AI Saved 20 Hours. Did It Actually Improve EBITDA?

FINANCIAL EDUCATION & CEO DECISION-MAKING • Issue 4 learning theme: Turn Time Saved Into Business Capacity

Illustrative figures are not actual client results.

The business problem

An office manager uses AI to prepare routine summaries and saves five hours every week. The owner reports a financial saving, but payroll and operating expenses have not changed.

What business owners need to understand

Recovered hours are capacity, not necessarily expense reduction. EBITDA improves when recognized revenue or operating expenses actually change. A time estimate alone does not appear on the income statement.

How to apply it

1. Measure time saved with a before-and-after sample.
2. Determine whether overtime, contractor invoices or other paid expenses were actually reduced.
3. If time was redeployed, track the additional work completed and its contribution.
4. Subtract AI subscription, training, review and correction costs.

Work through the numbers

At 20 recovered hours/month and a $30 loaded hourly rate, the estimated capacity value is $600. If AI and review cost $180/month but payroll remains unchanged, EBITDA falls $180. If the business eliminates $400 of actual overtime, EBITDA instead rises $220. If staff complete additional work, calculate the contribution after its direct costs rather than treating all new revenue as profit.

EBITDA change = realized incremental contribution + actual eliminated operating expense − new operating expense.

What the financial statements reveal

Income statement: check recognized sales, direct costs, operating expenses and EBITDA. Balance sheet: check cash, receivables, payables and obligations created by the decision. Cash flow: verify when money actually arrives or leaves. A positive EBITDA change does not guarantee positive cash flow.

The CEO decision

Review the P&L for expenses and revenue, the balance sheet for accounts receivable, and cash activity for when payments are made. Do not confuse productivity, EBITDA and cash.

Apply it to your business

List one task where AI saved time. Identify exactly which financial statement line changed, if any.

Your quick review

☐ What is the baseline measure?

☐ What will change and who owns it?

☐ What is the monthly cost?

☐ What is the expected EBITDA effect?

☐ What happens to cash, customer experience and risk?

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