PLATEAU STRATEGY · P² METHODOLOGY

# The IT Capital Balance Sheet

Functional metrics can all be green while the organization is still falling short of its strategic objectives. The IT Capital Balance Sheet is the instrument that makes enterprise accountability real — not aspirational.

**15–30%**

of discretionary capital deployed to programs that damage portfolio value despite positive standalone ROI

**>50%**

of effective IT capital now controlled outside IT at most mid-market organizations

## 1 The Accountability Gap No Framework Closes

ELT alignment on measurable enterprise outcomes is the right instinct. OKRs, EOS, SMART goals — the governance structure defines who is accountable for what. That part is necessary. But it's not sufficient.

The governance structure tells you who owns the outcome. It doesn't give that person the instrument to act on accountability in real time. Without a conduit between the stated enterprise objective and the capital being deployed daily against it, governance becomes a reporting exercise — everyone accounts for their own green, with no one holding the shared red. The ownership is clear. The operationalization isn't.

That's the gap the IT Capital Balance Sheet closes. Not by replacing governance — by making it operational. Three things have to be simultaneously true for enterprise accountability to move from aspiration to traceable number:

**VISIBLE CAPITAL FLOW**

**DRIFT DETECTED BEFORE GO-LIVE**

Capital deployment must be traceable to functional contribution to enterprise outcomes — not just to project milestones.

By go-live, the damage is done. Accountability needs to operate during execution, not through post-mortems.

**TRADE-OFFS OWNED BY ELT**

Functional leaders cannot own enterprise trade-offs. ELT has to hold them — with the data to make that decision before it becomes political.

**THE INSTRUMENT**

The IT Capital Balance Sheet is the mechanism that connects all three — a live instrument that shows where capital is creating assets versus accumulating liabilities against the enterprise case.

## 2 The IT Capital Balance Sheet

Every business unit in your organization has an invisible balance sheet — cumulative capital investments that either create reusable enterprise assets or accumulate liabilities that constrain future decisions. The IT Capital Balance Sheet makes that visible, tracked by LOB and process area (P2P, O2C, shared services, etc.).

**ASSETS**

- Reusable platforms and capabilities
- Data assets that compound across use cases
- Clean master data and reporting infrastructure
- Automation that reduces run cost
- IP with strategic optionality
- Delivered and adopted capabilities

**LIABILITIES**

- Technical debt and legacy dependency
- Custom code that adds maintenance cost
- Systems nearing EOL without a plan
- Vendor lock-in and farming exposure
- Stranded assets and unused licenses
- Shadow IT carrying undeclared risk

**EQUITY**

- Net contribution: realized value vs. capital deployed over a 3–5 year horizon
- Track record of business case delivery
- Cross-LOB benefit potential and compounding
- The functional right to receive future capital

The critical shift: track cumulative value creation across the portfolio, not annual spend per project. Capital allocation becomes portfolio management — and enterprise accountability becomes traceable to a number, not a narrative.

## 3 When ROI Alone Gives the Wrong Answer

Traditional analysis evaluates programs in isolation. Two initiatives can show nearly identical ROI projections while having completely different balance sheet impacts. Without the instrument, the wrong one gets funded.

| | LOB A: SALES ENABLEMENT TOOL | LOB B: SUPPLIER INVOICE AUTOMATION (P2P) |
|---|---|---|
| **Investment** | $2.5M | $2.5M |
| **3-Year ROI** | 45% | 42% |
| **Asset Synergies** | Low — requires new platform and custom dev | High — builds on existing ERP and workflow engine |
| **Tech Debt Impact** | High — adds niche code to maintain | Low — standard process extension |
| **Cross-LOB Potential** | Low — sales only | Medium — reusable in shared services |
| **Balance Sheet Impact** | Asset-light, ROI lagging, liabilities accumulate | Adds strategic asset base, builds on prior ERP investment |

**LOB B is prioritized** — not just because of ROI, but because it enhances the portfolio balance sheet, minimizes new liabilities, and creates compounding value across functions. LOB A's higher headline ROI masks a worse enterprise outcome.

## 4 How the Balance Sheet Is Used in Practice

Unlike traditional ROI models that are static at approval, the IT Capital Balance Sheet operates as a live portfolio instrument across the full program lifecycle — refreshed quarterly or at key

decision gates.

| BEFORE FUNDING | DURING EXECUTION | POST-GO-LIVE |
|---|---|---|
| Investment requests reviewed against LOB balance sheet status | Asset creation logged as integrations and capabilities are delivered | Value realization measured and balance sheet updated annually |
| Enterprise pro forma alignment tested — not just standalone ROI | Liability accumulation flagged (unplanned customization, scope drift) | Programs failing to yield expected value are flagged for portfolio re-prioritization |
| Asset synergies and liability exposure quantified before approval | Open decisions wired to capital consequence — decision latency made visible | Future investment tracks realized track record, not project narrative |

**GO-LIVE IS A MINOR MILESTONE**

The real work begins at go-live: business process iteration, change management, capability adoption, cost removal, headcount reduction, infrastructure retirement, vendor de-farming, and benefit realization. PMO 1.0 stops there. PMO 2.0 begins there. The balance sheet makes this visible at every stage.

## 5 PMO 1.0 vs. PMO 2.0: The Operating Difference

The single biggest structural change in PMO 2.0 is the definition of success. PMO 1.0 defines success as go-live. PMO 2.0 defines success as realization of the business case. That shift changes every downstream metric, every governance gate, and every vendor relationship.

| PMO 1.0 (CURRENT STATE) | PMO 2.0 (PLATEAU P²) |
|---|---|
| Success = go-live | Success = business case realized |
| Dashboards = RYG status | Dashboards = capital truth |
| Requirements = features and tasks | Requirements = functional capabilities |
| Scope = what fits the timeline | Scope = tied to ROI milestones |
| Vendors = farming CRs post go-live | Vendors = accountable to outcomes |
| CFO = rolls the dice at board closure | CFO = capital manager with live data |
| | CIO = credibility restored |

CIO = blamed for drift

Capital = spend-focused, no 2nd chance

Capital = reallocated, not new spend

## 6 What the IT Capital Balance Sheet Replaces

Traditional ROI analysis evaluates programs in isolation. The IT Capital Balance Sheet evaluates them as portfolio positions — with cumulative investment, delivery track record, and strategic fit as co-equal inputs to capital decisions.

| | TRADITIONAL ROI | IT CAPITAL BALANCE SHEET |
|---|---|---|
| **Focus** | Project payback in isolation | Enterprise value creation across functional portfolios |
| **Timeline** | Point-in-time at approval | Ongoing portfolio management with live balance sheet updates |
| **Risk Visibility** | Hides delivery risk and tech debt until post-mortem | Exposes liabilities explicitly — vendor lock-in, stranded assets, capability gaps |
| **Strategic Alignment** | Encourages fragmented wins without portfolio context | Drives strategic asset accumulation and capability compounding |
| **Accountability** | Backward-looking post-mortems after failure | Forward-looking governance with track record built into capital decisions |
| **Opportunity Cost** | Invisible — decisions made in isolation | Quantified through portfolio trade-off analysis at the ELT level |
| **Enterprise Accountability** | Functional leaders report to their own metrics; enterprise gap stays invisible | Capital deployment traceable to enterprise outcome contribution — drift visible before go-live |

| | TRADITIONAL ROI | IT CAPITAL BALANCE SHEET |
|---|---|---|
| **Capital Source** | New budget requests each cycle | Reallocation of existing PMO and program spend — no new capital required |

## 7 The Real Cause of Project Failure: Decision Latency

Scope creep, vendor performance, requirements churn, and budget pressure are all symptoms. The root cause is decision latency — executives unable to make calls on open issues because they lack the instrument that shows how a specific decision ties to the business case.

A team can handle going back two weeks, discarding work, redoing a process. What destroys programs is being told to keep working while X and Y remain unresolved. Focus, confidence, velocity, quality, morale, and capital discipline all collapse simultaneously — and nobody's dashboard shows it.

> **WHY EXECUTIVES STALL**
>
> In PMO 1.0, requirements are features, features are tasks, tasks are timelines, timelines are dashboards, dashboards are theater. There is no conduit between the business case and the decision. PMO 2.0 creates that conduit — replacing features with functional capabilities (the ability to complete a specific process with 5 people instead of 15) and wiring every open decision back to its capital consequence.

## Stop Funding Projects. Start Defending Capital.

The IT Capital Balance Sheet gives CFOs, CIOs, and ELT the instrument to turn enterprise accountability from an aspiration into a traceable number — **without new spend.**

This is a conversation, not a workshop. Plateau looks at the live picture first.

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