

Armstrat methodology

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The Cut Last Test

Armstrat

Business Transformation Office (BTO™)

What this booklet is for

A method for one decision: whether a role in your business should change because of AI. It ends in a verdict for each role, pass or not yet.

The Cut Last Test has six parts. Each one produces a number or a named owner, so the verdict rests on your own work rather than a vendor demo.

At its center is the Rehire Cost Ledger, a worksheet that prices what a cut really saves and what it would cost to reverse.

Read it in one sitting. Run it on one role this month.

Contents

The decision this method answers 3

The six checks 4

Part 1 · The task map 5

Parts 2 to 4 6

Part 5 · The ledger 7

Part 6 · Cut last 8

The worked example 9

Do not use this method when 10

The worksheet 11

About Armstrat 12

The decision this method answers

Should this role be removed, reduced or changed because AI can now do some of its work? And if so, when?

This method decides when a role changes. It does not decide who is selected. Take legal advice on notice rules and selection where you operate.

According to Challenger, Gray & Christmas, US employers cited AI for more announced job cuts in 2026 than in any year since it began tracking the reason in 2023. Within months, surveys showed some of those roles being added back, most often because knowledge left with the people or the AI needed more checking than expected.

The lesson outlasts that wave. AI takes over tasks, not job titles. A role usually holds a mix of work the AI can carry and work it cannot, plus knowledge that lives only in one person's head.

So the question is rarely whether to cut. It is when. This method makes the cut the last step, taken only after the work is proved, the gap has an owner and a reversal has been priced.

Change the role after the evidence, not before it.

The six checks

Run them in this order. A role passes only when all six do.

1	**Task map**	Break the role into tasks, with weekly volumes and hours. AI replaces tasks, not job titles.
2	**Live-load proof**	The AI carries the real volume for a full cycle of the work, with the person still in the seat.
3	**Coverage gap**	Measure the share of the work the AI does not do, and name who absorbs it.
4	**Knowledge exit**	List what would leave with the person, and capture it while they are still there.
5	**Rehire Cost Ledger**	Price the cut as it is likely to play out, including the cost of reversing it.
6	**Cut last**	Redeploy, slow hiring or use attrition first. Remove the role only when the first five pass.

Part 1 · The task map

Build it with the person who holds the role. They know where the exceptions are. An illustrative map for one accounts payable clerk:

Task	Hours a week	What makes it hard	AI candidate?
Match invoices to orders	14	High volume, clear rules, few exceptions	Yes. Prove it at full volume
Resolve mismatches	8	Judgment and supplier history	Partly. AI suggests, a person decides
Answer supplier queries	6	Relationships and tone	Draft only. A person sends
Prepare the payment run	5	Cash timing and approvals	Draft only. A person approves
Month-end accruals	7	Peaks once a month	Unknown until a month-end is proved
Total	40	One full-time week	14 hours are clear candidates. 26 are partly or not

Use your own tasks and hours from the last four to six weeks, including a month-end. The figures here are illustrative, not a benchmark. A task the AI drafts but a person finishes still costs that person's hours.

Parts 2 to 4 · Proof, gap and knowledge

Evidence from your own work, measured while the person is still there to catch what the AI misses.

Two quiet weeks prove very little. Observe the busiest point of the role's cycle.

Live-load proof. Take a baseline first: error rate, turnaround and volume. Then let the AI carry the mapped tasks for at least one full cycle of the role's work, including its peak. For a finance role that means a month-end close at minimum, ideally a quarter-end. The person reviews every output and logs the minutes spent checking and fixing it.

Set the pass bar before the proof starts: the error rate and turnaround the AI must match, and the checking time at which it stops being worth it. A bar agreed afterwards tends to move.

Coverage gap. From the proof, work out the share of the real workload the AI handled to standard. The rest still has to be done. Name the person who will do it, and check they have the hours.

Knowledge exit. List the relationships, exceptions and fixes the person handles from memory. Write them down, assign each to an owner and test that someone else can use them.

The minutes spent checking the AI are part of its cost.

Part 5 · The Rehire Cost Ledger

Three versions of the same decision over three years, per role, then multiplied by the number of roles.

Line	What it counts	How to work it out
Planned saving	What the business case shows	3 years of pay, less 3 years of AI cost, less severance
If it works	The saving once the uncovered work is paid for	Planned saving, less 3 years of pay times the share the AI does not cover
If you rehire	Savings until the rehire, then the cost of bringing the role back	If-it-works savings to the rehire month, less severance, then the pay premium and AI cost to year 3, recruiting, and half the new pay for each ramp-up month
Expected	The likely outcome	If it works times the chance it holds, plus if you rehire times the chance of a rehire
Break-even risk	The chance of a rehire at which the cut saves nothing	If it works, divided by if it works minus if you rehire

Pay means the fully loaded annual cost of the role. The AI cost runs for all three years, because the tool stays after a rehire. Use your own figures for every input. The ledger is a model, not a forecast.

Part 6 · Cut last

Removing a role is the hardest step to undo, so it comes after every easier one.

A role that passes today can still wait. A role that fails today can be tested again next cycle.

Redeploy first. The person who knows the work is often the best one to own the exceptions, supervise the AI or take on work the business has been short of.

Then slow hiring. When someone in the role leaves, test whether the work holds before refilling the seat. Natural attrition changes headcount without a cut.

Cut last. Remove the role only when the task map is complete, the proof covers a full cycle, the gap has an owner, the knowledge is captured and the expected saving in the ledger still justifies it.

Say what is being tested and why. The people in the role build the task map and catch what the AI misses, so they should hear about the proof from you, not from rumor.

Pass or not yet. Not yet is a result.

A worked example

An illustrative business, built to show the method. It is not a client, and the figures are not results.

Situation

A distributor with 120 staff plans to remove three of five accounts payable roles after a vendor demo: $65,000 a role, AI at $9,000 a role a year, one month of severance. Planned saving over three years: about $488,000.

What the test showed

A live-load proof through a quarter-end showed the AI handled 60% of the real volume to standard. Supplier queries and payment-run checks stayed with people, and one clerk held the early-payment terms from memory.

The ledger

If it works: about $254,000. If the roles must be rehired at month six: about $162,000 worse than keeping them. At a 30% chance of a rehire, the expected saving is about $129,000, roughly a quarter of the plan. Break-even risk: about 61%.

Verdict

Not yet for removing three roles: two clerks cannot absorb the 40% the AI missed, and the payment terms live in one head. Pass for slowing hiring: the next vacancy stays open, one clerk moves to supplier management and the proof runs again next quarter.

Ledger inputs: 15% pay premium on a rehire, recruiting at 10% of the new pay, three months of ramp-up. All illustrative.

Do not use this method when

And some things we will not do with it. Sometimes the right answer is not yet.

The only evidence is a demo or a pilot

Neither shows a full cycle of your real volume with its exceptions. Run the proof first.

The real reason is cost

If the cut is about cost, weak demand or the economy, say so. Do not present it as AI.

The board set a headcount number first

A target of roles to remove, set before any work is tested, gets a not yet.

Nobody will own the gap

If no one has the hours to absorb the work the AI misses, the cut moves the problem, it does not solve it.

The Rehire Cost Ledger

One sheet per role. Print it and fill it in by hand. A blank line tells you what to find out first.

Role and decision owner

One role, one named person.

Task map

Top tasks, hours a week, AI candidate or not.

Live-load proof

Cycle and dates, pass bar set in advance, errors and checking hours.

Coverage gap

Share the AI misses, and who takes it.

Knowledge exit

What leaves with the person, and where it is now written down.

Ledger over three years

Planned, if it works, if you rehire, expected, break-even risk.

Cut last and verdict

What was tried first. Pass or not yet, and the date to test again.

About Armstrat

Armstrat is a Business Transformation Office (BTO™): a specialized, modern firm that embeds forward-deployed engineers (FDEs) inside your business and focuses solely on delivering outcomes.

Our methodologies are the working methods our FDEs use inside client businesses. We publish them free, with no email wall, so your own team can run them with or without us.

An interactive version of the Rehire Cost Ledger is in the article at armstrat.com/ai-layoffs-backfiring.

How to get help

Read the booklets at armstrat.com/downloads.

Take the free AI Readiness Assessment at armstrat.com/ai-readiness-assessment.

Write to hello@armstrat.com if you want our FDEs to run the Cut Last Test with your team.

armstrat.com/downloads

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