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CEO & CFO: the numbers can be right. And the diagnosis wrong.

A recent post about the relationship between CFO and CEO made me reflect on an issue I consider central to business management: should the CFO go along with the CEO or tell them the truth, even when the numbers are uncomfortable? To me, the answer is fairly simple. A CFO who softens the numbers to please the CEO is not acting as a CFO. They are playing internal politics. Transparency, integrity and the ability to sustain even difficult conversations are essential parts of the role.

But there is a problem I consider even greater, and which receives far less attention. Telling the truth about the numbers is not enough if the numbers we observe represent only part of the business reality. The income statement, margins, cash flow, DSO, EBITDA and other traditional indicators are fundamental. No company can be managed seriously without them. But they have a limitation: in most cases they tell us what is happening, not necessarily why it is happening. CFOs and CEOs therefore risk making decisions that are financially consistent in the short term but economically wrong, because they address the effect and leave the cause intact.

The number is not the diagnosis

If margins shrink, costs are addressed. If cash flow deteriorates, investments, payments or commercial terms are tightened. If productivity falls, efficiency is pursued. If a function fails to achieve results, its manager is replaced or oversight is increased. These are understandable reactions. The problem is that the observed number is treated as though it already contains the diagnosis.

The number is often merely the point at which a problem finally becomes visible.

The real causes may have developed much earlier, in areas traditional financial reporting does not directly measure: redundant processes, unclear responsibilities, decisions slowed by too many approval levels, information arriving late, recurring errors that are never eliminated, duplicated activities, capable people continually forced to compensate for others' inefficiencies, unsuitable managers kept in their roles because addressing the problem would be uncomfortable.

These are just a few examples of possible causes. The point is that those costs rarely reach the CFO with a label saying "cost of confusion", "cost of poor management", "cost of slow decisions" or "cost of undefined responsibilities or processes". They seep into the items we already know.

They become additional working hours, overtime, delays, rework, excess inventory, longer collection periods, errors, returns, complaints, lost customers, staff turnover, lower productivity and deteriorating margins. Eventually they reach the income statement, cash flow or operational KPIs.

What is producing this loss?

In reports we see their financial result, disguised as other items. Not the mechanism that generated it. I believe the relationship between CFO and CEO needs to evolve. The CFO should not merely be the guardian of accurate numbers. They should help verify whether those numbers truly represent the company's economic reality or only the part the reporting system is already designed to see. And the CEO, in turn, should demand precisely this kind of interpretation. Not just: "How much have we lost?" But: "What, in the way the company operates, is continuing to produce this loss?"

The difference seems subtle, but it completely changes the type of decision that follows.

What does not come to light cannot be corrected

If I see staff costs rising, I can decide to cut headcount. But if those costs are rising because people constantly work in emergency mode, compensate for poorly designed processes and redo tasks already completed, the cuts will only make the problem worse. If I see DSO deteriorating, I can increase pressure on receivables collection. But if the real causes are disputes, invoicing errors, unclear commercial responsibilities or an inefficient order-to-cash process, I am addressing the outcome without correcting what generates it. If I see margins falling, I can negotiate harder with suppliers.

But if the company is meanwhile losing money through internal inefficiencies, rework, urgent issues, poor decisions and uncoordinated purchasing, I will keep looking for financial recovery where it is easiest to measure rather than where value is actually being lost. There is also a second element CFOs and CEOs cannot afford to ignore: internal transparency.

Collaboration and transparency are essential, especially when a company is in difficulty. Yet there are situations where errors, poor decisions or inefficiencies are minimised, concealed or simply not brought to the table to protect a person, a function or an earlier decision. It is one of the most dangerous behaviours an organisation can tolerate. Because hiding a mistake does not protect the company. It removes the possibility of correcting it. When the CFO, CEO and management stop sharing reality for fear of the consequences, the issue is no longer merely ethical or relational.

It becomes economic. A lack of transparency produces delayed decisions, late interventions, incorrect diagnoses and, in the worst cases, can threaten the very continuity of the business.

Before acting, look inside the system

I am convinced that true collaboration between CFO and CEO requires more than simple honesty about the numbers. It requires a willingness to question what those numbers are really telling us.

Reporting can be formally impeccable and still offer an incomplete picture of the company.

The data can be right and the diagnosis wrong. The CFO may have integrity and the CEO may be willing to listen, yet both can continue addressing effects while the cause remains intact within the

organisational system.

The most important point? Numbers are indispensable for understanding that a problem exists. But to understand why it exists, we need to look inside the system that produces those numbers. Merely reacting does not eliminate the root cause and may even make the situation worse.

That is where the real losses are hidden. And that is where CFO and CEO, together, should start looking for them.

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