

*The most expensive capital mistakes share one structure: a decision made on assumptions that were plausible at the time but were never examined.*

## The CFO as Assumption-Breaker

*Data is abundant. Decision quality is deteriorating. The problem isn't information — it's the assumptions that information is used to confirm.*

*Every organization makes decisions under uncertainty.*

*The question is whether that uncertainty is acknowledged and quantified — or hidden behind confident projections built on anchored assumptions.*

*Bad assumptions don't just produce bad decisions. In a capital-scarce environment, they trap capital in the wrong places for years.*

### WHY THIS MATTERS NOW

Four patterns systematically destroy capital: past performance bias assumes conditions that produced prior results will persist; vendor promise anchoring accepts ROI projections without risk-adjusting against comparable implementations; overconfidence in execution underestimates organizational complexity; and political momentum funds initiatives regardless of whether the original thesis still holds.

## The Anchoring Patterns That Destroy Capital

1. **Past performance bias** — assuming that the market conditions, customer behavior, or operational capabilities that produced past results will persist. This is the most common and most expensive mistake in capital allocation.
2. **Vendor promise anchoring** — accepting vendor ROI projections without risk-adjusting them against the track record of comparable implementations. ERP, AI, and cloud vendors present ROI projections that consistently overstate returns and understate implementation risk.
3. **Overconfidence in execution** — underestimating the organizational complexity of change and the probability that key dependencies will not materialize on schedule.
4. **Political momentum** — funding initiatives that have accrued organizational support regardless of whether the original thesis still holds. Sunk cost protection is not a capital discipline. It's a governance failure.

*The CFO is the last line of defense against bad decisions — and the first line of clarity when assumptions need to be challenged before capital is committed, not after it's spent.*

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## The Political Cost of Clarity

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This is where the framework breaks down in practice — not intellectually, but organizationally. The CFO who challenges assumptions is not experienced as rigorous. They are experienced as difficult. The sponsor who spent six months building the business case does not hear "your assumptions need stress-testing." They hear "you are being blocked." The CEO who has already committed to the board does not hear "the thesis hasn't been validated." They hear "finance is not a team player."

The result is a predictable and expensive equilibrium. Business cases get built to pass, not to withstand scrutiny. Assumptions are chosen for their plausibility, not their accuracy. The numbers that go into the model are the numbers that make the model work. Everyone in the room understands this implicitly. Nobody says it out loud. And the CFO who has learned — through experience, through political consequence, through watching what happens to executives who push too hard — signs off. Not because they believe the numbers. Because the cost of not believing them has historically been higher than the cost of being wrong.

That equilibrium is now broken. In a capital-scarce environment with real interest rates and shrinking margins for error, the cost of a bad capital decision is no longer absorbed by cheap money and favorable conditions. It sits on the balance sheet. It shows up in the quarterly numbers. And when it does, the board does not ask why the sponsor's assumptions were optimistic. They ask why the CFO approved them.

The assumption-breaking mandate is not a license to obstruct. It is a structured discipline with a defined scope — applied at specific decision gates, documented in advance, and framed as the governance function that protects the organization rather than the individual with the most political capital. The CFO who builds this infrastructure is not the person who says no. They are the person who ensures that yes means something — and that when it goes wrong, the organization learns rather than repeats.

*The CFO has been trained by organizational experience to not challenge, because challenging has historically cost more than approving.*

*That behavioral pattern — not lack of skill or awareness — is what the assumption-breaking discipline has to overcome.*

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## The Assumption-Breaking Toolkit

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**Pre-mortem analysis.** Before approving a significant capital commitment, require the sponsoring team to assume the initiative has failed — and explain specifically how and why. The teams that resist this exercise most strongly are usually the ones who need it most.

**Sensitivity analysis on key assumptions.** Every business case rests on a small number of assumptions that drive the majority of the projected value. If the business case only works at the optimistic end, it's not a business case — it's a projection.

**Counterfactual framing.** The question is not "does this investment pay back?" but "does this investment pay back better than everything else competing for the same allocation?"

**Vendor claim auditing.** Require every material vendor claim to be risk-adjusted against comparable implementations. Ask the vendor to show you the clients for whom it didn't work.

**Assumption registers.** Maintain a documented record of the key assumptions underlying every significant funded initiative. When assumptions are invalidated by new evidence, trigger a formal capital review — not a variance report.

## Building the Mandate to Challenge

The assumption-breaking function only works if the CFO has the organizational standing to exercise it. That requires three things: CEO alignment on the CFO's role as a strategic counterweight; a structured governance process that creates a formal checkpoint for assumption review; and a track record of using the function constructively — not to block investment, but to improve the quality of investment decisions.

### KEY TAKEAWAYS

- The most expensive capital mistakes share one structure: assumptions that were plausible at the time but were never examined.
- Four patterns systematically destroy capital: past performance bias, vendor promise anchoring, overconfidence in execution, and political momentum.
- Pre-mortem analysis — assume failure first, then explain why — is the most powerful tool for surfacing risks that optimism suppresses.
- Ask vendors to show you the clients for whom it didn't work. If they can't, the capital is bearing more risk than the business case acknowledges.
- Assumption registers maintained between funding cycles are the governance infrastructure that separates discipline from luck.

<p><b>PLATEAU STRATEGY</b> Capital Efficacy Series Authored by <b>Allan Salek</b></p>	<p><i>Four continents. Multiple capital cycles. I've watched brilliant CFOs get blindsided — by vendors selling certainty, by organizations caught in politics, by leaders advancing careers ahead of the balance sheet.</i></p> <p><i>We work alongside CFOs so they walk into every room ready for the conversation that defines whether they keep the seat.</i></p>	<p><b>GET IN TOUCH</b> allan.salek@plateaustategy.com Capital Efficacy · IT Balance Sheet · External Risk <b>plateaustategy.com</b></p>
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