

CAPITAL DEFENSE FRAMEWORK

Why Your Best ROI Projects May Be Your Worst Investments

A framework for CFOs who have stopped trusting spreadsheets and started governing capital as a portfolio.

15–30%

of discretionary capital funds projects that destroy portfolio value

\$2.2M

average portfolio value destroyed by a single misallocated investment

1 Qtr

typical time to positive framework ROI after implementation

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01

The Invisible Capital Allocation Problem

You're reviewing a \$4.2M investment with a 42% projected ROI. Your team recommends approval. The business case is solid. The model is thorough. And yet — you cannot answer four questions that actually determine whether this is a good use of capital:

- **Historical performance:** Has this division ever delivered projected returns?
- **Cumulative investment:** How much have we already deployed here?
- **Strategic alignment:** Should we even be growing this business unit?
- **Opportunity cost:** What are we not funding by approving this?

THE PROBLEM

Attractive standalone ROI rarely equals portfolio value. ROI Theater fills the gap.

02

The Strategic Capital Balance Sheet™

Every function in your organization has an invisible balance sheet — cumulative investments that either create assets or accumulate liabilities over time.

Traditional ROI tracks project payback. The Strategic Capital Balance Sheet™ tracks whether investments are building enterprise value or destroying it.

- **Assets:** Reusable platforms, data, automation, and IP that compound value across use cases.
- **Liabilities:** Technical debt, legacy systems, underutilized investments, and delivery failures that raise run-costs and constrain future options.
- **Equity:** Net contribution — cumulative realized value vs. capital deployed over 3–5 years.

THE SHIFT

Track cumulative value creation, not just annual spend. Capital allocation becomes portfolio management.

03

Who Earns Capital — Not Who Asks For It

The Investment Quality Score (IQS) replaces politics with consequence. It quantifies each function's right to receive capital based on four factors — and sets a clear threshold for approval, review, or decline.

FACTOR	WEIGHT	WHAT IT MEASURES
Delivery Track Record	35%	3-year variance between projected and realized ROI
Balance Sheet Health	25%	Asset utilization vs. liability accumulation
Strategic Alignment	25%	Growth vs. harvest vs. divest classification
Capital Efficiency	15%	Incremental ROIC trend over 5 years

IQS SCORE	DECISION
75–100	Green light — approved for investment
50–74	Standard review required
25–49	Remediation plan mandatory before capital
0–24	No new capital until fundamentals improve

THE POWER

IQS reveals who has earned the right to capital — eliminating politics and replacing it with consequence.

04

Beyond BCG: Adding Delivery Risk to Strategy

The BCG Matrix tells you where your businesses are. The Strategic Fit Matrix tells you where capital should go — by layering delivery risk, cumulative investment, and strategic context onto portfolio positioning. Even "Stars" can be declined if their IQS reveals they cannot execute.

	BCG APPROACH	SCBS™ APPROACH
Measures	Market share x market growth	IQS x strategic priority
Output	Portfolio position	Capital allocation decision
Missing	Historical performance, delivery risk	Nothing — SCBS adds what BCG couldn't measure

THE EVOLUTION

SCBS adds what BCG couldn't measure — historical performance, cumulative investment, and consequence.

05

When "Good" ROI Destroys Portfolio Value

Three proposals. Three positive ROIs. Limited capital. Traditional analysis funds the highest returns. SCBS™ reveals the hidden portfolio impact — funding Sales CRM would have destroyed \$2.2M in portfolio value vs. the approved portfolio, despite its "attractive" standalone ROI.

PROPOSAL	STANDALON E ROI	IQS	SCBS™ DECISION	REASON
Sales CRM	38%	42	DECLINED	Poor track record; harvest strategy misalignment
P2P Automation	35%	78	APPROVED	Leverages existing ERP; strong delivery history
Product Platform	45%	65	APPROVED	Aligns with growth strategy; builds strategic capability

THE DISCIPLINE

SCBS makes opportunity cost visible and quantified. Capital decisions become portfolio optimization, not ROI Theater.

06

Governance by Consequence — Not Politics

Decision rights flow from investment size, IQS score, and strategic priority — not organizational politics or persuasion skills. The framework removes ambiguity: proposals that meet thresholds are approved; those that don't require remediation plans or are declined.

INVESTMENT SIZE	IQS THRESHOLD	APPROVAL AUTHORITY
Up to \$2M	Any	Business unit lead
\$2M+ / IQS >50 / high priority	>50	CFO approval
\$2M+ / IQS <50	<50	CEO + governance review required
\$10M+ regardless of IQS	Any	Board approval

THE RESULT

Capital allocation becomes a professional discipline with clear authority, accountability, and consequence.

07

From Budget Referee to Portfolio Architect

Most CFOs spend capital planning season mediating between competing budget requests. SCBS™ transforms the role — giving you active levers to shape portfolio performance rather than defend cuts or negotiate compromises.

- **ROI threshold adjustment:** Raise or lower hurdle rates by function based on balance sheet health.
- **Strategic fit weighting:** Shift capital toward growth engines; away from harvest businesses.
- **Track record consequence:** Restrict capital to underperforming functions until they demonstrate improvement.
- **Liability reduction mandates:** Require asset sweating before approving new investments.

THE TRANSFORMATION

You're no longer defending budget cuts. You're architecting a capital portfolio with measurable levers and clear consequences.

08

Measurable Impact — Not Just Process

SCBS™ delivers results across four dimensions. This isn't theory — it turns capital allocation into a strategic discipline with governed, measurable, delivered results.

DIMENSION	WHAT CHANGES	TYPICAL RESULT
Portfolio Value	Better trade-off decisions across the capital portfolio	15–30% improvement in discretionary capital efficiency
Governance	Political allocation replaced by consequence-based decision rights	Elimination of ROI Theater from capital planning
Strategic Alignment	Growth engines funded; harvest businesses optimized for divestment	Capital follows strategy, not loudest voice in the room
Accountability	Loop closed between projected and actual ROI	Delivery teams accountable for results, not just approvals

Real-World Example: One \$1B+ division declined a 42% ROI proposal using SCBS™ — redirecting capital to higher-value alternatives. Net result: \$2.1M additional value creation plus strategic repositioning for a market shift. Framework ROI: positive in one quarter.

THE PROOF

SCBS turns capital allocation into a strategic discipline with measurable, governed, delivered results.

Stop Funding Projects. Start Defending Capital.

Most CFOs approve capital based on standalone ROI — without seeing cumulative investment, delivery risk, or strategic fit. The result: systematic misallocation.

The Strategic Capital Balance Sheet™ gives CFOs the visibility, governance, and consequence needed to end ROI Theater for good.

[Schedule a Diagnostic Workshop](#)

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