The ROI number cleared the committee. The P&L still looks like you're burning cash. That gap has a name — and it's not IT's fault.

The Standard That Replaced ROI

ROI tells you if something pays back. It doesn't tell you if it's the best use of capital — and that's the only question that matters now.

For years, business initiatives lived in a fantasy. Success could be claimed through metrics that had only a loose relationship with actual financial results. That era is over. Capital is no longer cheap or abundant. Real interest rates and rising borrowing costs mean that every dollar deployed against a mediocre return is a dollar that should have been somewhere else.

WHY THIS MATTERS NOW

ROI analysis has two structural problems: the execution gap (a 28% projected ROI rarely survives contact with reality) and the fragmentation trap (even when individual projects hit their targets, fragmented wins don't compound into enterprise value). A 20% return in one business unit, built on legacy code and shadow IT infrastructure, doesn't strengthen the overall capital position.

Why ROI Became Theater

In quarterly reviews, IT projects routinely present compelling ROI figures: CRM upgrade at 22%, supply chain automation at 28%, ERP module rollout at 35%. These numbers suggest strategic success. But the P&L tells a different story — persistent cash burn and eroded enterprise value.

The money leaves the balance sheet. Proportional value doesn't come back. Finance tracks the spend but can't trace the return — because the return was always a projection, not a measurement.

The IT Balance Sheet Framework

The CFOs who govern technology spend with genuine discipline treat IT investment the way they treat any other capital allocation decision: as a portfolio of assets and liabilities that accumulates over time.

Assets are platforms that scale, data that can be reused, modular systems that flex with business models. Liabilities are brittle integrations, redundant licenses, and technical debt that slows every pivot. Net contribution is the cumulative enterprise value being built or destroyed.

Two projects with identical ROI numbers can have completely different impacts on the capital base. The IT Balance Sheet exposes which investments build lasting competitive advantage and which create short-term returns with long-term costs.

The Three Questions ROI Never Asks

What digital assets are we building — and do they compound with our existing technology base? An investment that delivers 20% ROI but creates technical debt or integration complexity that burdens future investments is not a good capital decision, regardless of the project-level return.

What technical liabilities are we creating — and what's the long-term carrying cost? Every architectural choice made under time pressure, every integration built to the vendor's specification, every customization that survives go-live becomes a liability with a carrying cost. Most organizations have never measured this.

How does this investment strengthen our competitive position over three to five years? Capital markets don't fund factories because they show 20% ROI in year one. They fund factories that compound equity value, clear hurdle rates, and strengthen long-term free cash flow. The same discipline should apply to technology capital.

The Capital Efficacy Standard

Capital efficacy asks the questions that ROI doesn't: What is the opportunity cost? What capital does this investment free or trap over its useful life? What strategic constraint does this remove — and is that constraint the binding one? What is the enterprise-level return, net of the liabilities created?

> *"The CFOs who make that shift early will be the ones their boards still trust in five years. The ones who don't will keep defending ROI numbers that the P&L contradicts every quarter."*

KEY TAKEAWAYS

→ ROI has two structural problems: the execution gap (projections rarely survive reality) and the fragmentation trap (isolated wins don't compound into enterprise value).

→ Treat IT investment as a portfolio of assets and liabilities — not a series of point-in-time project returns.

→ Two projects with identical ROI can have completely different impacts on your capital base. The IT Balance Sheet makes this visible before you fund.

→ Capital efficacy asks what ROI never does: opportunity cost, carrying cost of liabilities created, and enterprise-level return net of long-term drag.

→ Link every initiative to hard financial outcomes — margin expansion, working capital improvement, cash flow. Make the line to the income statement unmistakably clear.

PLATEAU STRATEGY

Capital Efficacy Series

Authored by
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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.

We work alongside CFOs so they walk into every room ready for the conversation that defines whether they keep the seat.

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