a known fault type with a documented resolution procedure, this process adds 24-48 hours and approximately £70-85 in administrative overhead per incident.

Provisioning follows the same pattern. Average time from order to active service is 14 days. Industry benchmark: 3-5 days. New subscriber provisioning enters the same change management queue as build-phase network interventions, competing for approval alongside infrastructure projects. The provisioning delay drives an 11% cancellation rate during the activation window: customers who have ordered but not yet received service cancel before the connection is made. Each cancellation wastes the acquisition cost already incurred and feeds the churn rate that erodes net revenue growth.

The pattern is consistent: where the build-phase governance framework controls a process, cycle times are inflated by the overhead of a system designed for a different type of decision. The build programme's own throughput is well-managed (milestones tracked, variances reported, weekly reviews). The throughput discipline gap exists exclusively where build-phase governance has been applied to operate-phase activity. Full analysis: Section 5.

Dimension 2, Cash and Cost Control (score 1.5, Amber). Gross revenue growth of 12% reduces to net growth of 4% once churn is accounted for, and the operating margin of 8.3% is compressed by approximately 4-5 percentage points by build-phase overhead that has not been adjusted. The score sits above 1.0 because the financial reporting infrastructure exists and functions: monthly management accounts are produced, the build programme's financial tracking is thorough, cash is managed, and liquidity is positive. The score sits below 2.0 because operate-phase cost control is absent. No operate-phase budget has been set. No cost targets exist for operational functions. The build-phase engineering team, the vehicle fleet, and the field support infrastructure have not been



right-sized for the transition. The financial data is produced but does not drive operational decisions because no management mechanism connects the data to the cost base.

The financial position is not distressed: cash is adequate at £2.1M, the current ratio is 1.42, and the business generates returns above its indicative cost of capital. But the cost structure is carrying the build programme into a phase where it is no longer the primary activity, and the customer economics (acquisition cost at nearly double benchmark, churn at 18%, fault resolution cost at 70-100% above benchmark) are eroding value that revenue growth would otherwise create. Full analysis: Section 5.

Dimension 3, Management Precision and Follow-up (score 1.0, Amber). The build programme PMO runs a structured management cycle with weekly reviews, documented variance tracking, and milestone accountability. The PMO lead described a structured sequence: plan on Monday, delegate by Tuesday, check on Thursday, review on Friday. This is not universal best practice; it is one team's practice, and it works because the PMO was designed as a management system from the start.

Customer service, fault resolution, commercial development, and field operations have no equivalent. The management system's precision depends entirely on whether the activity in question falls inside or outside the PMO's scope. Planning in operational functions is reactive. Delegation functions informally and incompletely: tasks are assigned without matching authority. Control is sporadic: problems are discovered at the crisis stage rather than at the correction stage. The Ofcom complaint spike (47 complaints in Q4 against a prior quarterly average of 8-12) was a crisis-stage discovery of a fault resolution problem that had been building for months. The information was available in the network management system. The management mechanism to act on it was not.

The COO's personal involvement substitutes for a management system in operational functions. When the COO is available, decisions are fast and generally sound. When the COO is travelling, in build programme meetings, or on leave, operational decisions queue. The management system's reliability is a function of one person's diary. Full analysis: Section 6.

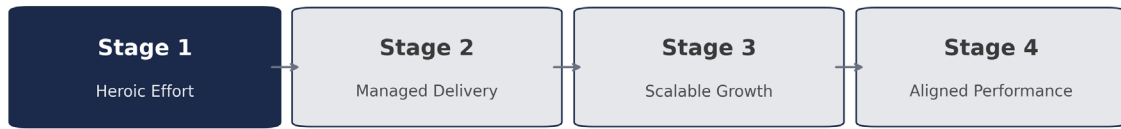
Dimension 4, Accountability and Authority Clarity (score 0.5, Red). Three weeks to approve a £200 router replacement. Four interviews raised this specific example unprompted. The authority matrix was designed for capital expenditure and has not been adapted for operational spending. Operational managers are accountable for outcomes they cannot influence because the decisions required to deliver those outcomes sit above their authority threshold. A customer service team leader who is accountable for service quality cannot hire additional staff, cannot approve overtime, and cannot change a process without navigating a three-week governance cycle. A field operations manager who is accountable for fault resolution times cannot dispatch an engineer without a change request that enters the build-phase queue.

This is the lowest-scoring dimension because the authority structure actively impedes operational management rather than merely being absent. A score of 1.0 would indicate that authority boundaries are unclear or informal. The score of 0.5 reflects a specific finding: the authority structure is clear, documented, and enforced, but it is the wrong structure for the decisions it governs. The result is not ambiguity. It is systematic obstruction. Full analysis: Section 7.



3.3 Overall Organisational Development Stage

Organisation Development Stage



Operate-phase functions run on heroic effort; build programme pocket at Stage 3 has not been extended

Figure 4: Current Stage Assessment

Stage 1: Heroic Effort

The stage assessment is derived from three inputs. The Performance Profile mean (1.0) sits at the Stage 1/2 boundary. The Reality Test aggregate severity, anchored by two absent components and a Cargo Cult operating system at the weakest-link level, indicates Stage 1. The cross-personnel test fails across all operational functions: the management system would not survive a personnel change in any operate-phase role. The lowest-stage indication wins. Two of three inputs indicate Stage 1; the third sits at the boundary. The assessment is Stage 1.

The cross-personnel test provides the decisive evidence. Customer service would not survive the departure of the team leader. The commercial function would not survive the loss of the Commercial Director's personal relationships. Field operations in the operate phase would not survive the departure of the COO, who is the de facto management system for all operational decisions. In each case, the management system is the person, not the process. The build programme delivery function passes the cross-personnel test, confirming that Stage 3 capability exists within the organisation. That pocket of competence does not lift the organisational assessment above Stage 1 because it has not been extended to the functions that now consume the majority of leadership attention.

The client self-assessment was Stage 3, based on the build programme's delivery track record. The gap of two full stages reflects a common pattern in businesses transitioning from build to operate: the build phase created genuine management capability, but the management system has not been extended to cover the majority of the organisation's current activity. The client measures its maturity by its strongest function. The diagnostic measures it by its weakest, because the weakest function determines the system's reliability under stress.

Confidence: C2 (the cross-personnel test is limited by insufficient evidence on two operational management roles where the incumbents have been in post for less than 12 months).



3.4 By-Department Stage View

Department	Approx Stage	Key Evidence
Build Programme / PMO	Stage 3	Documented methodology, tracked KPIs, structured governance, milestone reviews
Network Operations (NOC)	Stage 2	Monitoring systems and escalation procedures; constrained by change management
Customer Service	Stage 1	Reactive, personality-driven, no documented processes, no capacity model
Commercial	Stage 1	No go-to-market plan, no pipeline, no customer lifecycle framework
Field Operations	Stage 1-2	Build teams structured; operate teams ad hoc, resource allocation via PMO
Finance	Stage 2	Monthly management accounts; no operate-phase budgets or forecasts
HR	Stage 1-2	Administration functional; no performance management system, no workforce planning

The variation is not random. Departments that were designed as part of the build programme (PMO, Network Operations) sit at Stage 2 or above. Departments that emerged to serve the operate phase (Customer Service, Commercial) sit at Stage 1. The boundary between managed and unmanaged tracks exactly along the boundary between the build programme and the operating business.

The disparity is itself diagnostic. The PMO and NOC operate within the same organisation, under the same directors, with access to the same resources as Customer Service and Commercial. The difference is not talent, budget, or leadership attention. It is the presence of a designed management system in one area and its absence in the other. Where someone deliberately built a system (the PMO methodology, the NOC monitoring architecture), the department functions at a managed level. Where no one built a system, the department defaults to the operating standard set by whoever happens to occupy the role. The capability to design management systems demonstrably exists within the business. It has not been directed at the operating functions.

3.5 Top 3 Blockers

1. Build-phase governance applied to operational decisions. Every operational decision routes through approval processes designed for capital expenditure. Fault resolution requires a change request. Hiring requires COO approval. Procurement follows a three-week cycle regardless of value. The governance framework is the bottleneck, not the people within it. Operational managers described a consistent pattern: they know what needs to be done, they have the capability to do it,



and the governance process prevents them from acting at the speed the situation requires. (C3; see Section 4 for the constraint analysis, Section 8 for the operating system assessment.)

2. No operate-phase operating system. The build OS exists and functions for its designed purpose. No equivalent exists for operational activities. Customer service, fault resolution, churn management, and commercial development have no documented goals, processes, authority delegations, or review cycles. The vacuum is not passive: in the absence of a designed system, the build-phase system fills the space by default, which is the mechanism that produces the cargo cult classification in the Reality Test. (C3; see Section 8 for the full assessment, Section 3.1 above for the Reality Test.)

3. Authority vacuum at operational management level. Operational managers carry accountability for outcomes they cannot control. They cannot hire, approve purchases, authorise overtime, or change processes without build-phase governance approval. The result is workaround culture: managers bypass the system (creating inconsistency) or wait for approval (creating delay). Both responses are rational given the structure. Neither produces good outcomes. (C3; see Section 7 for the authority analysis, Section 6 for the management precision assessment.)

3.6 Top 3 Quick Gains

1. Create a parallel change management track for BAU faults. Separate fault resolution from the build-phase change management process. Define a "standard change" category for the 20 most common fault types (covering approximately 75% of fault volume) with pre-approved resolution procedures. Remove these from the build-phase change management queue entirely. Target: reduce average fault resolution from 52 hours to under 12 hours within 90 days. Process redesign only; no capital expenditure required. The NOC already has the knowledge base; the constraint is the governance layer between diagnosis and action. (C3; see Section 4, Section 3.1 Network Change Management component.)

2. Transfer operational spending authority to line managers. Define a delegated authority schedule for operate-phase decisions: hiring up to defined thresholds, procurement within defined limits, overtime approval, and process changes within defined parameters. Remove the PMO from operational approval chains. Target: reduce approval cycle from 3 weeks to 3 days for routine operational decisions. The COO supports this change; the mechanism to implement it has not been created. (C3; see Section 7 for the authority analysis.)

3. Add standing operational KPIs to the board agenda. Churn rate by cause and segment, fault resolution time, customer acquisition cost, NPS, and operate-phase cost per subscriber. Board visibility drives management attention. Currently, the board sees the build programme in detail and the operating business as an AOB item. Placing operational KPIs as standing agenda items does not require new data systems; the information exists in the network management system and the management accounts. It requires a board agenda decision. (C2; see Section 6 for the management precision assessment.)



Section 4: Current Reality Map

The Constraint

Current Reality Map: Model Ltd

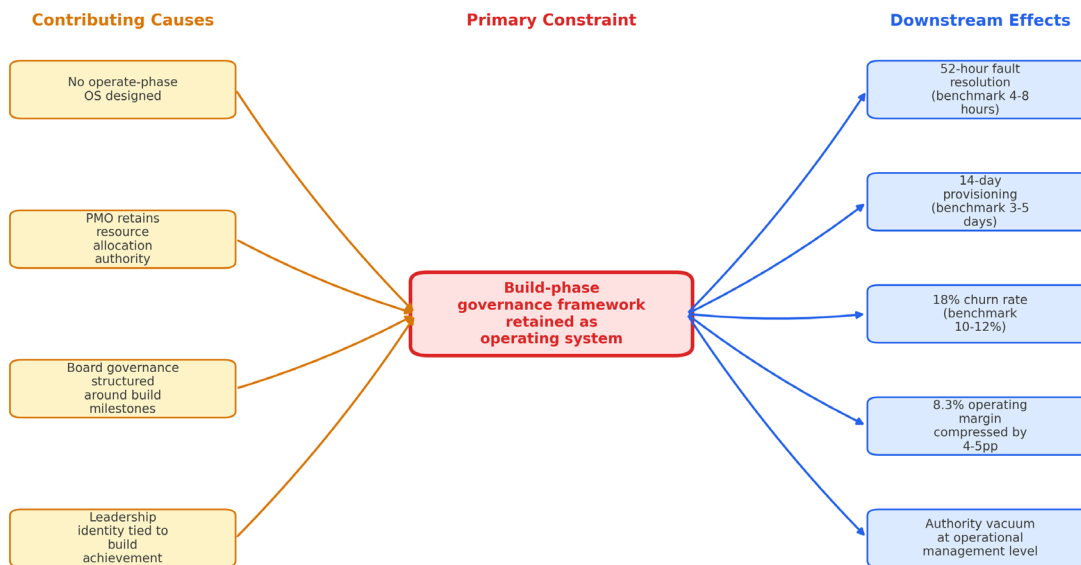


Figure 5: Primary Bottleneck Flow Diagram

Every analytical lens in this diagnostic converges on the same primary system constraint: the build-phase governance framework retained as the de facto operating system for the operate phase. This is not an abstract organisational design issue. It is the specific mechanism that produces the fault resolution delays, the inflated customer acquisition costs, the authority vacuum, and the churn spiral documented across Sections 5-8.

The constraint passes the three validation tests. The genuine strengths identified in Section 9 (network quality, build delivery, technical fault diagnosis) sit alongside, not against, this diagnosis: they are the management capability available to fix the constraint, not evidence that the constraint is absent.

Controllability. The business owns its governance policies, approval thresholds, change management processes, and organisational design. No external regulator, customer, or market force requires the business to apply build-phase governance to operational decisions. The constraint is entirely within management control.

Cause vs consequence. The policy rigidity is a cause, not a consequence. It produces slow fault resolution (52 hours against 4-8 hour benchmark), inflated acquisition costs (£380 against £180-220 benchmark), management workarounds, and an authority vacuum at operational level. Removing it would require redesigning the governance framework, not fixing a downstream symptom. Each



consequence documented in Sections 5-8 traces back to this root: the governance framework that makes operational decisions slow, expensive, and dependent on escalation.

Specificity. The constraint is specific and actionable. It is not "culture" or "leadership mindset" or "organisational maturity." It is a governance framework with identifiable components: an authority matrix, a change management process, a resource allocation mechanism, and a board agenda structure. Each component can be redesigned. The actions required are defined: redesign the authority matrix for operate-phase decisions, create a parallel change management process for BAU faults, transfer resource allocation from the build PMO to operational line management, and restructure the board agenda to give equal weight to operational performance.

Root Cause Analysis

Root cause: Build-phase governance framework retained as the operating model without adaptation for the operate phase.

The root cause sits at the intersection of all four analytical lenses:

Lens	How the constraint manifests
A (Management Precision)	Management cycle exists for the build but not for operations; COO is the management system by default
B (Throughput and Constraints)	Fault resolution at 52 hours, provisioning at 14 days, customer acquisition cost at nearly double benchmark
C (Accountability and Authority)	Authority matrix designed for capex applied to opex; 3-week approval for routine decisions
D (Operational System)	Build-phase OS is a cargo cult when applied to operate; six of eight core OS requirements empty for operate phase

The four-lens convergence is the strongest possible basis for a constraint identification. Each lens was applied independently before the findings were compared. Each arrived at the same structural root through a different analytical pathway. The financial data confirms the cost consequences. The interview data confirms the operational consequences. The documentary evidence confirms the governance mechanism. No alternative constraint hypothesis survived the four-lens test.

Contributing Causes

1. No operate-phase operating system designed or documented. The build OS filled the vacuum because it was the only system that existed. Without a designed alternative, the organisation defaulted to the available framework, regardless of fit. This is the "cargo cult" mechanism: the build-phase governance was not imposed by deliberate choice. It was inherited by default because no one designed the alternative. The build programme PMO had an operating system from day one because the PMO was designed as a management system. The operate phase was never given the same treatment. [C3]

2. Build programme PMO retains resource allocation authority. The PMO controls headcount approval, contractor allocation, and equipment procurement for all functions, not just the build.



Operational managers compete for resources through a process designed to prioritise infrastructure investment, not service delivery. A customer service hire competes in the same approval queue as a build-phase engineer. A replacement router competes in the same procurement process as a fibre splicing rig. The PMO's resource allocation authority was appropriate when the build programme was the primary activity. It has not been revised to reflect the shift in the business's centre of gravity. [C3]

3. Board governance structured around build milestones. No standing operational KPI agenda exists. Operate-phase performance is reported as "any other business." Directors described the board as "still a build board." The board agenda carries five standing items related to build programme milestones and one item for "operational update," which is routinely compressed or deferred when the build agenda overruns. When leadership attention is structured around build metrics, operational issues are structurally deprioritised. The board cannot manage what it does not review, and it does not review operational performance in any structured way. [C3]

4. Leadership identity tied to the build achievement. The transition from "building a network" to "running a telecoms company" has not been internalised at leadership level. The build narrative dominates internal communications, investor updates, and recruitment messaging. This is not a criticism; it reflects five years of genuine achievement. Building a 180,000-premises fibre network on schedule and within budget is a delivery accomplishment of substance. But it creates an implicit hierarchy where build activity carries prestige and operational activity is treated as secondary, as the housekeeping that keeps things running while the real work continues. The language is revealing: directors described the build as "what we do" and operational challenges as "growing pains." Growing pains are temporary. The governance mismatch is structural. [C2]



Reinforcing Loops

Reinforcing Loops: How the Constraint Persists

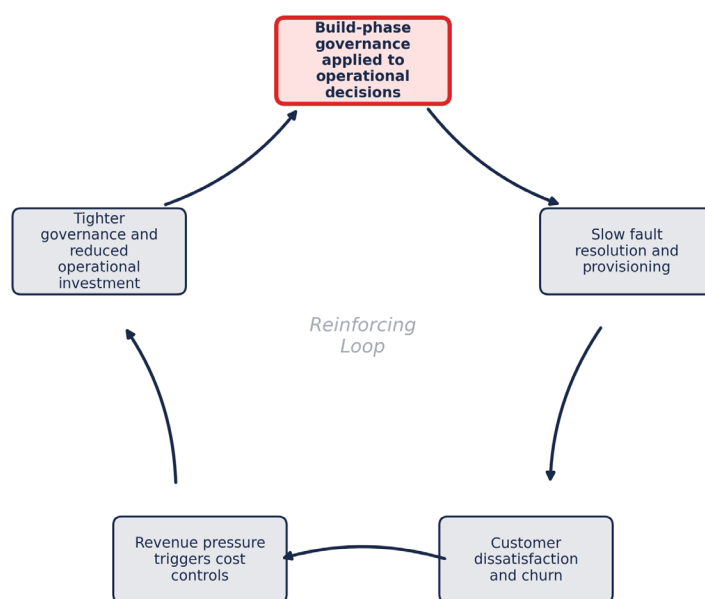


Figure 6: Reinforcing Loop Diagram

Loop 1: The Governance Trap. Build-phase approvals slow operational decisions. Operational managers create workarounds to deliver results despite the process. Workarounds produce inconsistent outcomes (different managers approve different things informally, different teams follow different unofficial procedures). Leadership observes inconsistency and tightens governance to restore control. The approval cycle gets slower. More workarounds are created. The loop reinforces itself because the response to governance failure is more governance of the same type, not governance redesigned for the actual task. Three HoDs described this pattern independently: a tightening of procurement controls in Q3 that was intended to address inconsistent purchasing actually added two additional approval steps to the process, extending the cycle time further and producing new workarounds within weeks.

Loop 2: The Churn Spiral. Slow fault resolution drives customer dissatisfaction. Dissatisfied customers churn. Churn erodes net revenue (from 12% gross growth to 4% net). Revenue pressure triggers cost controls (tighter procurement approvals, slower hiring, deferred investment). Cost controls reduce operational capability (fewer customer service staff, slower provisioning, deferred system improvements). Service quality declines further. More customers churn. The loop connects the policy constraint (which drives the fault resolution delay) to the financial outcome (churn), and



the financial response (cost controls) reinforces the constraint by making operational investment harder to approve. The 18% churn rate is not a static number. It is the output of a loop that the governance framework perpetuates.

Loop 3: The Identity Lock. Leadership narrative centres on the build achievement. Operate-phase challenges are framed as "growing pains" that will resolve as the business matures. Investment in operate-phase management infrastructure is deferred because the build is "nearly finished" and the operate challenges are "temporary." The operate gaps widen as the subscriber base grows without supporting systems. But the wider the gaps grow, the more disruptive a transition would be, which reinforces the deferral. No trigger exists to break the loop because no one has declared "we are now an operating company" while the build programme retains 20% of its original scope. The ambiguity is the lock: the business is neither fully building nor fully operating, and the governance framework is calibrated for the building phase because the building phase is the one with a clear end date and defined milestones.

The three loops are not independent. They connect through the constraint and amplify each other. The governance trap (Loop 1) produces the slow fault resolution that feeds the churn spiral (Loop 2). The churn spiral's revenue pressure reinforces the identity lock (Loop 3) because leadership interprets the revenue challenge as a market problem rather than a system problem, which defers the governance redesign that would break Loop 1. The financial data confirms the amplification: the combined annual cost of the three loops, measured through excess fault resolution cost (£266K-323K), excess acquisition cost (£672K-840K), churn cost (£1.4M), and excess labour cost from the workforce mismatch (£1.2M), totals approximately £3.5M-3.8M. This is not a theoretical number. It is the annual cost of operating the wrong governance framework, measured from the company's own data against industry benchmarks. The cost will continue to compound for as long as the loops remain active because each loop's output feeds the others' inputs.

The mechanism for breaking the loops is identified in Section 11 (DIY pathway) and Section 12 (Implementation Roadmap). The sequencing matters: the governance trap must be addressed first because Loops 2 and 3 cannot be broken while the governance framework continues to produce the delays, costs, and frustrations that feed them.

Unresolved Contradictions

Two contradictions emerged during the diagnostic and remain unresolved:

- 1. Build programme efficiency vs operate-phase cost.** The PMO reports the build programme is under budget by 3%. The overall business is spending more than the market rate on operational activity. Both claims are true. The build programme's cost discipline has not been extended to operational spending because the two cost bases are managed by different systems with different levels of rigour. The contradiction resolves when you recognise that the management system that controls build costs does not control operational costs: no operate-phase budget exists, no cost targets have been set, and no variance analysis is conducted for operational spending. The build programme is well-managed. Operational costs are unmanaged.
- 2. Customer satisfaction vs churn rate.** The customer service team reports high informal satisfaction scores from call-back surveys. Churn is 18%, well above the industry average. Both may be true: customers who call may be satisfied with the service interaction but churn because of the underlying fault resolution delay, provisioning delay, or service quality that the call-back survey does not measure. The survey measures the quality of the interaction with the customer



service agent. The churn is driven by the quality of the service experience that sits behind the agent: the 52-hour fault resolution, the 14-day provisioning cycle, the inability to resolve billing issues without escalation to finance. This requires further investigation through structured exit surveys, which are not currently conducted.

Confidence Summary

The primary constraint carries C3 confidence: all four analytical lenses converge on the same finding, all four directors confirmed the governance rigidity in interview, and the financial and operational data are consistent with the diagnosis. Contributing causes 1-3 carry C3 confidence with convergent evidence from multiple sources and evidence streams. Contributing cause 4 (leadership identity) carries C2 because it rests on interview evidence and observed behaviour rather than documentary evidence.

The reinforcing loops carry C3 confidence for the governance trap and the churn spiral (both confirmed by convergent interview evidence and operational data) and C2 for the identity lock (which rests on behavioural observation and interview language rather than documentary evidence).



Section 5: Cash and Cost Performance

Eight percent operating margin in a business growing at twelve percent sounds like a timing problem. Look closer and the margin is not waiting for revenue to catch up. It is being consumed by a cost structure designed for a phase the business has largely completed.

Commercial Position

Financial Snapshot: Model Ltd

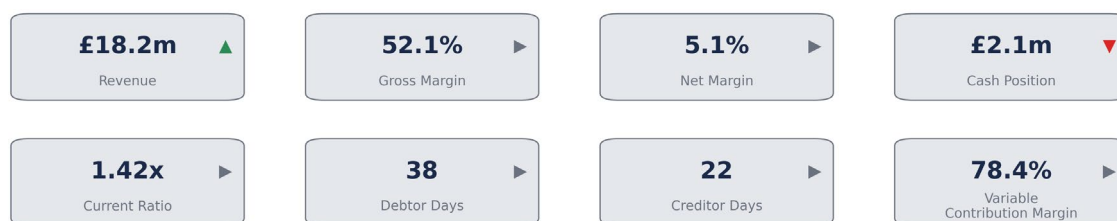


Figure 7: Key Financial Metrics

Revenue stands at £18.2M on a trailing twelve-month basis, up 12% year on year on a headline basis. The composition of that growth is examined below: it is driven by pricing adjustments and wholesale volume rather than by net subscriber growth. The growth headline is real but misleading. Gross subscriber additions run at approximately 4,200 per year. Annual churn runs at 18%, or approximately 5,040 disconnections against a 28,000 subscriber base. Net growth is therefore negative in subscriber terms: the business is connecting fewer customers than it is losing. Revenue still grows because the new connections are on higher-ARPU packages than the churning base, and wholesale revenue (34% of total, from the largest single customer) has increased. Strip out the wholesale contract growth and the retail broadband business is contracting.

The monthly revenue trend shows stability rather than momentum. Revenue varies between £1.48M and £1.58M per month across the twelve-month period, with no clear upward trajectory. The growth is coming from pricing adjustments and wholesale volume increases rather than from subscriber base expansion. The business is running to stand still: new connections replace churned connections at a higher average revenue, but the underlying subscriber count is not growing.

The revenue mix carries concentration risk. The largest wholesale customer accounts for 34% of revenue. The top three wholesale customers account for 61%. The remaining 39% comes from 28,000 retail broadband subscribers, a well-diversified base where no single customer is material. The risk profile is asymmetric: retail churn erodes revenue gradually, but the loss of the largest wholesale customer would remove a third of total revenue overnight. No alternative wholesale customer pipeline exists. The commercial team has no documented go-to-market plan, no sales pipeline, and no competitive positioning material for the wholesale market. Diversification is discussed at board level and has not progressed beyond discussion (see Section 8 for the structural analysis and Section 3 for the strategy assessment).



Cost Structure and the Build-Phase Overhead

The central financial finding is overhead misalignment. The cost base is structured for a build programme running at full capacity. The build programme is 80% complete. The adjustment has not happened.

Direct network costs (interconnect, backhaul, co-location, power) are genuinely variable and well-managed at £3.94M, representing 21.6% of revenue. These scale with subscriber volumes and are commercially reasonable for a mixed wholesale and retail fibre operator. The cost of sales structure is not the problem. The problem sits in the gap between gross margin and operating margin, where the overhead costs have been built for a different phase.

The cost rigidity sits in the people and the infrastructure. Total payroll is £8.77M, or 48.2% of revenue. The build-phase engineering team of 45 was sized for a peak rollout rate of 3,500 premises per month. Current build activity requires approximately 30-32 engineers. The excess labour cost is approximately £1.2M per year, carried because no workforce planning model exists to trigger the adjustment (see Section 3, Workforce Planning and Development component: Absent). No one has the authority to initiate the restructuring: it would require approval through the build programme PMO, which has no incentive to reduce its own resource base. The payroll percentage has remained stable at 47-49% of revenue across the twelve-month period despite revenue growth, which is itself the cost rigidity signal: in a well-managed transition, payroll as a percentage of revenue should be declining as the build workforce is right-sized and revenue scales.

Vehicle and equipment costs total £2.14M (11.8% of revenue). The fleet of 68 vehicles includes 12 specialist build vehicles that have been idle for more than three months. Lease obligations on these vehicles continue regardless of utilisation. No fleet review has been conducted since the build programme entered its final phase. One HoD described the situation directly: "We all know those vans are sitting there. Nobody has the sign-off authority to hand them back." The fleet cost has not declined despite the reduction in build activity because no management mechanism triggers a fleet review, and the authority to terminate lease agreements sits above the level of the person who manages the fleet.

Finding: The operating margin of 8.3% is compressed by approximately 4-5 percentage points by build-phase overhead that has not been adjusted for the transition to operate. This represents £730K-910K in annual operating profit foregone, not from market pressure or competitive weakness, but from internal policy rigidity.

Evidence basis: 12-month P&L data, build programme resource schedule, HoD interviews (convergent), fleet utilisation records.

Confidence: 3.

Customer Economics

Customer acquisition cost runs at £380 per subscriber. The industry benchmark for full-fibre ISPs of comparable scale is £180-220. The gap is not in marketing spend, which is modest at £420K per year. It is in the provisioning cycle. Average time from order to active service is 14 days. Industry benchmark: 3-5 days. Each additional day in the provisioning cycle increases the risk of cancellation before activation (currently 11% of orders cancel during provisioning), consumes customer service resource handling "where is my connection" enquiries (estimated at 2.3 contacts per delayed order), and delays the point at which the customer begins paying. At 4,200 new connections per year, the



excess acquisition cost against industry benchmark represents £672K-840K in value destroyed by the provisioning process. The root cause is the same policy constraint: provisioning requires a network change request, which enters the build-phase change management queue alongside genuine build activities.

Fault resolution cost averages £165 per fault. Industry benchmark: £80-95. The excess comes from the overhead of the change management process layered on top of each repair. The repair cost itself is in line with sector norms. Each fault fix requires a change request form, a risk assessment, a peer review, and an approval before an engineer is dispatched. For a known fault type with a documented resolution, this process adds 24-48 hours and approximately £70-85 in administrative overhead per incident. On approximately 3,800 faults per year, the excess process cost is £266K-323K. The NOC team is aware of the overhead and has raised it formally; the change was not approved because modifying the change management process requires approval through the same process it seeks to change.

Churn at 18% costs the business approximately £1.4M in annual revenue (5,040 churned customers at an average of £23 per month over twelve months). Exit surveys are not conducted. Churn is tracked as a headline number but not analysed by cause, segment, tenure, or geographic cluster. The business knows it is losing customers but has no mechanism to understand why or to intervene before the customer leaves. No retention function exists. No early warning triggers have been defined. By the time a customer has decided to leave, the opportunity to retain them has passed because no system identified the risk in advance.

Contribution Margin Analysis

The variable contribution margin under narrow classification is 78.4%: after deducting only costs that vary directly with each unit of output (interconnect, backhaul, co-location, power, field materials), 78.4 pence of every revenue pound is available to cover the remaining cost base. Under the broader P&L classification, including direct field labour and vehicle costs, the contribution margin is 63.2%.

The gap between narrow and broad margins, 15.2 percentage points representing approximately £2.77M, is the cost that should vary with activity levels but has not flexed. In a well-managed operate-phase telecoms business, field labour and vehicle costs would track with subscriber volumes and fault rates. They do not here because no management mechanism exists to force the adjustment. The engineering team is sized for the build programme, not for the operate workload. The vehicle fleet is sized for peak build capacity, not for the current mix of build and operate activity. The £2.77M figure is the management system failure expressed in financial terms: the cost base has not flexed because no system required it to.

Cash, Liquidity, and Working Capital

Cash stands at £2.1M. This is adequate for current trading but is declining because the business continues to fund build-phase capital expenditure at £6.5M per year, against revenue that has not yet scaled to support the full network footprint. Approximately £1.8M of the annual capex is directed at build areas where take-up potential is assessed as low by the commercial team but which remain in the build programme because no mechanism exists to pause or redirect capital allocation once a build area is approved. The build programme plan does not have a review gate that reassesses each area's commercial viability before committing capital; once an area is in the programme, it proceeds regardless of take-up evidence.



The current ratio is 1.42: adequate, not comfortable. Working capital is £1.37M and positive, supported by the retail direct debit base which provides reliable monthly cash flow. The primary cash consumption is capex, not trading. Monthly cash flow from operations is positive; the cash decline is driven by capital investment continuing at build-phase levels.

Debtor days are 38. Retail subscribers pay by direct debit on day 1 of service. Wholesale customers pay on 30-60 day terms. The blended figure of 38 days is commercially acceptable. No material overdue receivables were identified. Creditor days are 22: the business pays its suppliers substantially faster than it collects from its wholesale customers. Extending creditor terms to 30 days, a commercially standard position, would release approximately £400K of working capital. This requires no revenue increase, no cost reduction, and no operational change; only a payment policy decision.

Twenty-two open insurance claims carry approximately £180K in exposure. The contractor fault rate is 65%. The claims management process is handled by one person in the finance team with no dedicated claims tracking system. Older claims are at risk of becoming statute-barred if not pursued. No one has been assigned to prioritise, progress, and close the open claims because no management mechanism creates the assignment, sets the deadline, and tracks completion.

Cost of Capital and Capital Deployment

ROCE stands at 12.8%, measured against a capital base dominated by network infrastructure and build-programme inventory. The indicative WACC, using build-phase debt at 6.5% and an estimated equity risk premium appropriate for a sub-£20M regional telecoms operator, falls in the 8-10% range. The business generates returns above its cost of capital on a blended basis, which is a positive signal. However, the return is diluted by continued capital deployment in low-take-up build areas. The ratio of performing to non-performing assets is approximately 3.2:1, with non-performing capital trapped in build inventory for completed areas, prepayments on long-term contracts, and equipment in stores awaiting installation in areas where marketing activity has not yet begun.

Interest cover stands at 4.2x. The build-programme debt service consumes a meaningful share of operating profit. As the build programme winds down and debt is repaid, interest cover should improve. The risk is in the interim: if operating margin remains compressed by build-phase overhead while debt service continues at current levels, the business has limited financial headroom for unexpected disruption. A 15% revenue decline from the loss of the largest wholesale customer, combined with the current cost base, would push interest cover below 3.0x and create covenant pressure.

The capital deployment pattern reflects the same governance mismatch identified in Section 4. Build-phase capital allocation follows a structured process with milestone gates and financial controls. Operate-phase capital needs (customer premises equipment, network spares, system improvements) compete in the same approval process and are routinely deprioritised. The result is a business that continues to invest in network expansion while underinvesting in the operational infrastructure needed to monetise the network it has already built. The 15.6% take-up rate (28,000 subscribers against 180,000 premises passed) suggests that the constraint on revenue growth is not network footprint but the commercial and operational capability to convert coverage into paying customers.

Full ratio calculations, monthly trend data, and the complete quick-reference table are presented in Appendix A.



Section 6: Management Precision

If the build programme runs on a weekly management cycle with variance reports, milestone reviews, and documented decision logs, and the rest of the business runs on corridor conversations and the COO's personal attention, the question is not whether operational management is weak. The question is why the discipline that exists in one part of the business has not been transferred to the rest.

The Management Cycle

The build programme operates a textbook management cycle. Weekly PMO reviews assess progress against milestones. Monthly reviews compare actual cost and schedule against plan. Variances are documented, assigned, and tracked to resolution. The PMO lead described a structured sequence: "Plan on Monday, delegate by Tuesday, check on Thursday, review on Friday." This is not universal best practice; it is one team's practice, and it works because the PMO was designed as a management system from the start.

Outside the build programme, the management cycle was not evidenced as a functioning system. The authority structure that should sit behind it is examined in Section 7; the operating-system substrate it should run on is examined in Section 8. It exists as a set of personal habits that vary by manager.

Planning at operational level is reactive. Customer service has no weekly capacity plan; staffing decisions are made on the day based on queue length and absence. Field operations schedules are set the previous evening based on the next day's fault queue and build schedule, with no weekly or monthly horizon. The commercial team has no pipeline review, no activity targets, and no forecast cycle. One HoD described the planning approach as "whatever comes through the door." The sole strategic planning exercise produced the investor-era strategy document, which was last revised when the network reached 60% of its build target. No operational plan exists for the operate phase. No budget has been set for operate-phase functions. The board agenda contains no standing item for operational planning (see Section 3, Business Development Strategy component: Wrong tool for the job).

Delegation functions within the PMO because authority boundaries are documented. Outside the PMO, delegation is informal and incomplete. Task descriptions are vague, deadlines are assumed rather than stated, and the authority to complete the task is frequently absent. Three of five HoDs independently described a pattern where they are asked to "sort out" a problem but cannot approve the expenditure, hire the person, or change the process required to fix it. The task is delegated; the authority is not. The consequence is predictable: managers either escalate back to the COO (creating bottleneck) or act without authority (creating inconsistency). Both responses are rational given the structure. Both undermine the management system.

Finding: The management cycle operates at two distinct maturity levels within the same organisation. The build programme functions at a structured, system-driven level. Operational functions function at an improvisational, personality-driven level. The gap is not explained by the people involved; it is explained by the presence of a designed management system in one area and its absence in the other.

Evidence basis: PMO documentation, HoD interviews (5 of 5 convergent on the gap), COO interview, on-site observation.



Confidence: 3.

Control follows the same split. The build programme has structured checkpoints: milestone gates, cost reviews, quality inspections, safety audits. Each checkpoint has a defined frequency, a responsible person, and a documented output. The operate side has minimal structured control. Customer service monitors queue length and abandonment rate informally, using a wall-mounted screen that the team leader checks periodically. Fault resolution time is tracked in the network management system but not reviewed as a management KPI; the data exists but no one is accountable for the number. Churn is reported monthly to the board as a headline number without analysis or action trigger. The CFO produces monthly management accounts which are thorough for the build programme (budget vs actual by cost category) and absent for operational functions (no budget exists to compare against). One director acknowledged: "We know what is happening on the build. We guess at what is happening in operations."

The absence of structured control at operational level means that problems are discovered at the crisis stage rather than at the correction stage. The blue-bar mechanism, the structured comparison of planned versus actual performance at regular intervals that enables early intervention, was not evidenced for any operational function. The Ofcom complaint spike (47 complaints in Q4 against a prior quarterly average of 8-12) was a crisis-stage discovery of a fault resolution problem that had been building for months. No early warning mechanism existed because no one was measuring fault resolution time against a target. The information was available in the network management system. The management mechanism to act on it was not. The six-month trend of rising fault resolution times and increasing complaint volumes was visible in the data. The management system that would have flagged the trend, assigned the investigation, and tracked the corrective action did not exist.

Consequences are concentrated in the build programme, where missed milestones carry genuine accountability (the PMO lead reports to the board monthly, and slippage is visible). In operational functions, consequences for management failures are absent. The customer service team grew from 6 to 22 in 18 months without a capacity model, a workforce plan, or a service-level framework. No one was accountable for the growth pattern or its cost. The 12 idle specialist build vehicles have been generating lease costs for more than three months with no individual held responsible for initiating the return process. The training budget is controlled by the PMO and has been used exclusively for build-related certifications for two consecutive years; no one is accountable for the development of operational staff. When a rule is broken without consequence, it ceases to be a rule and becomes a suggestion. When a cost is incurred without accountability, it ceases to be an expense and becomes a fixture.

The COO as the Management System

The COO is the de facto management system for all operational functions. Every material operational decision routes through one person. This is not a delegation failure on the COO's part; it is a structural design that never created an intermediate management layer for operations. The build programme has the PMO as its management infrastructure. Operations has the COO's personal attention.

The consequences are visible in response times. When the COO is available, decisions are fast and generally sound. When the COO is travelling, in build programme meetings, or on leave, operational decisions queue. Two managers described a backlog of approvals that builds over a week of COO absence. A third described making decisions without approval and hoping they would be ratified



after the fact. The management system's reliability is a function of one person's diary. The COO acknowledged the pattern directly: the structure was designed for a business where the build programme was the primary focus and operational decisions were few. As the balance has shifted, the structure has not.

Finding: The organisation has a management capability gap that is structural, not individual. Managers were promoted from technical roles (engineering, network operations, customer service) without structured management development. No management training programme has been delivered. The management development plan drafted by HR has not been approved or funded because it sits in the PMO approval queue alongside build-programme requests. The need was identified, the solution was designed, and the decision to proceed was not taken because the mechanism to make the decision is subject to the same governance constraint that the training is intended to address.

Evidence basis: HR development plan document (drafted, not approved), HoD interviews (4 of 5 identified management training as a gap), COO interview.

Confidence: 3.

People work as they are managed. At Model Ltd, operational staff are managed through a system that was designed for capital project delivery and has no mechanism for the daily, weekly, and monthly rhythm of running a telecoms business. The managers are not the problem. The absence of a management system designed for the operate phase is the problem.

The management precision score of 1.0 reflects a business with two distinct operating temperatures. The build programme side would score 2.5-3.0 in isolation: structured planning, documented delegation, systematic control, and real consequences. The operate side would score 0.5 in isolation: reactive planning, incomplete delegation, absent control mechanisms, and no consequences for management failures. The blended score of 1.0 reflects the reality that 80% of the business's activity now sits in the operate phase where no management precision exists. The build programme's discipline has not been transferred because no one assigned the transfer as a project, defined its scope, set a deadline, or allocated resources to it. The management system gap reproduces itself: the mechanism that would fix the gap (structured project management applied to the design of an operating system) is the same mechanism that has not been extended to the operate phase. The capability exists. The instruction to apply it does not.



Section 7: Accountability and Cross-Team Dynamics

Three weeks to approve a £200 router replacement. That number appeared in four separate interviews without prompting. It is not an anecdote. It is the accountability structure expressed as a cycle time.

The authority framework at Model Ltd was designed for a build programme where every spend decision was a capital allocation choice with long-term infrastructure consequences. That framework has not been redesigned for the operate phase, where most decisions are operational, reversible, and time-sensitive. The result is a gap between accountability and authority that is not a management weakness. It is a policy choice that has not been revisited.

Authority Structure: Build Logic Applied to Operate Decisions

A delegated authority matrix exists. It was written during the build programme setup and defines approval thresholds for capital expenditure: up to £5K by department head, up to £50K by the COO, above £50K by the board. This structure is commercially sensible for capital decisions where each approval commits long-term infrastructure investment.

The problem is that the same matrix governs operational decisions. Hiring a customer service agent (£25K annual cost) requires COO approval because it exceeds the £5K departmental threshold. Procuring replacement customer premises equipment (£200 per unit, routine operational need) requires a purchase order through the PMO procurement process with a three-week lead time. Authorising overtime for a fault resolution team during a service outage requires finance sign-off. Each of these decisions is operational, reversible, and time-sensitive. None of them is a capital allocation decision. But the governance framework makes no distinction.

The COO described the situation with characteristic directness: "The authority matrix made sense when every pound the business spent was building permanent infrastructure. Now most of what it spends is running an operation, and the same rules apply. I sign off on things that should never reach my desk."

The operational consequence is measurable. Across the four departments where approval cycle data was available, the average operational decision takes 8-15 working days from initial request to approval. The majority of this time is queue time, not decision time: the request sits in an inbox or an approval workflow, waiting for attention from someone whose primary focus is the build programme. The decision itself, once reached, typically takes minutes. The governance overhead sits in the delay before each decision is made, not in the quality of the decisions reached.

Finding: The delegated authority matrix does not distinguish between capital expenditure (build-phase decisions with long-term consequences) and operational expenditure (operate-phase decisions that are routine, reversible, and time-sensitive). Operational managers carry accountability for service delivery outcomes but lack the authority to make the operational decisions required to deliver those outcomes.

Evidence basis: Authority matrix document, COO interview, HoD interviews (4 of 5 raised authority constraints unprompted), procurement lead time data.

Confidence: 3.



Five Conditions for Structured Management

The five conditions required for the organisation to move from personality-dependent management to structured, rules-based management are assessed as follows:

Goal clarity is present for the build programme and absent for the operate phase. Build targets (premises passed, cost per premises, programme completion date) are quantified, decomposed to team level, and reviewed monthly. Operate targets do not exist at board level. Customer service created informal targets (response time, queue length) which are tracked locally but not reported upward or endorsed by the board. Network operations tracks uptime but has no churn, acquisition, or customer satisfaction target. The commercial team has no revenue target, no pipeline target, and no activity expectation. The absence of operate-phase goals means managers cannot be held accountable for outcomes because the outcomes have not been defined. Accountability requires a target. No target, no accountability.

Path clarity is absent. No strategy execution mechanism exists for the operate phase. The board recognises the need to transition but has not produced a plan for how, when, or in what sequence. Diversification into business broadband has been discussed for 18 months. No commercial plan, pricing structure, target customer profile, or resource requirement has been documented. One director observed: "We talk about it at every board meeting and nothing happens because it is always item seven on a ten-item agenda that runs out of time at item four." The path from current state to diversified, operate-phase business has not been conceived, let alone documented or decomposed into milestones.

Rules clarity is strong in the build programme (ISO-certified, documented processes, audit trail) and weak in operations. Customer service follows informal procedures created by the team leader without organisational endorsement. Fault resolution follows a combination of the NOC knowledge base (documented and effective) and the change management process (documented but inappropriate for the task). Field operations teams follow build protocols for tasks that are now BAU because no operate procedures have been written. Where rules exist in operational functions, they are the wrong rules for the task, inherited from the build phase by default rather than designed for the operate phase by intention.

Consistency of enforcement is the weakest condition. The build programme enforces its rules through the PMO governance structure, with documented compliance and defined consequences for deviation. Outside the PMO, enforcement is discretionary. The same policy violation (bypassing procurement to source equipment directly) produces different outcomes depending on which manager is involved, which director is informed, and how urgently the equipment is needed. Three managers described making procurement decisions outside the approved process as a routine necessity, knowing the formal process would take too long. None had faced consequences. The rules exist but are not enforced because enforcing them would paralyse operations. When managers routinely bypass a process because following it would prevent them from doing their job, the process has failed, not the managers.

Accountability for outcomes is partial. Build programme managers are accountable through the PMO governance (monthly milestone reviews, variance reports, documented decision logs). Operational managers are not measured against defined targets because no operational targets exist. Customer service team leaders track their own performance informally but are not held accountable at the organisational level. The commercial team has no revenue targets, no pipeline metrics, and no



activity expectations. One HoD asked: "How can I be accountable for churn when nobody has told me what the target is?" The question is not rhetorical. It identifies the structural gap: accountability requires a defined expectation, a measurement, and a consequence. All three are absent for operational functions.

Cross-Team Cooperation

Cross-team cooperation is structurally weak and compensated by individual goodwill. The build-to-operate handover is the clearest illustration. When a network area completes the build phase and enters the operate phase, responsibility should transfer from the build team to the operations team. No documented handover process exists. The build team closes out their milestones. The operations team discovers they now own a network area when the first customer fault is raised. Provisioning, fault resolution, and customer service have no advance notice, no documentation of the network configuration, and no contact with the build team that designed it. Each handover is a cold start. The information that would enable a smooth transition (network topology, known issues, connection density, equipment configuration) exists within the build team but is not transferred because no process requires it.

Information flow between departments relies on individual relationships and informal communication channels. The customer service team cannot access the network management system. The NOC cannot see customer records. The commercial team has no visibility of fault rates by area, which would inform their acquisition targeting. Finance produces management accounts that the operational teams do not receive because the reporting structure routes exclusively through the directors. Four of five HoDs described the same pattern: getting information requires knowing who to call, not knowing where to look. The information exists. The system to share it does not.

Management Level Assessment

Department	Director Visibility	Management Layer	Assessment
Build Programme / PMO	Full (monthly board reports)	PMO lead + project managers	Structured, documented, functioning
Network Operations	Partial (uptime reported; fault resolution, customer impact not reported)	NOC lead (technical, not managerial)	Technical competence, management gap
Customer Service	Minimal (headcount cost reported; service quality not reported)	Team leader (informal authority)	Personality-driven, no system support
Commercial	Low (revenue reported; pipeline, acquisition cost, churn analysis not reported)	Commercial Director (strategic, not operational)	Strategic intent without operational execution
Field Operations	Partial (build activity reported; operate activity ad hoc)	No dedicated operate-phase manager	Build-operate split unmanaged
Finance	Full (management)	CFO + management	Functioning for build; no



Department	Director Visibility	Management Layer	Assessment
	accounts, cash flow)	accountant	operate-phase budgets
HR	Minimal (headcount and cost)	HR manager (administrative focus)	Process administration without strategic HR

Director visibility is concentrated on the build programme. Operational performance is reported incompletely, inconsistently, or not at all. The board operates with a clear picture of where the build programme stands and an unclear picture of how the operating business is performing. Decisions are made accordingly: build-related issues receive attention and resource; operate-related issues are deferred or delegated without follow-up. What the board cannot see, the board cannot manage. The visibility structure determines the decision structure, and the decision structure determines where the business invests its attention.



Section 8: Operational System and Execution Architecture

Operating System Assessment

An operating system exists. It was designed for the build programme and it functions for that purpose. Weekly PMO reviews, monthly milestone gates, documented cost tracking, risk registers, change logs, quality audits, safety inspections: the build programme has the infrastructure of a well-managed project. The ISO certification process has produced documentation for the build-phase processes and is extending into operational areas, though the operational documents are at Issue 1 and untested.

Applied to the operate phase, this operating system is a cargo cult. The forms exist. The approval chains exist. The governance meetings exist. But they were designed for a different type of decision, a different time horizon, and a different risk profile. A change management process that ensures a fibre splice does not disrupt 5,000 customers is appropriate governance for a build-phase network intervention. The same process applied to replacing a faulty customer premises router, where the affected population is one household and the fix is a known procedure, creates 48 hours of delay for no risk reduction. The process is followed because it is the only process that exists, not because it is the right process for the task.

The eight core requirements for an operating system are assessed against the operate phase specifically, not the build programme:

3. **Defined purpose and goals:** The build programme has a clear purpose. The operate phase has no equivalent statement of what the business is trying to achieve as an operating telecoms company. "Run the network" is not a purpose. It does not tell anyone what good looks like, what to prioritise, or what to measure. Without a defined purpose, every operational function creates its own interpretation of what matters, which is the condition confirmed across all operational departments.
4. **Documented authority and decision rights:** Capital authority documented. Operational authority absent. The gap between these two creates the 3-week approval cycle for routine decisions documented in Section 7.
5. **Structured management cycle:** Present in the PMO. Absent in operations. No weekly, monthly, or quarterly review cycle for operational performance. The PMO runs a defined cycle; operational functions run on corridor conversations and the COO's availability.
6. **Defined processes for core activities:** Build processes documented and ISO-certified. Operate processes either absent (customer lifecycle, churn management, commercial pipeline, workforce planning) or inappropriately borrowed from the build phase (fault resolution, provisioning, procurement). The processes that exist for operational activities are the wrong processes: designed for capital project governance, applied to routine service delivery.
7. **Measurement and control system:** Build KPIs tracked and reported to the board monthly. Operate KPIs either undefined (churn by cause, acquisition cost, customer satisfaction, NPS) or tracked locally without organisational review (queue time, fault resolution time, uptime). The data infrastructure exists in the network management system. The management infrastructure to act on the data does not.
8. **People system (roles, training, development):** Roles defined for the build phase. Operate-phase roles have emerged organically without formal definition. No management training



delivered. HR development plan drafted but not approved. The training budget is controlled by the PMO and has been used exclusively for build-related certifications.

9. **Consequence and feedback mechanism:** Build programme has milestone accountability with board-level visibility. Operate side has no structured consequence system. See Section 6 for the management precision analysis.
10. **Continuity beyond individuals:** The build programme survived the departure of two project managers without disruption because the PMO system carried the work. Customer service would not survive the departure of the team leader. Field operations would not survive the departure of the COO. The operate-phase operating system is built around individuals, not around documented processes and systems. The cross-personnel test fails across all operational functions.

Assessment: the operating system for the operate phase is empty across six of eight core requirements. The build-phase OS scores solid on all eight but is the wrong system for the operate phase. This is the cargo cult: the appearance of a managed organisation (governance meetings happen, forms are completed, approvals are sought) without the substance of management designed for the actual work being done. The gap is not competence. It is architecture. The capability to build an operating system exists within the business; the PMO proves this. The capability has not been directed at the operate phase.

Structural Coherence Assessment

The organisational structure was designed for the build programme and has not been redesigned for the operate phase. The PMO sits at the centre of the organisation with direct access to the board, control over resource allocation, and authority over procurement and change management. This was the correct design for a build-phase company where the primary value-creating activity was network construction. The reporting lines, governance meetings, budget ownership, and decision rights all flow through a structure optimised for capital project delivery.

The operate-phase activities (customer service, fault resolution, provisioning, commercial development, churn management) have no equivalent structural home. They are distributed across departments that report through different directors, with no single point of operational accountability. Customer acquisition sits with the Commercial Director. Provisioning sits with the NOC, which reports to the COO. Fault resolution sits with the NOC but requires change management approval from the PMO. Billing sits with Finance. Churn analysis sits with nobody. Each function reports through a different chain. No one below board level has visibility of the full operational picture.

The customer journey crosses four departmental boundaries with no single owner. A customer who orders, is provisioned, experiences a fault, and then churns touches Commercial, NOC, PMO (via change management), Finance, and Customer Service. Each department optimises its own handoff. No one optimises the end-to-end experience. The structural coherence of the build programme (one PMO, one plan, one governance structure) has not been replicated for the customer lifecycle.

The structural mismatch extends to how information flows. Build programme data flows upward through the PMO into a single monthly board report that gives directors a complete picture. Operational data flows through fragmented channels: customer service produces its own queue reports, the NOC tracks uptime independently, finance reports revenue by segment without linking it to operational performance, and the commercial team has no reporting mechanism at all. The



directors receive a coherent build narrative and a collection of disconnected operational fragments. Structural coherence determines what the leadership team can see, and what it cannot see it cannot manage.

Execution Architecture Assessment

Strategy-to-daily-work linkage exists in the build programme: the investor strategy defines the build target, the PMO decomposes it into annual, quarterly, and monthly milestones, teams receive weekly work plans derived from the milestones, and daily progress is tracked against plan. The cascade is visible and documented at every level. An engineer on the build team can trace their daily work package back through the weekly plan, the monthly milestone, the quarterly target, and the programme objective to the investor strategy. That line of sight was not evidenced anywhere else in the business.

For the operate phase, the cascade does not appear to exist in practice. There is no documented operate-phase strategy. There are no operate-phase goals decomposed to department level. There are no team-level objectives derived from organisational targets. Daily work in customer service, fault resolution, and commercial development is driven by incoming demand (the fault queue, the phone queue, the order queue) rather than by a plan that connects to a purpose. Staff work reactively because no one has told them what proactive work looks like in an operating telecoms company. When a customer service agent finishes their call queue, there is no proactive task (outbound retention calls, satisfaction follow-ups, cross-sell activity) defined for the gap. When a field engineer completes their fault list, there is no preventive maintenance schedule, no network inspection protocol, and no asset verification task waiting. The reactive pattern is not laziness; it is the structural consequence of an execution architecture that begins and ends with the incoming demand queue.

The execution gap is not about effort or intent. Every manager interviewed expressed a desire to improve their area. The gap is architectural: the organisation has not built the infrastructure that connects "what we are trying to achieve" to "what each team does this week." The build programme has that infrastructure. The operate phase does not. The irony is that the capability to design an execution architecture demonstrably exists within the business. The PMO built exactly this cascade for the build programme. The skill has not been applied to the operating business because no one assigned the task, defined the scope, or set a deadline for it. The management system gap operates on itself: the mechanism that would fix the gap is itself subject to the same gap.

Section 3 presents the full Reality Test diagnostic across all eleven components. Section 9 presents the genuine strengths that the business has built, assessed against the same evidence standards applied to the gaps documented here and in Sections 5-7.



Section 9: Genuine Strengths

The diagnostic holds strengths to the same evidence standard as weaknesses. Each strength listed here has been tested against four criteria: a documented process exists, more than one person can perform it, a success measure is recorded, and the system has survived or could demonstrably survive a change in the individuals involved. Strengths that passed fewer than three of these four criteria do not appear in this section, regardless of how positively they were described in interviews.

Network Quality and Reliability

Uptime of 99.97% across the twelve-month measurement period places Model Ltd's network performance in the top quartile of regional fibre operators. This is not accidental. The NOC operates a three-tier monitoring architecture: automated alerting for threshold breaches, manual dashboard review on a four-hourly cycle, and a documented escalation procedure with defined response times for P1 through P4 incidents. Three NOC engineers are trained to handle all fault categories, with two additional engineers on a rotational cross-training programme.

The strength passes all four personnel change test criteria. The monitoring process is documented. Multiple engineers can perform every function. Success is measured through uptime KPIs, mean time to detect, and mean time to restore. The system has been tested: two NOC engineers departed within the last 24 months, and the monitoring capability continued without degradation because the processes and knowledge base carried the function, not the individuals.

Personnel change test: 4/4. Confidence: C3.

Build Programme Delivery Record

Model Ltd has passed 180,000 premises on schedule and within 3% of original budget. For a regional fibre build of this scale, that is a demonstrably strong delivery record. The programme management methodology is documented across 14 process documents. The PMO team of four operates with defined roles, milestone tracking with variance analysis, and monthly board reporting. Weekly progress reviews compare actual against plan at the team level.

The delivery record passes all four personnel change test criteria. The methodology is documented. Four PMO staff cover the function with documented role definitions. Milestones, cost variance, and schedule variance are recorded as quantitative KPIs. The PMO lead changed once during the programme without disruption to delivery performance, confirming system resilience.

Personnel change test: 4/4. Confidence: C3.

Technical Fault Diagnosis Capability

The NOC has built a fault diagnosis knowledge base covering 340 fault types, with documented resolution procedures, escalation paths, and estimated resolution times for each category. This is a substantive technical asset. Three engineers are trained to handle all fault categories. P1 through P4 incident response times are tracked and reported weekly within the NOC.

This strength passes three of four criteria. The knowledge base is documented. Three trained engineers provide redundancy. Response times are measured as KPIs. The fourth criterion, system longevity, cannot yet be confirmed: the NOC lead has 18 months' tenure and the system has not yet survived a change in that role. The knowledge base and procedures exist independently of the lead,



which provides reasonable confidence that the system would survive, but this has not been demonstrated.

The fault diagnosis capability is genuine and well-evidenced. Its impact on customer experience is currently limited by the change management process that sits between diagnosis and resolution (see Section 4 for the constraint analysis). The NOC team can identify what is wrong within minutes. Fixing it takes days because of the governance layer imposed between diagnosis and dispatch.

Personnel change test: 3/4. Confidence: C2.

These three strengths share a common characteristic: each exists in a part of the business where someone deliberately designed a system rather than allowing one to emerge. The NOC monitoring was architected from the start. The build programme PMO was designed as a management system with documented processes. The fault diagnosis knowledge base was built systematically by an engineer who recognised the need for it. The operate-phase activities that lack these strengths, customer service, commercial development, churn management, also lack the deliberate system design that made the strengths possible. The capability to build management systems exists within the business. It has not yet been directed at the operate phase.



Section 10: SWOT Analysis

The value of a SWOT comes from the interactions between quadrants, not the individual items: where a strength can be combined with an opportunity, and where a weakness amplifies a threat.

Strengths (Internal)

S1. Network quality and uptime. 99.97% uptime over twelve months, maintained by a documented NOC monitoring system with trained redundancy. This is a tangible competitive differentiator in a market where service reliability influences both subscriber retention and wholesale contract renewal. The strength passes all four personnel change test criteria and is documented in Section 9. [C3]

S2. Build programme delivery track record. 180,000 premises passed on schedule and within 3% of budget. Demonstrates organisational capability to execute large-scale infrastructure programmes. Relevant to future build extensions, investor confidence, and competitive positioning against other regional operators. The delivery record passes all four personnel change test criteria. (C3; Section 9)

S3. Technical fault diagnosis capability. A documented knowledge base covering 340 fault types with defined escalation procedures. The diagnostic capability is strong; the constraint on customer impact is the governance layer between diagnosis and resolution, not the diagnosis itself. (C2; Section 9)

S4. Retail subscriber base scale. 28,000 subscribers represent a meaningful base for a regional operator. The direct debit revenue model provides predictable monthly cash flow with zero overdue receivables. Customer acquisition has been achieved at scale, albeit at above-benchmark cost. The base provides a platform for upselling and cross-selling if the commercial function is resourced. (C2; Section 5)

S5. Existing wholesale relationships. Three wholesale customers generating 61% of revenue. These relationships provide volume, cash flow stability, and network utilisation. The commercial risk (concentration) and commercial asset (established relationships) coexist. The relationships are proven over multiple contract periods and have expanded in scope. (C2; Section 5)

Weaknesses (Internal)

W1. Build-phase governance applied to operate-phase decisions. The primary system constraint. Every operational decision routes through capital expenditure approval processes, producing 3-week procurement cycles, 52-hour fault resolution, and management workarounds. The constraint is not the people within the framework; it is the framework itself. (C3; Section 4)

W2. No operate-phase operating system. Six of eight core OS requirements are empty for the operate phase. The build OS functions for its purpose but is the wrong system for the 80% of activity that is now operational. The vacuum is filled by the build-phase system by default, which produces the cargo cult classification. (C3; Section 8)

W3. Customer churn at 18%. Nearly double the industry average for full-fibre ISPs. No exit survey, no churn analysis by cause or segment, no retention mechanism. Churn erodes net revenue growth from 12% to 4% and costs approximately £1.4M in annual revenue. The churn is a symptom of



multiple upstream failures (fault resolution delay, provisioning delay, absent customer lifecycle management) that all trace to the primary constraint. (C2; Section 5)

W4. Authority vacuum at operational management level. Managers carry accountability without matching authority. The delegated authority matrix was designed for capital decisions and does not serve operational needs. The gap produces either workarounds (inconsistency) or escalation (delay). (C3; Section 7)

W5. Workforce not planned for the operate phase. Build-phase engineering team of 45 against an estimated operate-phase requirement of 30-32. Customer service grown reactively without a capacity model. No workforce planning function exists. The excess labour cost is approximately £1.2M per year. (C2; Section 3.1, Section 5)

Opportunities (External)

01. Growing UK demand for full-fibre broadband. Government targets and BDUK funding are driving full-fibre adoption. Take-up rates across the market are increasing as copper switch-off approaches. The addressable market within Model Ltd's 180,000 premises footprint is expanding as consumer awareness of fibre benefits grows and incumbent copper services are withdrawn. (Market context)

02. Wholesale market expansion. The number of ISPs seeking wholesale full-fibre access is growing as the market fragments. Model Ltd's network footprint, quality record, and pricing could attract additional wholesale partners beyond the current three. The network quality strength (S1) positions the business to compete for wholesale contracts where reliability is a selection criterion. (Market context)

03. Business broadband and enterprise market. The existing network passes commercial premises as well as residential. Business broadband and dedicated leased line services carry higher ARPU and lower churn than residential. No product offering or commercial plan currently exists to address this segment, which represents an untapped revenue stream within the existing network footprint. (Market context)

04. Alt-net consolidation as an acquirer. Industry consolidation is creating opportunities for well-built networks with proven quality to attract investment or acquisition interest. Model Ltd's build record, network quality, and subscriber base position it well in a consolidating market. A functioning operate-phase management system would strengthen the valuation case. (Market context)

Threats (External)

T1. Openreach FTTP rollout. Openreach is accelerating its full-fibre programme into areas where alt-nets have already built. Overbuild by Openreach in Model Ltd's footprint would increase competitive pressure on pricing, reduce take-up potential for new connections, and accelerate churn among existing subscribers who can switch to a bundled Openreach product. The combination of T1 with W3 (churn) creates a compounding risk. (Market context)

T2. Alt-net consolidation as a target. The same consolidation dynamic that creates opportunity also creates competitive threat. Better-funded, larger operators acquiring regional networks may compete more aggressively on price, marketing, and service in Model Ltd's footprint. The threat is more acute if those operators have already built operate-phase management capability that Model Ltd lacks. (Market context)



T3. Regulatory change. Ofcom's approach to wholesale access pricing, quality-of-service regulation, and consumer protection continues to evolve. Changes that increase compliance burden or compress wholesale margins would disproportionately affect smaller operators. The 47 Ofcom complaints in Q4 create a specific exposure: a quality-of-service investigation while fault resolution remains at 52 hours would produce a finding against the business. (Market context)

T4. Technical talent competition. Fibre network engineers, NOC specialists, and field technicians are in high demand across the sector. Model Ltd competes for talent with larger operators who can offer higher salaries, structured career paths, and established training programmes. The absence of a management development programme (Section 6) and the authority frustrations described by operational managers (Section 7) create retention risk: skilled staff who cannot get decisions made or resources approved will move to organisations that give them the tools to do their jobs. (Market context)

Strategic Cross-Reading

Strategic Position: Model Ltd

INTERNAL

Strengths

- S1. Network quality: 99.97% uptime
- S2. Build delivery: 180K premises on schedule, within 3% budget
- S3. Technical fault diagnosis: 340-type knowledge base
- S4. Retail subscriber base: 28,000 direct debit customers
- S5. Established wholesale relationships

Weaknesses

- W1. Build-phase governance applied to operate decisions
- W2. No operate-phase operating system
- W3. Customer churn at 18% (benchmark 10-12%)
- W4. Authority vacuum at operational management level
- W5. Workforce not planned for operate phase

EXTERNAL

Opportunities

- O1. Growing UK demand for full-fibre broadband
- O2. Wholesale market expansion
- O3. Business broadband and enterprise market
- O4. Alt-net consolidation as acquirer

Threats

- T1. Openreach FTTP overbuild
- T2. Alt-net consolidation as competitive target
- T3. Regulatory change and Ofcom exposure
- T4. Technical talent competition

Figure 8: SWOT Analysis

SO (Strength-Opportunity) combinations. The network quality and build delivery record (S1, S2) position the business to capture the growing wholesale market (O2) and attract consolidation interest (O4). The fault diagnosis capability (S3) could be converted into a competitive advantage if



the governance layer between diagnosis and resolution is removed, directly supporting subscriber retention and take-up growth (O1). The subscriber base (S4) provides a platform for upselling business broadband and enterprise services (O3) if the commercial function is resourced with a go-to-market plan. The wholesale relationships (S5) combined with network quality (S1) create a credible basis for winning additional wholesale partners (O2) once the service quality issues driven by the constraint are resolved.

WT (Weakness-Threat) combinations. The churn rate (W3) combined with Openreach overbuild (T1) creates a compounding risk: customers already inclined to leave will have an alternative available, and the 18% churn rate will accelerate in areas where Openreach offers a competitive product. The authority vacuum (W4) and workforce mismatch (W5) combined with talent competition (T4) create a retention risk at management level: operational managers who describe frustration with the governance structure will have alternatives available in a tight labour market. The absent operate-phase OS (W2) combined with regulatory change (T3) creates compliance risk: without documented operational processes, the business is exposed to quality-of-service enforcement action at a time when its fault resolution performance is well outside industry benchmarks.

WO (Weakness-Opportunity) interactions. The absent customer lifecycle management (an element of W2) prevents the business from capitalising on the full-fibre demand growth (O1) because the system that should convert network coverage into subscriber retention was not evidenced. The workforce mismatch (W5) blocks the business broadband opportunity (O3) because the commercial capability needed to build and launch a new product line has not been created. In each case, internal weaknesses prevent the organisation from reaching external opportunities that the market would otherwise make available.

Strategic conclusion. The business has built a high-quality network and demonstrated delivery capability. The strategic imperative is to convert that infrastructure into a well-managed operating business before the competitive window created by the full-fibre rollout advantage closes. The constraint documented in Section 4 is the primary barrier: until the governance framework is redesigned for the operate phase, the business cannot exploit its strengths at the speed the market requires. Every SO combination depends on removing the constraint first.



Section 11: Options: DIY and Business Invincibility

The diagnosis is clear: the management system that built the network has not been adapted for the business that runs it. Two pathways exist for addressing this.

The DIY Pathway

If Model Ltd chooses to address the findings independently, the following priorities should be tackled in sequence. The sequencing follows a principle: organisational direction first, then structure and system, then everything else. Each priority creates a precondition that the next priority requires.

Priority 1: Define the operate-phase purpose and goals. Articulate what Model Ltd is trying to achieve as an operating telecoms company, beyond "run the network." Quantify: subscriber targets by segment, churn reduction targets with milestones, ARPU targets for retail and wholesale, customer satisfaction targets (NPS or equivalent), and cost per subscriber targets for the operate phase. Without defined goals, nothing that follows can be measured, and without measurement, no one can be held accountable for progress. The board currently measures the build programme against detailed targets and the operating business against none. This priority corrects that asymmetry. *Likely owner: MD/Board. Timeline: 30 days. Dependencies: none; this is the starting point.* (Section 8, Section 3.2)

Priority 2: Redesign the authority matrix for operate-phase decisions. Separate capital expenditure approvals (build-phase logic, correctly governed) from operational expenditure approvals (operate-phase decisions, time-sensitive, reversible). Define delegated authority thresholds for hiring, procurement, overtime, and process changes at department head level. The specific thresholds should reflect the decision profile of each function: customer service hiring decisions differ from field equipment procurement decisions. The COO has endorsed this change in principle; the mechanism to implement it has not been created. *Likely owner: COO/CFO. Timeline: 45 days. Dependencies: Priority 1 (goals provide the framework against which authority is delegated).* (Section 7)

Priority 3: Create a parallel change management track for BAU faults. The single highest-impact process change available. Define a "standard change" category for the 20 most common fault types (approximately 75% of fault volume) with pre-approved resolution procedures that allow the NOC to dispatch an engineer without entering the build-phase change management queue. The NOC already has the knowledge base. The change management process already classifies changes by risk category. The missing step is a "BAU fault" category with pre-approved responses. *Likely owner: NOC lead/COO. Timeline: 60 days. Dependencies: Priority 2 (the authority to implement the change needs to be delegated to the NOC lead). Estimated impact: fault resolution from 52 hours to under 12 hours for standard faults; £200K-250K annual cost reduction; measurable churn reduction.* (Section 4, Section 5)

Priority 4: Build an operate-phase operating system. Document goals, processes, authority delegations, measurement systems, and review cycles for customer service, fault resolution, provisioning, commercial development, and churn management. This is not a documentation exercise; it is the creation of a management system that meets the eight core requirements assessed as empty in Section 8. The system must be mandatory (everyone follows it), transparent (everyone can see it), clearly described, logically derived from the goals set in Priority 1, consistent, sufficient for the routine situations, relevant to the actual work, and capable of operating at every level of the



organisation. *Likely owner: COO with external support. Timeline: 3-6 months. Dependencies: Priorities 1-3 (direction, authority, and the quick-win process change provide the foundation).* (Section 8)

Priority 5: Restructure the board agenda. Replace the build-centric board structure with one that gives equal weight to operational KPIs: churn by cause and segment, fault resolution time, customer acquisition cost, NPS, operate-phase cost per subscriber. Build programme reporting continues as a standing item but no longer dominates. The board agenda is the most visible signal of what the leadership team considers important. Restructuring it signals the transition from build to operate in a way that cascades through the organisation. *Likely owner: MD/Board. Timeline: immediate for the agenda change; 90 days for the reporting infrastructure. Dependencies: Priority 1 (the goals define what to report).* (Section 6, Section 3.5)

Priority 6: Commission a workforce planning review. Assess the engineering team against operate-phase requirements. Model the customer service team against growth projections and service-level targets. Define the operate-phase organisational structure, including whether an intermediate operational management layer is needed between the COO and department heads. The right headcount depends on what the operating system requires, which is why this priority follows the operating system design. *Likely owner: HR/COO. Timeline: 3 months. Dependencies: Priority 4 (the operating system defines the roles and workload). Estimated impact: £1.2M annual labour cost saving from build-to-operate headcount alignment; customer service team right-sized to capacity model.* (Section 3.1, Section 5)

Priority 7: Implement structured management development. The management team was promoted from technical roles without management skills development. The HR development plan exists in draft. Approve it, fund it, and schedule it. Focus the programme on the management cycle: planning with defined parameters, delegation with authority transfer, control through structured checkpoints, and consequences for delivery and non-delivery. The programme should be designed around the operate-phase operating system built in Priority 4 so that managers are trained in the system they will operate. *Likely owner: HR Director. Timeline: design by month 3, first cohort by month 4. Dependencies: Priority 4 (training in a management cycle requires a management system to operate within).* (Section 6)

Priority 8: Build a commercial function for the operate phase. A go-to-market plan for business broadband, a wholesale customer acquisition pipeline, and a customer lifecycle framework. Without commercial capability designed for the operate phase, the business remains dependent on the subscriber base it has already acquired and the wholesale contracts it already holds. The revenue concentration risk documented in Section 5 (34% from one wholesale customer) persists until the commercial function exists. *Likely owner: Commercial Director. Timeline: plan by month 3, first pipeline activity by month 6. Dependencies: Priority 1 (commercial targets), Priority 4 (commercial processes within the operating system).* (Section 3.1, Section 10)

Priority 9: Implement churn analysis and retention. Exit surveys, churn analysis by cause, segment, and tenure. Define retention triggers (e.g. second fault within 30 days, billing dispute, service downgrade request) and response protocols (proactive outbound contact, service recovery offer, account review). The 18% churn rate costs approximately £1.4M per year. Reducing it to the industry average of 10-12% would add £500K-700K in retained annual revenue. *Likely owner: Customer Service/Commercial. Timeline: exit surveys within 60 days, analysis framework within 90 days, retention protocols within 6 months. Dependencies: Priority 4 (customer lifecycle processes), Priority 3 (fault resolution improvement reduces churn driver).* (Section 5)



The Business Invincibility Pathway

The diagnostic has identified a primary system constraint that connects to every operating weakness. The constraint is not a single process failure; it is an organisational design that has not adapted to its current phase. Addressing it requires working across all four analytical dimensions simultaneously: the governance framework, the management cycle, the authority structure, and the operating system.

The nine priorities in the DIY pathway describe what needs to change. The challenge is executing that change while simultaneously running a business. The people who would build the operate-phase management system are the same people whose time is consumed by the consequences of its absence. The COO, who would lead the operating system design, is currently the de facto management system for all operational functions; every material decision routes through a single diary. The HoDs, who would implement the authority changes, are currently navigating a governance framework that prevents them from acting on the decisions within their competence. The management development programme, designed by HR, has not been approved because the approval mechanism is the same build-phase governance process that the programme is intended to address. The circularity is the trap.

In comparable engagements with businesses at a similar stage, improvements in the following areas have typically been achieved within 9-15 months of structured implementation: operational decision cycle times reduced from weeks to days, management system reliability improved from personality-dependent to system-dependent, and operating costs reduced by between 8% and 15% of revenue through the removal of structural waste. The improvements are not achieved by adding resources to the existing structure. They are achieved by replacing the structure with one designed for the business's current phase.

The Business Invincibility programme is designed for exactly this type of transition. It provides the structured methodology, external discipline, and implementation support to redesign the operating model while the business continues to operate. The programme works with the existing leadership team, not around them. The methodology is the same analytical framework used to produce this diagnostic, applied over a sustained engagement to build the management infrastructure the business needs for its next phase.

For Model Ltd specifically, the engagement would focus on three outcomes: first, an operating system designed for the operate phase, meeting the eight core requirements assessed as empty in this diagnostic, with documented goals, processes, authority delegations, measurement systems, and review cycles across all operational functions; second, a governance framework that distinguishes between capital and operational decisions, with delegated authority thresholds calibrated for each function; and third, a management development programme that equips the current team with the skills to run the system once it is built.

The difference between the two pathways is not in what needs to change. The nine priorities are the same. The difference is in whether the organisation builds the management system using the same management capacity that is currently consumed by the consequences of that system's absence, or whether the building is done alongside the leadership team by someone whose capacity is not consumed by daily operations.

This report is advisory and does not guarantee outcomes. Full terms and limitations are set out in the engagement agreement.



Greg Kurnikov

Business Invincibility Advisory

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SAMPLE REPORT | FICTIONAL COMPANY

All findings and pathway descriptions in this report are advisory. Non-reliance, confidentiality, and full engagement terms are set out in the Master Terms of Engagement and the engagement letter referenced in the Front Matter.



Section 12: Implementation Roadmap

The sequencing follows a principle: organisational direction first, then organisational structure and the operational system, then everything else. Quick fixes addressing cash, commercial exposure, or compliance come first within that sequence because they buy time for the structural work.

Quick Gains (0-90 Days)

QG1. Create a standard change category for BAU fault resolution. Define pre-approved resolution procedures for the 20 most common fault types (covering approximately 75% of fault volume). Remove these from the build-phase change management queue entirely. The NOC already maintains a knowledge base with documented resolutions for 340 fault types; the change management process already classifies changes by risk category. The task is to create a "standard change" classification that allows the NOC to dispatch an engineer for known fault types without entering the approval queue. Target: average fault resolution under 12 hours within 90 days. The reduction from 52 hours removes the single largest driver of customer dissatisfaction and the primary contributor to the churn spiral documented in Section 4. *Likely owner: NOC lead with COO endorsement. Estimated impact: £200K-250K annual cost reduction in fault resolution overhead; measurable reduction in churn rate within two quarters; Ofcom complaint rate reduction. Timeline: process design in 30 days, pilot on top 10 fault types in 45 days, full deployment in 90 days.* (Section 4, Section 5)

QG2. Extend supplier payment terms to 30 days. Currently paying at 22 days, collecting at 38 days. The business pays its suppliers substantially faster than it collects from its wholesale customers. Extending creditor terms to the commercially standard 30-day position releases approximately £400K in working capital. This requires no revenue increase, no cost reduction, and no operational change; only a payment policy decision communicated to the supplier base. No commercial or reputational reason exists to pay faster than the market standard. *Likely owner: CFO. Estimated impact: £400K working capital release within 60 days. Timeline: supplier communication within 30 days, cash impact within 60 days.* (Section 5)

QG3. Delegate operational spending authority to department heads. Define thresholds: hiring up to £35K annual salary without COO approval, procurement up to £2K per item without PMO process, overtime up to defined weekly hours with line manager authority. Remove the PMO from these operational approval chains. The thresholds should be reviewed after 6 months against the operate-phase operating system designed in MT1. The immediate effect is to reduce the decision queue at the COO level and enable operational managers to act at the speed their functions require. *Likely owner: COO/CFO. Estimated impact: operational decision cycle from 3 weeks to 3 days for routine decisions; reduced COO bottleneck; management capacity freed for strategic work. Timeline: authority schedule drafted in 14 days, published in 30 days, reviewed at 6 months.* (Section 7)

QG4. Add operational KPIs to the board agenda. Churn rate (by cause, segment, tenure), fault resolution time (mean and P95), customer acquisition cost, NPS, and operate-phase cost per subscriber. Standing agenda item, not AOB. The data for most of these KPIs already exists in the network management system and the management accounts; the gap is not data collection but board-level review and accountability. Placing operational KPIs alongside build milestones forces leadership attention onto the operating business and creates the feedback loop for operational improvement. The format should mirror the build programme's reporting: plan versus actual, trend,



variance, and action required. *Likely owner: MD. Estimated impact: board visibility drives management attention and resource allocation; operate-phase performance moves from invisible to governed. Timeline: first operational KPI pack at the next scheduled board meeting; standing agenda item from that point forward.* (Section 6)

QG5. Commission an insurance claims review. 22 open claims totalling £180K. The 65% contractor fault rate indicates recovery potential. Older claims are at risk of becoming statute-barred if not pursued within the limitation period. The claims management process is currently handled by one person in the finance team with no dedicated tracking system, no prioritisation by value or age, and no reporting to directors. *Likely owner: CFO. Estimated impact: recovery of £90K-130K from open claims; establishment of a claims management process that prevents future accumulation. Timeline: triage and prioritisation within 30 days, first recoveries within 60 days.* (Section 5)

QG6. Initiate fleet review. 12 specialist build vehicles idle for 3+ months. Return, reassign, or terminate leases on vehicles that are no longer required for the current build workload. The fleet was sized for peak build capacity and has not been reviewed against the current activity level. Each vehicle returned saves lease costs, insurance, road tax, and maintenance. *Likely owner: COO. Estimated impact: £120K-180K annual cost reduction from returning or reassigning idle vehicles. Timeline: fleet utilisation audit within 30 days, first vehicle returns within 60 days, full review completed within 90 days.* (Section 5)

Medium-Term (3-12 Months)

MT1. Design and implement the operate-phase operating system. Document goals, processes, authority delegations, measurement systems, and review cycles for all operational functions: customer service, fault resolution, provisioning, commercial development, churn management, and field operations (operate phase). The system must meet the eight core requirements assessed as empty in Section 8. Design should begin with the functions where the quick gains have already created management capacity (fault resolution post-QG1, operational management post-QG3). The build programme's PMO methodology provides a template for how to design a management system; the content will differ because the operate phase requires different processes, but the design approach can be transferred. *Likely owner: COO with external support. Estimated impact: operate-phase management capability moved beyond Stage 1; structural resolution of the primary constraint. Timeline: design framework by month 3, pilot in fault resolution and customer service by month 6, full deployment by month 9.* (Section 8)

MT2. Redesign the authority matrix. Create a dual-track authority framework: capital decisions governed by the existing build-phase thresholds (which are commercially appropriate for their purpose); operational decisions governed by a new framework with thresholds calibrated for routine, reversible, time-sensitive decisions. The new framework should define authority by function (customer service, field operations, NOC, commercial) rather than by a single set of financial thresholds. Review after 6 months against operating system performance data. *Likely owner: COO/CFO/Board. Estimated impact: structural removal of the primary constraint mechanism; operational managers empowered to act within defined boundaries. Timeline: design by month 3, implementation by month 4, review at month 10.* (Section 7)

MT3. Implement structured management development. Approve the HR development plan. Schedule management training for all HoDs and team leaders. Focus on the management cycle: planning with defined parameters, delegation with authority transfer, control through structured



checkpoints, and consequences for delivery and non-delivery. The programme should be aligned with the operate-phase operating system (MT1) so that managers are trained in the system they will operate, not in abstract management principles. *Likely owner: HR Director. Estimated impact: management capability from personality-dependent to system-dependent; reduced reliance on the COO as the de facto management system. Timeline: programme design by month 3, first cohort by month 4, all HoDs and team leaders trained by month 9.* (Section 6)

MT4. Build customer lifecycle framework. Define the end-to-end customer journey from acquisition through onboarding, service delivery, fault resolution, retention, and (where necessary) managed exit. Assign a single owner for the customer lifecycle across the four departments that currently share the customer journey without coordination. Define handoff protocols, information sharing requirements, and escalation triggers at each stage. The framework should include retention triggers and intervention protocols that address the churn drivers identified in Section 5. *Likely owner: Commercial Director. Estimated impact: framework for addressing 18% churn rate; single-owner accountability for the customer journey. Timeline: journey mapping by month 3, handoff protocols by month 6, retention programme active by month 9.* (Section 3.1)

MT5. Conduct workforce planning review. Assess the engineering team against operate-phase requirements using the operating system (MT1) to define role requirements and workload. Model customer service and commercial teams against growth projections and service-level targets. Produce a 24-month workforce plan that links headcount to business direction rather than reacting to immediate demand. Address the build-to-operate engineering team transition with a clear timeline, defined retention criteria, and planned redeployment where possible. *Likely owner: HR/COO. Estimated impact: £1.2M annual labour cost saving from build-to-operate headcount alignment; customer service team right-sized to capacity model. Timeline: review initiated at month 3 (after MT1 design framework is in place), completed by month 6, implementation by month 9.* (Section 5, Section 3.1)

MT6. Restructure board governance. Move from build-centric to balanced build-and-operate agenda. Introduce quarterly operational reviews alongside monthly build programme reviews. Create an operational performance dashboard that mirrors the build programme's reporting format (plan vs actual, trend, variance, action). Define the board's role in operational oversight: what it reviews, at what frequency, and what triggers escalation. *Likely owner: MD/Board. Estimated impact: leadership attention rebalanced to match revenue mix; operate-phase performance moves from invisible to governed at board level. Timeline: agenda restructure at month 1 (builds on QG4); quarterly operational review format by month 3; first quarterly review at month 4.* (Section 6)

MT7. Implement churn analysis and early intervention. Exit surveys for every departing customer. Churn analysis by cause (service quality, pricing, competitor offer, relocation, fault history), tenure (early-life vs established), and segment (residential vs wholesale, by package type, by geographic area). Define retention triggers and response protocols. Target: churn rate from 18% to 12-14% within 12 months of programme implementation. *Likely owner: Customer Service lead/Commercial Director. Estimated impact: £300K-500K retained annual revenue from churn reduction. Timeline: exit survey mechanism within 60 days, first analysis at month 4, retention protocols active by month 6, target churn rate by month 12.* (Section 5)

MT8. Develop business broadband and wholesale pipeline. Produce a go-to-market plan for business broadband: target segments, pricing, service levels, provisioning process, and sales approach. Build a wholesale customer acquisition pipeline: target ISPs, competitive positioning, and



contract structure. Both workstreams require the commercial function to move from reactive (waiting for enquiries) to proactive (targeting specific opportunities). The revenue concentration risk (34% from one customer) persists until alternative revenue streams are in development. *Likely owner: Commercial Director. Estimated impact: revenue diversification and ARPU growth; reduced concentration risk. Timeline: go-to-market plan by month 3, first business broadband customers by month 6, wholesale pipeline activity by month 6.* (Section 10, Section 3.1)

Long-Term (12-24 Months)

LT1. Transition PMO to a shared programme management function. As the build programme completes, redeploy PMO capability to support operate-phase improvement projects. The programme management methodology is a genuine organisational asset (Section 9) that should not be disbanded when the build finishes. The PMO team's skills in milestone planning, variance tracking, and structured governance are exactly the skills needed to manage the operate-phase transformation. Redeployment preserves institutional capability and provides the operate phase with experienced programme management resource. *Likely owner: COO/PMO lead. Timeline: transition planning begins as build programme approaches 95% completion.* (Section 9, Section 8)

LT2. Build a scalable commercial engine. Move from reactive customer acquisition (website, word-of-mouth) to proactive market development. Requires marketing investment, sales resource, and channel partnerships. The business broadband and wholesale pipeline work started in MT8 provides the foundation; LT2 scales it into a permanent commercial capability with its own targets, processes, and accountability within the operating system. *Likely owner: Commercial Director. Timeline: commercial capability assessment at month 12, scaling plan by month 15, full commercial function by month 18.* (Section 10)

LT3. Develop a network investment model linked to take-up. Replace the fixed build programme with an investment-led approach that directs capital to areas with demonstrated demand. Requires take-up analysis by area, ROI modelling for each potential build extension, and a revised capital allocation process that connects investment decisions to commercial evidence rather than to the original build programme plan. Approximately £1.8M of the current £6.5M annual capex is directed at areas assessed as low take-up potential; a demand-led model would redirect this capital to higher-return opportunities. *Likely owner: CFO/Commercial Director. Timeline: take-up analysis by month 12, investment model by month 15, first demand-led capital allocation by month 18.* (Section 5)

LT4. Pursue Investors in People or equivalent management quality accreditation. The operate-phase OS, once built and functioning, should be externally validated. Accreditation provides both internal discipline (the assessment process identifies gaps) and external credibility with wholesale customers, potential acquirers, and prospective employees. The accreditation process should begin after the operating system has been in place for at least 6 months to allow the system to mature before external assessment. *Likely owner: HR Director/COO. Timeline: readiness assessment at month 15, formal application by month 18.* (Section 8)



Sequencing Rationale

Implementation Roadmap: Model Ltd



Figure 9: Three-Horizon Implementation Roadmap

The sequencing starts with direction (Priority 1 in the DIY pathway, reflected in QG4 and MT6 in the roadmap) because without defined goals, nothing that follows can be measured or held accountable. Quick gains 1-6 address immediate cash, cost, and service quality improvements that require no structural change, only policy decisions. They are designed to run in parallel because they are independent of each other and because the cumulative effect (cash released, costs reduced, decision cycle shortened, board visibility created) produces the management capacity needed for the medium-term structural work.

The medium-term programme builds the management infrastructure: the operating system (MT1), the authority framework (MT2), the management capability (MT3), and the customer-facing systems (MT4, MT7). The operating system design (MT1) is prerequisite to most other medium-term items because it defines the processes, roles, and measurement systems that the other items depend on. The workforce adjustment (MT5) follows the operating system design because the right headcount depends on what the management system requires. Training (MT3) follows the operating system because training people in a management cycle that has no system to operate within produces knowledge without application.



Long-term items are directional, contingent on the medium-term programme delivering the management infrastructure that makes them possible. They cannot be planned in detail today because the preconditions do not yet exist.

All timelines are indicative. Actual sequencing should be reviewed against circumstances at the point of implementation.



Appendix A: Financial Assessment

Executive Overview

This appendix presents the detailed ratio analysis supporting the financial findings in Section 5. All calculations are derived from the twelve-month management accounts (P&L) and three-date balance sheet provided by Model Ltd. Where a ratio is distorted by capital structure or build-phase items, both Standard and Adjusted calculations are shown.

The financial position reflects a business in transition: strong gross margins typical of a fibre operator, compressed operating margins from a cost base that has not adjusted to the shift from build to operate, adequate liquidity, and capital deployment still weighted towards infrastructure build. The build programme has delivered within budget; the operating business is spending above market rates on routine activity because the management system has not forced the adjustment.

Documents Reviewed

The following documents were provided by the company and form the basis of all calculations in this appendix:

- Monthly management accounts (P&L), April 2025 to March 2026 (12 months)
- Balance sheets at June 2025, September 2025, and March 2026
- Customer revenue breakdown by product and customer segment
- Capital expenditure schedule with build programme allocation
- Build programme financial summary (cumulative)
- Payroll analysis by department and cost category
- Insurance claims register
- Fleet and vehicle cost schedule

Basis of Preparation

All ratios use trailing twelve-month figures unless stated otherwise. Balance sheet ratios use three-date averages where available. Where only two dates are available, a two-date average is used and noted. Cost classifications follow the management accounts structure provided by the company. The variable cost classification is based on analysis of cost behaviour against revenue and subscriber volumes across the twelve-month period.

Data limitations: no operate-phase budget or forecast was available for variance analysis. Customer lifetime value and unit economics have been estimated from available data rather than calculated from a formal model. Wholesale customer contract terms were not provided in full; revenue timing is based on management accounts reporting. The absence of an operate-phase budget means that the analysis benchmarks against industry comparators rather than against the company's own targets, which do not exist for operational functions.



Profitability Ratios

Ratio 1: Gross Profit Margin

Formula (Revenue - Cost of Sales) / Revenue

Calculation (£18,200,000 - £8,722,000) / £18,200,000 = **52.1%**

Interpretation A 52.1% gross margin is healthy for a mixed wholesale and retail fibre operator, where the cost of sales includes direct network costs (interconnect, backhaul, co-location, power) and field labour. Comparable regional operators typically achieve 48-55%. The margin has been stable across the twelve-month period, varying between 50.3% and 54.2% monthly, indicating that cost of sales is tracking with revenue reasonably well. The cost rigidity identified in Section 5 sits primarily in the gap between gross margin and operating margin, not in the cost of sales itself.

Monthly Trend: Gross Profit Margin

The twelve-month GP margin trend shows stability within a narrow band. The lowest month (50.3% in August 2025) coincides with the highest build activity month, when additional field labour was deployed for a concentrated duct installation programme. The highest month (54.2% in January 2026) coincides with lower build activity and a seasonal reduction in fault volumes. The absence of a clear trend is itself informative: the gross margin is not deteriorating, which confirms that the financial pressure on the operating margin comes from overhead, not from the direct cost base.

Ratio 2: Variable Contribution Margin (Broad)

Formula (Revenue - Variable Costs under P&L Summary Classification) / Revenue

Calculation (£18,200,000 - £6,696,000) / £18,200,000 = **63.2%**

Interpretation Under the broader classification, which includes direct field labour and vehicle costs as variable, 63.2 pence of every revenue pound is available to cover fixed overhead. This is the margin relevant to volume-based decision-making: if revenue increases by £1, approximately £0.63 flows through to cover fixed costs and profit. In a well-managed operate-phase telecoms business, this margin would widen as the build workforce is right-sized and vehicle costs track with operational activity rather than with peak build capacity.

Ratio 3: Variable Contribution Margin (Narrow)

Formula (Revenue - Variable Costs under Extended Classification) / Revenue

Calculation (£18,200,000 - £3,931,000) / £18,200,000 = **78.4%**

Interpretation Under the narrow classification, which includes only costs that vary directly with each unit of output (interconnect, backhaul, co-location, power, field materials, consumables), the contribution margin is 78.4%. The 15.2 percentage point gap



Ratio 3: Variable Contribution Margin (Narrow)

between narrow and broad margins represents approximately £2.77M in costs that should be variable (field labour and vehicles) but are behaving as fixed because no management mechanism has triggered the adjustment. This gap is the cost rigidity signal in quantitative terms. See Section 5 for the full analysis.

Ratio 4: Operating Profit Margin

Formula	Operating Profit / Revenue
Calculation	£1,511,000 / £18,200,000 = 8.3%
Standard	8.3%

Adjusted (excluding estimated build-phase overhead): approximately 12.8-13.3%

Interpretation: The 43.8 percentage point gap between gross margin (52.1%) and operating margin (8.3%) is consumed by operating expenses totalling £7,967,000 (43.8% of revenue). The principal components are: indirect staff costs £4,186,000 (23.0% of revenue), premises and IT £1,274,000 (7.0%), professional fees £546,000 (3.0%), marketing £420,000 (2.3%), insurance £364,000 (2.0%), and general administration £1,177,000 (6.5%).

The Adjusted margin of 12.8-13.3% represents the operating margin that would apply if the estimated £730K-910K in build-phase overhead (excess engineering labour, idle fleet, PMO overhead applied to operational functions) were removed. The Adjusted figure is directional rather than precise because the build-to-operate cost allocation cannot be determined exactly from the available data; it is estimated from the engineering team size against operate-phase requirements, identified idle vehicles, and interview evidence on PMO time allocation.

Monthly Trend: Operating Profit Margin

The monthly operating margin ranges from 6.1% (June 2025, coinciding with a build programme milestone payment and associated subcontractor costs) to 10.4% (December 2025). The trend is flat: no month-on-month improvement is visible. This is consistent with the diagnosis: the cost base is not adjusting because no management mechanism is forcing the adjustment. In a business actively managing the build-to-operate transition, the operating margin would show a gradual upward trend as build-phase overhead is removed. The flat trend confirms that the transition has not begun in financial terms.

Ratio 5: Net Profit Margin

Formula	Net Profit / Revenue
Calculation	£928,000 / £18,200,000 = 5.1%
Interpretation	The gap between operating margin (8.3%) and net margin (5.1%) is primarily interest on build-programme debt (£361,000) plus depreciation adjustments. Net profit of £928,000 is adequate but leaves limited headroom for unexpected cost increases or revenue disruption. As the build programme completes and



Ratio 5: Net Profit Margin

debt is repaid, the interest burden will reduce and net margin should improve. The pace of that improvement depends on how quickly the operating margin is restored through build-phase overhead removal.

Ratio 6: Return on Assets (ROA)

Formula Net Profit / Average Total Assets

Calculation £928,000 / £14,280,000 = **6.5%**

Interpretation ROA of 6.5% reflects the capital-heavy nature of a fibre network operator. The asset base is dominated by network infrastructure (duct, fibre, cabinets, customer premises equipment). For a business still completing its build programme, this return is reasonable. As the build completes and the asset base stabilises while subscriber revenue grows, ROA should improve. The rate of improvement depends on how quickly the operating cost base is adjusted and how effectively the subscriber base is grown within the existing network footprint.

Ratio 7: Return on Capital Employed (ROCE)

Formula Operating Profit / Average Capital Employed

Calculation £1,511,000 / £11,810,000 = **12.8%**

Interpretation ROCE of 12.8% is reasonable for a regional fibre operator with a significant capital base. Capital employed is dominated by network infrastructure and build-programme work in progress. The return exceeds the indicative WACC range of 8-10%, which is a positive signal: the business is generating value above its cost of capital on a blended basis. However, the blended return masks a difference between the build programme (capital efficiently deployed in high-take-up areas) and the operate phase (overhead inflated by the governance mismatch, and capital continuing to be deployed in areas with low take-up potential).

Liquidity Ratios

Ratio 8: Current Ratio

- Formula: Current Assets / Current Liabilities

Calculation (Standard): £4,620,000 / £3,254,000 = **1.42** **Interpretation:** A current ratio of 1.42 is adequate. Current assets are primarily trade receivables (£1,890,000), cash (£2,100,000), and prepayments (£630,000). Current liabilities are primarily trade payables (£1,120,000), accruals (£980,000), and current portion of build-programme debt (£1,154,000). No distortion items requiring an Adjusted calculation were identified. The ratio has been stable across the three balance sheet dates, ranging from 1.38 to 1.46, indicating no liquidity deterioration.



Ratio 9: Quick Ratio

Formula (Current Assets - Inventory) / Current Liabilities

Calculation (£4,620,000 - £285,000) / £3,254,000 = **1.33**

Interpretation The quick ratio of 1.33 is close to the current ratio because inventory is a small proportion of current assets. Inventory consists of customer premises equipment, spare fibre cable, and network components held for build and maintenance. The difference between current and quick ratios (0.09) is not material. The business's liquidity position is not dependent on inventory realisation.

Ratio 10: Cash Ratio

Formula Cash and Cash Equivalents / Current Liabilities

Calculation £2,100,000 / £3,254,000 = **0.65**

Interpretation The cash ratio of 0.65 indicates that the business holds 65 pence of cash for every pound of current liabilities. This is adequate for a business with predictable subscription revenue. The direct debit base provides reliable monthly cash inflow that reduces the need for high cash buffer ratios.

Ratio 11: Cash Days Cover

Formula Cash at Bank / (Monthly Operating Cost / 30)

Calculation £2,100,000 / (£1,391,000 / 30) = **45.3 days**

Interpretation At 45 days of operating cost cover, the cash position is adequate for current trading. The primary cash consumption risk is not the trading cycle but continued build-phase capex. If the remaining £4.2M build commitment draws down faster than planned while revenue growth stalls, cash cover will compress. The cash position should be monitored monthly against a rolling 90-day forecast, which does not currently exist because no operate-phase budget or forecast has been produced.

Ratio 12: Working Capital

Formula Current Assets - Current Liabilities

Calculation £4,620,000 - £3,254,000 = **£1,366,000**

Interpretation Working capital is positive at £1.37M. The business is not under working capital stress. The opportunity identified in Section 5 (extending creditor terms from 22 to 30 days) would add approximately £400K to this position, providing



Ratio 12: Working Capital

additional buffer for the build programme capex drawdown.

Monthly Trend: Cash and Working Capital

Cash has declined from £2.8M at the start of the twelve-month period to £2.1M at the most recent balance sheet date. The decline is not driven by trading losses (the business is profitable on a trailing twelve-month basis) but by continued build-phase capex. The trend is manageable at current levels but requires monitoring: if the cash decline continues at the same rate while capex continues at £6.5M per year, the cash position will reach the threshold where it constrains operational flexibility within 12-18 months. The capex review recommended in the roadmap (Section 12, LT3) addresses this trajectory.

Efficiency Ratios

13-14. Accounts Receivable Turnover and Debtor Days

Calculation: $£18,200,000 / £1,890,000 = 9.6x$; $365 / 9.6 = 38.0$ days **Interpretation:** Blended debtor days of 38 reflect the two-track revenue model: retail subscribers pay by direct debit (effectively day 1), wholesale customers pay on 30-60 day terms. The blended figure is commercially acceptable. No material overdue receivables were identified. The retail direct debit base provides cash flow predictability that the headline debtor days figure does not fully capture: 39% of revenue arrives with zero collection risk.

15-16. Accounts Payable Turnover and Creditor Days

Calculation: AP turnover = $£8,722,000 / £533,000$ average trade creditors = **16.4x**; creditor days = $365 / 16.4 = 22.0$ days. The period-end trade creditors balance is £1,120,000; the three-point average across the balance sheet dates is £533,000, reflecting the post-build runoff of construction-phase payables. The average basis is used for ratio consistency with the rest of the standard 28-ratio set. **Interpretation:** The business pays suppliers in approximately 22 days but collects from wholesale customers in 45-60 days. This represents a working capital inefficiency. Extending supplier payment terms to 30 days would release approximately £400K. There is no commercial or reputational reason to pay faster than the market standard. The fast payment may be a legacy of the build programme, where prompt payment to subcontractors was a commercial priority to maintain supply chain reliability during the construction phase. In the operate phase, standard 30-day terms are commercially appropriate.

17-18. Inventory Turnover and Days

Calculation: $£8,722,000 / £285,000 = 30.6x$; $365 / 30.6 = 11.9$ days **Interpretation:** Inventory turns over every 12 days, which is expected for a telecoms operator holding CPE and network spares. The inventory holding is not material to the financial position. No slow-moving or obsolete inventory was identified in the data provided, though the absence of a detailed inventory ageing report means this assessment is based on the management accounts classification rather than a physical stock review.



Ratio 19: Cash Conversion Cycle

Formula Debtor Days + Inventory Days - Creditor Days

Calculation $38.0 + 11.9 - 22.0 = 27.9 \text{ days}$

Interpretation A 28-day cash conversion cycle is commercially reasonable. Cash is not trapped in the trading cycle. The primary cash consumption is capex, not working capital. The opportunity to improve the cycle lies in creditor days (extending to 30 days would reduce the cycle to approximately 20 days) rather than in debtor days or inventory, which are already well-managed.

Ratio 20: Asset Turnover

Formula Revenue / Average Total Assets

Calculation $£18,200,000 / £14,280,000 = 1.27x$

Interpretation Asset turnover of 1.27x is typical for a fibre network operator where the asset base is dominated by infrastructure. As take-up grows against a stabilising asset base, asset turnover should improve. The current take-up rate of 15.6% (28,000 subscribers against 180,000 premises passed) indicates substantial headroom for revenue growth within the existing asset base.

Ratio 21: Working Capital Turnover

Formula Revenue / Average Working Capital

Calculation $£18,200,000 / £1,366,000 = 13.3x$

Interpretation Working capital turnover of 13.3x indicates the business generates £13.30 of revenue for every pound of working capital. This is efficient and reflects the subscription revenue model.

Leverage and Solvency Ratios

Ratio 22: Debt Ratio

Formula Total Liabilities / Total Assets

Calculation $£8,290,000 / £14,280,000 = 0.58$

Interpretation A debt ratio of 0.58 indicates that 58% of assets are financed by debt, predominantly build-programme loans. This is typical for a capital-heavy fibre build. As debt is repaid and revenue grows, the ratio should decline. The debt is structured with defined repayment schedules aligned to the build programme



Ratio 22: Debt Ratio

timeline.

Ratio 23: Equity Ratio

Formula	Total Equity / Total Assets
Calculation	£5,990,000 / £14,280,000 = 0.42
Interpretation	Equity finances 42% of assets. Positive equity of £5.99M is a reasonable position for a business that has completed a major capital programme largely funded by debt.

Ratio 24: Debt-to-Equity

Formula	Total Liabilities / Total Equity
Calculation	£8,290,000 / £5,990,000 = 1.38
Interpretation	Debt-to-equity of 1.38 is elevated but expected for a fibre build. The ratio should decline as the build programme completes and debt is repaid. The trajectory depends on the pace of debt repayment relative to equity growth through retained profits.

Ratio 25: Interest Cover

Formula	Operating Profit / Interest Expense
Calculation	£1,511,000 / £361,000 = 4.2x
Interpretation	Interest cover of 4.2x is adequate but not comfortable. The build-programme debt service of £361,000 per year consumes approximately 24% of operating profit. If operating margin is improved by addressing the build-phase overhead (Section 5), interest cover would improve correspondingly. At the Adjusted operating margin of 12.8-13.3%, interest cover would rise to approximately 6.5-6.8x. At current levels, the business has limited headroom for margin deterioration: a 15% revenue decline would push interest cover below 3.0x.

Concentration and Structure Ratios

Ratio 26: Revenue Concentration

Calculation	Largest customer (wholesale) = 34% of revenue. Top 3 customers = 61%. Retail base (28,000 subscribers) = 39%, well-diversified.
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Ratio 26: Revenue Concentration

Interpretation

The wholesale revenue concentration carries asymmetric risk. Retail churn erodes revenue gradually. The loss of the largest wholesale customer would remove a third of total revenue overnight. No wholesale customer pipeline exists to mitigate this risk. The commercial team has no documented plan to diversify the wholesale base. The concentration risk is compounded by the absence of contract visibility: wholesale contract terms were not provided in full, so renewal dates, notice periods, and termination provisions are not available for analysis.

Ratio 27: Payroll as % of Revenue

Calculation

$£8,772,000 / £18,200,000 = 48.2\%$

Interpretation

Payroll at 48.2% of revenue is at the upper end of the expected range for telecoms operators of this size (40-50%). The build-phase engineering team contributes approximately £1.2M in excess labour cost against operate-phase requirements. Adjusting this would bring payroll to approximately 41-43% of revenue, well within the normal range. The payroll percentage has been stable across the twelve-month period, ranging from 47.1% to 49.4%, confirming that no cost adjustment has taken place despite the shift in activity mix from build to operate.

Ratio 28: Revenue per Employee

Calculation

$£18,200,000 / 125 = £145,600$

Standard

£145,600

Adjusted (for right-sized headcount of ~110): approximately £165,500 **Interpretation:** Revenue per employee of £145,600 is below the sector median of £165,000-185,000 for regional fibre operators. The gap is explained by the build-phase headcount: 45 engineers against an estimated operate-phase requirement of 30-32, plus a customer service team that has grown reactively. The Adjusted figure of approximately £165,500 (based on an estimated right-sized headcount of 110) would place the business at the lower end of the sector median, which is appropriate for a business still completing a build programme.

Cost of Capital and Capital Deployment Assessment

The indicative WACC calculation uses approximate industry-average cost rates:

- Cost of debt (build-programme loans): 6.5% (weighted at 58% of capital)
- Cost of equity: estimated at 12-15% (weighted at 42% of capital), reflecting the risk profile of a sub-£20M regional telecoms operator with significant build-phase debt and revenue concentration
- Blended indicative WACC: approximately 8.8-10.0%



ROCE at 12.8% exceeds the indicative WACC range, indicating the business generates value above its cost of capital. The cost of capital figures used in this analysis are approximate, industry-average estimates designed to provide a commercially reasonable benchmark. They are not a formal valuation. A precise cost of capital calculation tailored to the specific capital structure, risk profile, and market conditions can be produced by a qualified finance professional.

The ratio of performing to non-performing assets is approximately 3.2:1. Performing assets include active network infrastructure in areas with subscriber take-up above 10%, subscriber equipment in service, and trade receivables. Non-performing assets include build inventory for completed areas where marketing activity has not yet begun, prepayments on long-term contracts, and equipment in stores. Approximately £1.8M of the annual £6.5M capex is directed at build areas assessed as low take-up potential, representing capital deployed without a clear return path. No review mechanism reassesses area-level commercial viability before committing capital; once an area enters the build programme, it proceeds to completion regardless of take-up evidence. The demand-led investment model recommended in Section 12 (LT3) would redirect this capital to higher-return opportunities.

Cross-Analysis: Financial Position and Constraint

The financial data confirms the constraint analysis in Section 4 through three independent signals.

First, the cost rigidity signal. Revenue has grown 12% year on year while the cost base has remained substantially flat. In a business actively managing the build-to-operate transition, costs would flex downward as build activity reduces. They have not, because no management mechanism triggers the adjustment. The flat operating margin trend (6.1%-10.4% monthly with no upward trajectory) is the financial expression of the governance mismatch.

Second, the customer economics signal. Customer acquisition cost at £380 (benchmark £180-220), fault resolution cost at £165 (benchmark £80-95), and churn at 18% (benchmark 10-12%) all carry excess costs that trace to the same root: the governance process that sits between identification of a need and the action to address it. The provisioning delay inflates acquisition cost. The change management overhead inflates fault resolution cost. Both contribute to churn. The combined annual value impact is approximately £2.3M-2.6M (excess acquisition cost £672K-840K, excess fault resolution cost £266K-323K, churn cost £1.4M). Not all of this is recoverable, but the magnitude confirms that the governance mismatch has material financial consequences.

Third, the trapped capital signal. The £1.8M in capex directed at low-take-up areas, the 12 idle vehicles generating lease costs, the 22 open insurance claims, and the working capital opportunity in creditor terms are all items that require a management decision, an assignment of responsibility, and a follow-up mechanism. None has been addressed because no management mechanism creates the decision, assigns the task, and tracks completion. The financial consequence of the absent management system is not limited to the operating margin. It extends to capital allocation, asset management, and working capital management.



Quick-Reference Ratio Table

Ratio	Standard	Adjusted	Notes
Gross profit margin	52.1%	n/a	Stable; within sector range
Variable CM (broad)	63.2%	n/a	
Variable CM (narrow)	78.4%	n/a	15.2pp gap = semi-fixed cost rigidity
Operating profit margin	8.3%	~12.8-13.3%	Adjusted for estimated build-phase overhead
Net profit margin	5.1%	n/a	
ROA	6.5%	n/a	
ROCE	12.8%	n/a	Exceeds indicative WACC
Current ratio	1.42	n/a	Stable across 3 dates
Quick ratio	1.33	n/a	
Cash ratio	0.65	n/a	
Cash days cover	45.3	n/a	
Working capital	£1.37M	n/a	
Debtor days	38.0	n/a	Blended retail/wholesale
Creditor days	22.0	n/a	Below market standard; opportunity
Inventory days	11.9	n/a	
Cash conversion cycle	27.9	n/a	
Asset turnover	1.27x	n/a	
Working capital turnover	13.3x	n/a	
Debt ratio	0.58	n/a	Build-programme debt
Equity ratio	0.42	n/a	
Debt-to-equity	1.38	n/a	Will decline as debt repaid
Interest cover	4.2x	n/a	Adequate, not generous



Ratio	Standard	Adjusted	Notes
Revenue concentration (top 1)	34%	n/a	Wholesale customer
Revenue concentration (top 3)	61%	n/a	
Payroll % revenue	48.2%	~41-43%	Adjusted for build-to-operate headcount
Revenue per employee	£145,600	~£165K-170K	Adjusted for right-sized headcount

Customer Economics Assessment

The customer economics provide additional diagnostic depth beyond the headline ratios. Each metric below has been calculated from available data; where estimation was required, the basis is stated.

Customer Acquisition Cost (CAC). Estimated at £380 per subscriber. This is calculated from marketing spend (£420,000), sales and provisioning labour allocated to new connections, and customer premises equipment costs, divided by approximately 4,200 gross additions per year. The industry benchmark for full-fibre ISPs is £180-220. The excess is driven primarily by the provisioning delay (14 days against a benchmark of 3-5 days) which inflates the per-connection labour cost and extends the CPE installation cycle. Each day of provisioning delay adds approximately £35-45 in allocated cost per connection. Reducing provisioning to the benchmark range would bring CAC to approximately £220-260, still above the lower bound of the benchmark but within the competitive range.

Fault Resolution Cost. Estimated at £165 per incident. This includes NOC diagnostic time, change management administration, field engineer dispatch, travel, and equipment costs. The industry benchmark for comparable fibre operators is £80-95 per incident. The excess is driven by the change management overhead (estimated at £45-60 per incident) and the extended resolution time which requires additional customer communication touches. The NOC diagnostic component is efficient (typically completed within 30 minutes); the cost inflation sits entirely in the governance layer between diagnosis and dispatch. At the current annual fault volume of approximately 3,800 incidents, the excess cost is £266K-323K per year.

Customer Lifetime Value (CLV). Estimated at approximately £1,850 per subscriber over a projected 5.5-year lifetime at current churn rates (18%). This compares with an estimated CLV of £3,200-3,800 at the industry-average churn rate of 10-12%, reflecting a longer customer lifetime and lower acquisition cost. The gap between Model Ltd's CLV and the benchmark CLV represents the economic cost of the churn and acquisition inefficiencies. The ratio of CLV to CAC is approximately 4.9x at current performance and would rise to approximately 12-15x at benchmark performance. The current ratio is commercially viable but leaves the business working harder than it should for each subscriber pound retained.

Churn Cost. At 18%, annual churn removes approximately 5,040 subscribers from a base of 28,000. At an average monthly revenue of £23 per residential subscriber, this represents approximately £1.4M in annual revenue lost to churn. The churn cost is not a one-time loss; it is a recurring annual



cost that compounds because each churned subscriber must be replaced through new acquisition at £380 per connection. The combined cost of churn (lost revenue plus replacement acquisition) is approximately £3.3M per year. Reducing churn to 12% would save approximately £500K-700K in retained annual revenue and reduce the acquisition spend needed to maintain the subscriber base.

Monthly Trend Analysis: Cash Conversion and Working Capital

The cash conversion cycle has remained stable at 27-29 days across the twelve-month period, with no meaningful variation by month. Debtor days show seasonal variation: Q4 collections are marginally faster (36 days) due to wholesale customers paying before financial year-end, while Q1 debtor days extend to 40 days as the same effect reverses. Creditor days have been stable at 21-23 days throughout, confirming that the fast-payment pattern is a consistent policy rather than a one-off occurrence.

Working capital has declined from £2.1M to £1.37M over the twelve-month period, driven by capex drawdowns reducing the cash balance. The working capital trajectory requires monitoring: at the current rate of decline (approximately £60K per month), working capital would approach zero within 18-24 months if capex continues at current levels and no corrective action is taken. The quick gains identified in Section 12 (creditor days extension, fleet review, insurance claims recovery) would collectively add approximately £600K-700K to the working capital position and extend the runway.

Summary of Concerns

1. Operating margin compressed by build-phase overhead: approximately £730K-910K in annual operating profit foregone. The compression is structural, not cyclical, and will not resolve without management intervention.
2. Customer acquisition cost nearly double industry benchmark, driven by provisioning delays that trace to the governance constraint.
3. Churn at 18% costs approximately £1.4M in annual revenue and is not analysed by cause, segment, or tenure.
4. Build-phase engineering team carries approximately £1.2M in excess labour cost against operate-phase requirements.
5. Capex includes approximately £1.8M directed at low-take-up areas without demand-led review.
6. Creditor days at 22 represent a working capital opportunity of approximately £400K.
7. Interest cover at 4.2x provides limited headroom for margin deterioration; a 15% revenue decline would push cover below 3.0x.
8. Revenue concentration: 34% from largest wholesale customer with no pipeline for diversification and no visibility of contract renewal terms.

All items above are connected to the primary system constraint. Addressing the governance framework does not directly resolve every financial concern, but it removes the structural barrier that prevents the management team from acting on them. The financial position is not distressed. It is underperforming against its own potential by a quantifiable margin, and the barrier to improvement is internal policy, not external market pressure.



Appendix B: Evidence Inventory

Evidence Received

Category	Documents Requested	Documents Received	Gap Rate
Financial	18	15	17%
Operational	32	22	31%
HR	24	16	33%
Governance	28	20	29%
Commercial	25	16	36%
Total	127	89	28% (adjusted for partial uploads)

The overall gap rate of 28% is within the expected range for a business at Stage 1 with a Stage 3 pocket in the build programme. Several gaps do not represent documents that exist but were not provided; they represent capabilities or systems that do not yet exist. In these cases, the gap in the evidence inventory is itself a finding: the absence of a document confirms the absence of the capability it would describe.

Interview Programme

Sixteen semi-structured interviews were conducted across four organisational layers:

Layer	Participants	Coverage
Directors	4 (MD, COO, CFO, Commercial Director)	All directors interviewed
Heads of Department	5 (NOC, Customer Service, Field Ops, HR, PMO)	5 of 7 HoDs interviewed
Managers	4 (2 field managers, 1 customer service manager, 1 finance manager)	Selected for operational coverage
Supervisors	3 (2 field supervisors, 1 NOC supervisor)	Selected for frontline perspective

Each interview followed a standardised protocol designed to test the same operational questions from different perspectives. Cross-referencing responses across layers provided the convergence and divergence evidence cited throughout the report.

On-Site Observation

One full-day on-site visit covering: headquarters offices, network operations centre (NOC), customer service floor, and a field team morning briefing. Observations are cited where they provide evidence not available from interviews or documents.



Key Gaps

The following documents were requested but not provided:

- Operate-phase budget or forecast: not available because no operate-phase budget has been produced. This gap is a finding in its own right (Section 5, Section 6).
- Customer lifecycle metrics: not tracked as a dataset. No customer lifecycle management function exists (Section 3.1).
- Workforce planning model: does not exist. No workforce planning function has been created for the operate phase (Section 3.1).
- Operational authority matrix: the build-phase capital authority matrix was provided. No operational equivalent exists. The absence is a finding (Section 7).
- Customer exit survey data: exit surveys are not conducted. Churn is tracked as a headline number without diagnostic depth (Section 5).
- Churn analysis by cause, segment, or tenure: does not exist. The data infrastructure to produce it does not exist (Section 5).
- Commercial pipeline or go-to-market plan: does not exist in documented form. The commercial function has no documented plan (Section 3.1).
- Management training records: no management training has been delivered. The HR development plan exists in draft but has not been approved (Section 6).
- Area-level take-up data: not produced as a standard report. Capex allocation to low-take-up areas is estimated from interview evidence (Section 5).



Appendix C: Reality Test Detail

This appendix provides the evidence detail behind the Reality Test assessments presented in Section 3.1.

Operating System: Cargo Cult (C3)

The build programme has a documented operating system: project charter, governance framework, RACI matrix, milestone plan, risk register, change log, quality management plan, and communication plan. These documents are maintained, reviewed, and enforced through the PMO governance structure. Applied to the operate phase, the same documents create friction without providing the control they were designed to deliver. The change management process, designed to protect network integrity during construction, delays routine fault resolution by 24-48 hours per incident. The procurement process, designed for bulk infrastructure purchases, creates 3-week lead times for routine operational items. The approval chain, designed for capital allocation decisions, requires COO sign-off for operational hiring. The system exists. It is the wrong system for the task. This is the defining characteristic of a cargo cult: the forms are followed but the function is absent.

Power and Authority: Ritual (C3)

The delegated authority matrix was written during the build programme setup. It defines capital expenditure approval thresholds. Operational spending follows the same thresholds by default. The matrix exists on paper but does not serve the operate phase. It is a ritual: the form is completed (approvals are sought) but the function is absent (the thresholds do not match the decisions being made).

Business Development Strategy: Wrong Tool for the Job (C3)

The build programme plan is comprehensive: premises targets, cost per premises, programme milestones, resource plans, and financial projections, reviewed monthly at board level with variance analysis. No equivalent exists for the operate phase. No subscriber growth target, churn target, ARPU target, customer satisfaction target, or operate-phase cost target has been set at board level. The board agenda is structured around build milestones; operational performance is either not reported or reported as AOB. Operate KPIs that should anchor the operate-phase direction (churn by cause, customer acquisition cost, NPS) are either undefined or set informally by the teams themselves: the customer service team created its own targets because no one else did. The planning discipline that defines what business the company is in, at what scale, and in what direction exists for the build and is absent for the business the organisation is becoming.

Competitive Advantage Strategy: Virtual (C2)

A strategy document was produced for the investor presentation at the start of the build programme. It has not been revised since the build reached 60% completion. The document describes a full-fibre network serving residential and business customers with wholesale access. It does not address the transition from build to operate, the churn challenge, the competitive threat from Openreach overbuild, or the concentration risk in the wholesale base, where the largest single customer accounts for 34% of revenue and the top three for 61%. How the business wins, and against whom, for which categories of customer, has not been defined for the phase the company now operates in. The component is believed to exist (a strategy document is on file) but cannot be observed in operate-phase decisions.



Marketing Strategy: Virtual (C2)

No operate-phase marketing strategy exists. The commercial team has no documented go-to-market plan, no sales pipeline, and no competitive positioning material for the wholesale market. Diversification into business broadband has been discussed at board level for 18 months without a commercial plan, pricing structure, target customer profile, or resource allocation. Customer acquisition runs through the website and word of mouth; acquisition cost stands at £380 per subscriber against an industry benchmark of £180-220, with marketing spend modest at £420K per year. Revenue growth is driven by pricing adjustments and wholesale volume rather than by a planned acquisition engine. The structured approach to product mix, pricing, channel, and promotion that a marketing strategy provides is discussed but not built.

Organisational Structure: Built Around Individuals (C3)

The COO personally manages all operational decisions. No intermediate operational management layer exists between the COO and the department heads. The build programme has the PMO as its management infrastructure. Operations has the COO's personal attention. When the COO is absent, operational decisions queue. Two managers described approval backlogs that build over a week of COO absence.

Business Processes: Conflicting Approaches (C3)

Build-phase processes are documented, ISO-certified, and enforced. Operate-phase processes are emerging informally in customer service and fault resolution. The two sets of processes clash at every integration point. Fault resolution requires a build-phase change request. Provisioning follows a build-phase network activation sequence. Procurement uses a build-phase purchase order process. Field teams follow build protocols for tasks that are now BAU. Operational staff follow two sets of instructions: the documented build process and the informal operate workaround. Where the two conflict, the outcome depends on which manager is involved and how urgently the task is needed.

People Management: Demo Version (C2)

HR function exists: contracts, onboarding, basic administration. Performance management is informal and inconsistent. No structured 1-to-1 cycle operates outside the build programme team. Annual reviews described as "sporadic" by three HoDs. A management training programme was designed by HR but has not been approved or funded because approval sits in the PMO queue.

Workforce Planning and Development: Absent (C2)

No workforce planning model exists. The build-phase engineering team has not been reviewed against operate-phase requirements. The customer service team has grown from 6 to 22 in 18 months without a capacity model. Field team allocation between build and operate shifts weekly without a structured framework. No one has modelled what the operate-phase workforce should look like, and no structured development path exists to build the operational management capability the operate phase requires.

Network Change Management (Industry): Wrong Tool for the Job (C3)

The change management process was designed for planned network interventions during the build phase: fibre splicing, duct access, cabinet installations, planned outages affecting multiple customers. Every change request includes a risk assessment, impact analysis, peer review, and approval chain. Applied to BAU fault resolution, this process is the wrong tool. A known fault type with a documented resolution should not require a risk assessment and approval chain. The process adds 24-48 hours per incident to a resolution that the NOC team can diagnose within minutes.



Customer Lifecycle Management (Industry): Absent (C2)

No customer lifecycle framework exists. The customer journey crosses four departmental boundaries (Commercial, NOC, Customer Service, Finance) with no single owner. Acquisition is handled by the website and word of mouth. Onboarding is handled by provisioning. Faults are handled by the NOC. Billing is handled by Finance. Churn is managed by nobody. No single view of the customer exists. No retention mechanism operates. The financial consequence (18% churn, £1.4M annual revenue loss) is documented in Section 5.



Appendix D: Scoring Detail

Performance Profile Calibration

Each dimension is scored on a 0-3 scale using the calibration evidence documented in the Stage 3 Diagnostic Scorecard. The calibration reference for each dimension is held in the relevant Lens Master (Lens A for Dimension 3, Lens B for Dimensions 1 and 2, Lens C for Dimension 4).

Dimension 1: Throughput and Flow Discipline: 1.0 Calibration basis: fault resolution at 52 hours, which is 6-13 times the industry benchmark for comparable full-fibre operators. Provisioning at 14 days, which is 3-5 times the benchmark. Build programme throughput is well-managed with milestones tracked and variances reported. Operate-phase throughput has no measurement system. Score reflects the blend: one functioning throughput discipline (build programme, which would score 2.5-3.0 in isolation) and complete absence of throughput management in the operate phase (which would score 0.0-0.5). The blended score of 1.0 reflects that the majority of the business's current activity (80% by activity volume, estimated) sits in the operate phase where no throughput discipline exists. Confidence: C2.

Dimension 2: Cash and Cost Control: 1.5 Calibration basis: monthly management accounts are produced and available. Build programme financial tracking is thorough with budget-to-actual comparison. Operate-phase costs are not separately budgeted or forecast. Cost rigidity signal present: payroll stable at 47-49% of revenue despite activity mix shift. Customer acquisition cost and churn cost not tracked as unit economics. Score above 1.0 because the financial reporting infrastructure exists and liquidity is managed; below 2.0 because operate-phase cost control is absent and the cost base has not flexed with the activity transition. Confidence: C2.

Dimension 3: Management Precision and Follow-up: 1.0 Calibration basis: the build programme PMO runs a structured management cycle with weekly reviews, monthly milestone assessments, and variance tracking. Operational functions have no equivalent. The management system's precision depends on whether the activity falls inside or outside the PMO's scope. The COO's personal involvement substitutes for a system in operational functions, but this is personality-dependent, not system-dependent. Score reflects the gap between the build programme (which would score 2.5-3.0) and operational functions (which would score 0.5). Confidence: C2.

Dimension 4: Accountability and Authority Clarity: 0.5 Calibration basis: the authority matrix exists and is documented, but it is designed for capital decisions and actively impedes operational management. The score is below 1.0 because the authority structure is not merely absent or unclear; it is present and counterproductive. Operational managers carry accountability for outcomes they cannot influence because the approval thresholds prevent them from making the decisions their roles require. The build-phase authority matrix, applied to operational decisions, produces systematic obstruction rather than governance. Confidence: C3.

Performance Profile mean: 1.0. Overall confidence: C2.

Reality Test Aggregate Scoring

The aggregate severity score is 1.0, derived using weakest-link logic. Two components (Workforce Planning, Customer Lifecycle Management) are absent, anchoring the aggregate at the "component does not exist" level. Six components carry gaps in the "form without substance" or "compromised



function" categories. Two areas (network quality monitoring, build programme delivery) are solid but relate to the build programme rather than the operate phase.

The weakest-link principle is applied because an absent management system component creates systemic vulnerability regardless of the strength of other components. A business with no customer lifecycle management will lose customers regardless of how well-managed its build programme is. A business with no workforce planning will carry structural cost misalignment regardless of its financial reporting quality. The absent components set the floor.

Confidence: C2 (two industry-specific components assessed from limited operational data; the operate-phase evidence base is thinner than the build-phase evidence base because fewer operate-phase documents and data sets exist).



Appendix E: Contradiction Register

#	Contradiction	Current Best Interpretation	Status	Implications
1	Build programme under budget by 3% vs overall business operating above market rates	The two cost bases are managed by different systems with different levels of rigour. Build-phase cost discipline has not been extended to operational spending. The contradiction resolves when the governance boundary is recognised: the PMO controls build costs effectively; no one controls operational costs because no operate-phase budget exists.	Resolved through analysis.	Supports the primary constraint finding: the management system that controls build costs does not extend to operational costs.
2	Customer service reports high informal satisfaction vs 18% churn rate	Customers who contact CS may be satisfied with the interaction but churn because of underlying service quality (fault resolution delay, provisioning delay) that the satisfaction survey does not measure. The call-back survey measures the agent interaction, not the end-to-end service experience.	Unresolved. Requires structured exit surveys.	The high satisfaction score may be masking service quality failures that occur before and after the customer service interaction. Exit surveys would clarify whether churn is driven by service experience (addressable through constraint removal) or by external factors (pricing, competitor offers, relocation).
3	COO endorses authority delegation vs no authority delegation has been implemented	The COO has expressed support for delegating operational authority to department heads in interview. No delegation has occurred. The contradiction suggests that endorsement without implementation is characteristic of the governance trap: the decision to delegate is itself subject to the same governance process that the delegation would	Unresolved. Requires action.	The contradiction will resolve when the authority schedule is published (Quick Gain QG3 in the roadmap). Until then, the endorsement is directional but has no operational effect.



#	Contradiction	Current Best Interpretation	Status	Implications
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address.



Appendix F: Missing Data Summary

Item	Likely Owner	Impact on Findings	Mitigation
Operate-phase budget/forecast	CFO	Unable to assess operate-phase cost performance against plan. Financial findings rely on twelve-month actuals and industry benchmarks only.	Benchmarked against comparable regional fibre operators. The absence of a budget is itself a finding.
Customer lifecycle metrics	Commercial Director / CS Manager	Unable to quantify customer lifetime value or cost-to-serve. Churn analysis limited to headline rate.	Churn cost estimated from subscriber count, average revenue, and headline churn rate. Unit economics estimated from available data.
Workforce planning model	HR / COO	Build-to-operate headcount adjustment is estimated, not modelled. £1.2M excess labour cost is directional, not precise.	Estimate based on build programme resource schedule and interview evidence on operate-phase engineering requirements.
Operational authority matrix	COO	Confirmation that no operate-phase authority framework exists. The absence itself is a finding (Section 7).	Build-phase authority matrix provided and analysed. The gap between build-phase and operate-phase governance is documented.
Exit survey data	CS Manager	Unable to determine churn causes by category. The 18% rate is a headline without diagnostic depth.	Churn analysed from available data (timing, fault history, billing disputes). Structured exit surveys recommended in the roadmap.
Wholesale contract terms (full)	Commercial Director	Revenue concentration and contract renewal risk assessed from management accounts, not from contract terms. Renewal dates and notice periods unknown.	Concentration risk assessed from revenue data. The absence of contract visibility is flagged as an additional risk factor.
Management training	HR Manager	Confirmation that no	HR development plan



Item	Likely Owner	Impact on Findings	Mitigation
records		management training has been delivered. The absence itself is a finding (Section 6).	(drafted, not approved) reviewed as evidence of identified need.
Area-level take-up data	Commercial Director	Capex allocation to low-take-up areas estimated from interview evidence, not from area-level take-up analysis. The £1.8M figure is directional.	Interview evidence convergent across commercial and build teams. The estimate is conservative.
Fleet utilisation data (detailed)	Fleet Manager / COO	Fleet review based on interview evidence and visual observation (12 idle vehicles confirmed on site). Detailed utilisation data by vehicle would enable a more precise cost saving estimate.	Conservative estimate used. Actual savings may exceed the £120K-180K range stated.

End of report. All sections complete.