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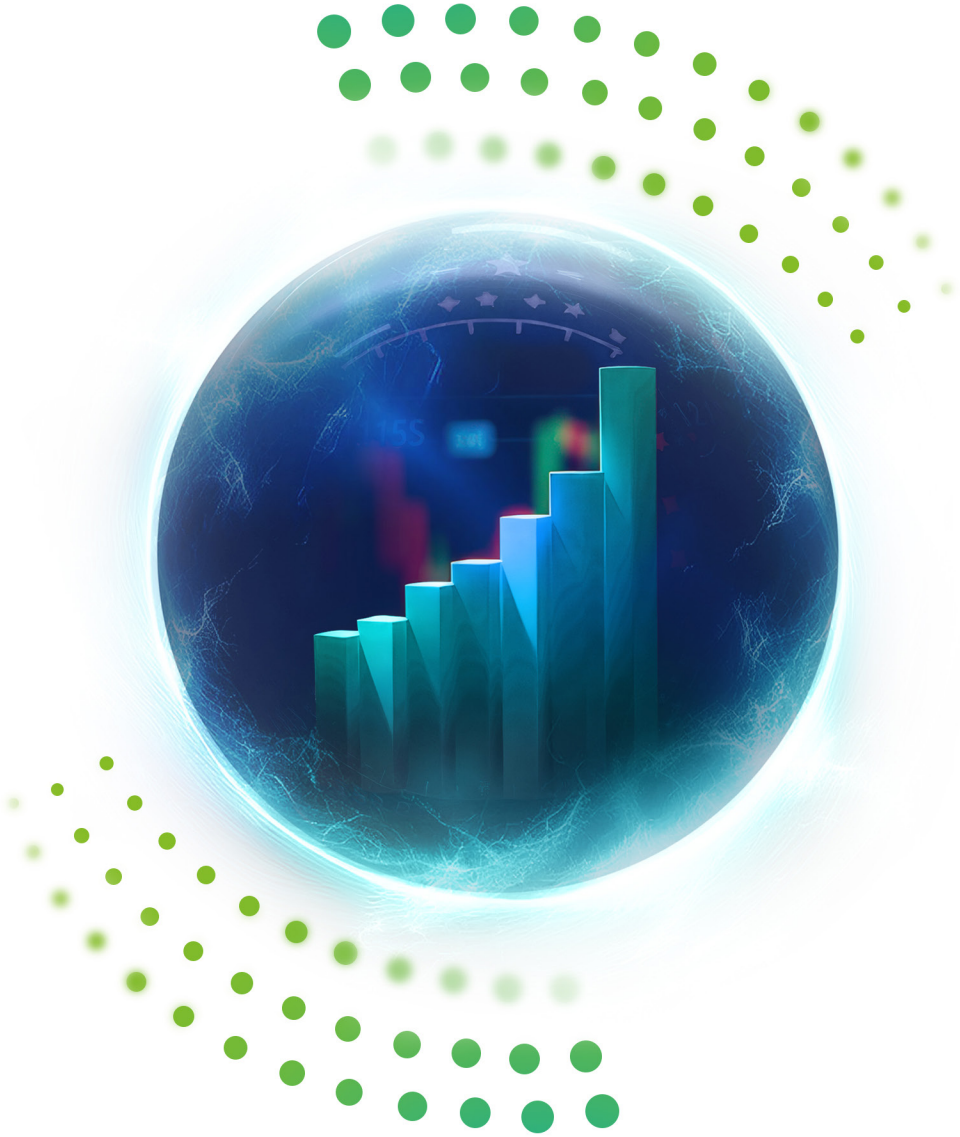

Unlocking profitability insights

How companies are leveraging cost data and technology to enhance business performance

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Setting the stage

Cost and profitability management is at the heart of business decision-making. There are many factors to consider for effective profitability management, including selecting an optimal costing model and which technologies to use for reporting and analytics. To better understand the current landscape of cost and profitability management methods and tools, we set out to understand the following questions: What cost data is being used, and is it providing a competitive edge? How are organizations transforming their data and reporting to benefit from refined cost and profitability models? How are new tools used to generate more insightful reporting and analyses?

To answer these questions, Deloitte's Center for Controllership™ and the IMA® (Institute of Management Accountants) conducted a global survey of more than 440 finance and accounting managers, directors, controllers, and CFOs. The global survey aimed to read the pulse of finance and accounting functions' use of cost methods and basis for allocations, effectiveness of profitability measures to evaluate operating performance, and the use of emerging technologies for performance reporting and analyses.

This Deloitte and IMA report presents the findings from this survey alongside considerations from industry specialists and professionals, offering insights into the use of alternative costing methods for financial and management reporting, challenges and goals of performing cost allocations, the use of profitability models, and ways emerging technology and data tools can impact cost and profitability analysis and support strategic decision-making. These insights can provide finance and accounting professionals with considerations to enable a more informed approach to performing and evaluating cost and profitability, and in selecting the appropriate solutions and tools for their business.

Section 1:
Cost and allocation methods

What costing methods are used?

The methods used to assign costs to products and services are at the core of the cost and profitability management process. As part of our global survey, it was crucial to understand the costing methods organizations use and why specific costing methods may be preferred over others. To better understand the various costing methods, including standard, actual, and project costing, we will take a look at the primary costing methods included in the survey and how they may be defined by an enterprise.

Each of these costing methods has its unique strengths and weaknesses that benefit some industries over others. While the choice of method depends on the specific needs and context of the business, how an organization utilizes costing methods directly impacts cost and profitability reporting and the insights available to support strategic decision-making.

Figure 1: Costing methods and definitions

Cost method	Definition
Standard costing	Assigns expected costs to products or services that are predetermined based on historical data and future projections.
Actual costing	Assigns costs to products or services based on the actual expenses incurred during production or performing services.
Hybrid costing	Combines elements of actual and standard costing whereby costs that experience variability are reflected at actual cost and more stable costs are reflected at standard cost.
Job/project costing	Assigns costs to specific jobs or projects, typically based on actual costs.
Activity-based costing (ABC)	Allocates overhead costs based on activities that drive costs, rather than statistical measures such as square footage or percent of revenue.
Life-cycle costing	Considers the total cost of ownership over the entire life of a product, including design, production, operation, and disposal.
Average costing	Calculates product costs by averaging the cost of all similar items available during a period.
Retail costing	Analytical approach to valuing inventory leveraging retail prices, costs, and markup percentages.
Tech-enhanced costing	Leverage advanced technologies such as AI, machine learning, and big data analytics to supplement existing costing models.

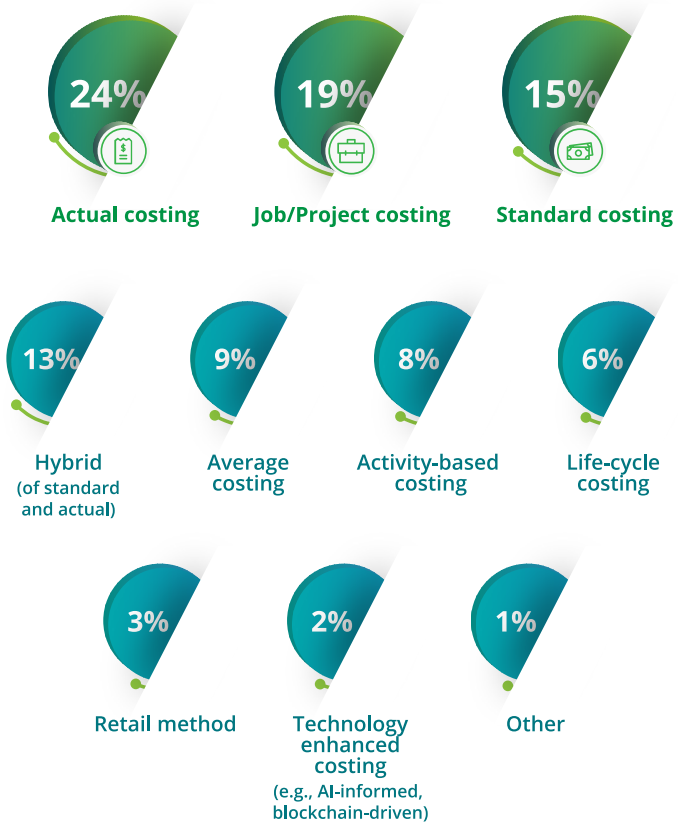
Common costing methods

With costing methods at the core of the cost and profitability management process, it is necessary to understand which methods organizations most commonly use. The survey showed the majority of respondents (58%) use one of three costing methods for management reporting: actual costing (24%), job/project costing (19%), and standard costing (15%). The least common costing methods were the retail costing method (3%) and tech-enhanced costing (2%). While most organizations are not planning to move to an alternative costing method (24%), the top three costing methods organizations are considering are tech-enhanced costing (11%), standard costing (11%), and life-cycle costing (10%).

Figure 2: Common costing methods for reporting and decision support

Survey Question:

What are the primary cost methods for internal management reporting within your organization to facilitate management decision-making?



Deloitte's insights

A primary driver for the high use of actual costing is the method's ability to provide accurate margins by utilizing actual product or service costs. While providing accurate margins is the primary benefit, this method can create challenges when explaining detailed variances to budgeted/forecasted product or service costs compared to other methods such as standard costing. Actual costing is common in organizations with continuous production processes, such as oil and gas, as well as consumer products industries. In these sectors, the consistent production of the same products over time is expected to result in minimal production cost variability, thereby enabling a focus on evaluating actual profit margins.

In the marketplace, standard costing is another highly used costing method, which is a popular cross-industry approach. Standard costing can provide a benchmark against actual production costs at a cost component level and provide more granularity for variance analysis compared to actual costing methods.

While job/project costing was the second-most selected costing method in the survey, it is important to note that this method is industry-specific. It is typically used by organizations with custom products where the goal is to track costs by project, hence it is not a common approach in the marketplace, but similar to standard costing, enables granular analysis of budgeted to actual cost components.

It was expected that survey results would indicate tech-enhanced costing is rarely used in today's environment; however, as artificial intelligence (AI) and other enhanced technologies mature, organizations may need to consider using tech-enhanced costing methods in the future.

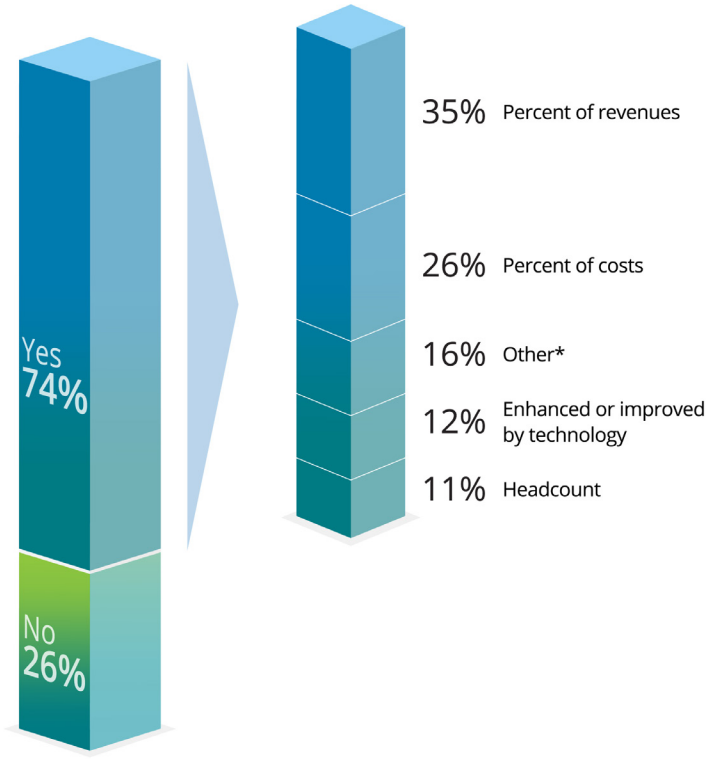
Corporate cost allocations

Allocating corporate costs can serve several purposes for organizations. For management reporting, performance measures that include these allocations enable a view of business unit (BU) profitability reflective of indirect costs incurred to support the business. For external reporting, depending on an organization's data model and reporting requirements, these costs may be allocated for segment reporting. The survey showed that the majority of organizations do allocate costs, with just under three-fourths (74%) of respondents confirming their organization allocates corporate costs to its business units and/or products and services. Of the organizations that allocate costs, respondents identified percent of revenues (35%) and percent of product costs (26%) as the most common allocation drivers. The least used driver was headcount, with only 10% of respondents identifying this as their organization's most common allocation driver.

Figure 3: Methods and practices of allocating corporate costs

Survey Question:
Does your organization allocate costs?

Survey Question:
If you answered "Yes" to allocating costs, how does your organization allocate costs?



*Within the "Other" category, the most common responses were:
- Respondents' organizations use a hybrid of corporate cost allocation types
- The allocation driver depends on the type of cost

Deloitte's insights

Determining the best allocation method is specific to each organization and depends on multiple variables. Generally, organizations should choose a method that balances the accuracy of charging costs to the businesses that benefit from the expenditure and promote preferred operational behaviors against the level of complexity and corresponding effort required to update the allocation drivers and perform the cost allocations.

It is no surprise that allocating costs using percent of revenues was the most selected allocation driver in the survey. This method is easy to use and the allocations can be easily explained. This method assumes that an organization's biggest revenue businesses use the largest share of indirect costs. The percent of revenue allocation basis is a simplified driver and may not be as precise as consumption-based drivers, which are typically more accurate. Consumption-based drivers are considered leading practice among organizations, but require the availability of data to calculate the drivers and relatively more time spent on ensuring driver accuracy. Depending on the nature of the costs and availability of driver data, alternative consumption-based drivers may include headcount, transactions processed, and production volume. These metrics can provide more transparency and accountability compared to statistical measures.

The goals of cost allocations

The main goals of cost allocations are improved business accountability for costs incurred and transparency of the impact of costs on financial reporting, with 36% of respondents identifying these as the key goals of allocating costs. Additional goals included adding value through strategic insights and decision-making (27%) and to optimize resource allocations in support of advanced analytics (25%). Only 10% of respondents chose compliance and regulatory requirements as the goal of performing cost allocations.

Deloitte's insights

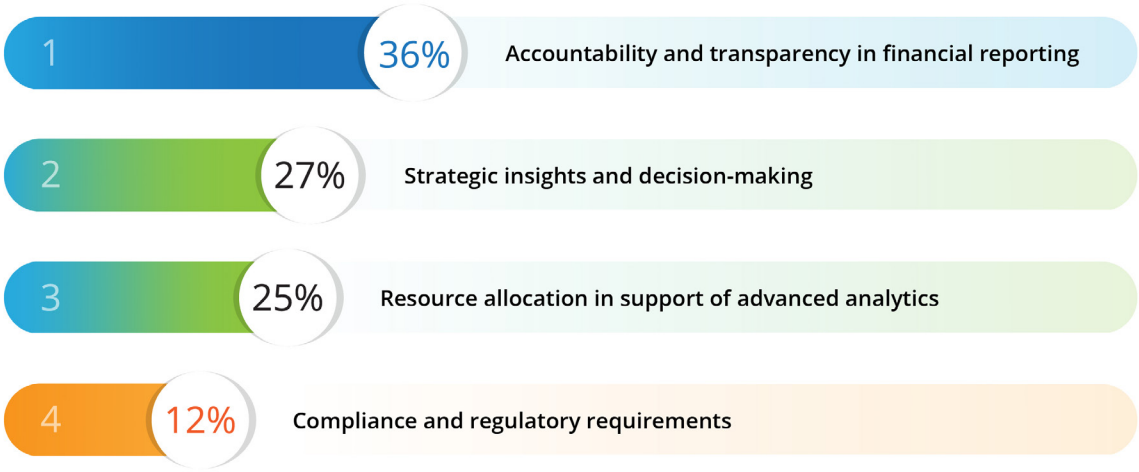
According to the survey, the main objectives of cost allocation are to ensure accountability and transparency; however, we note a disconnect between the stated goals and chosen allocation drivers many organizations are using. Allocating costs based on simplified measures such as percentage of revenues or product costs may not be the most effective allocation drivers to achieve accountability compared to using consumption-based drivers.

Although allocating costs for compliance and regulatory requirements was the least chosen objective cited in the survey, many organizations in the marketplace have been noted leveraging allocations for more accurate segment and 10K reporting.

Figure 4: Primary objectives of Corporate cost allocation in organizations

Survey Question:

If your organization allocates corporate costs, which reason best describes your organization's goal when allocating costs?



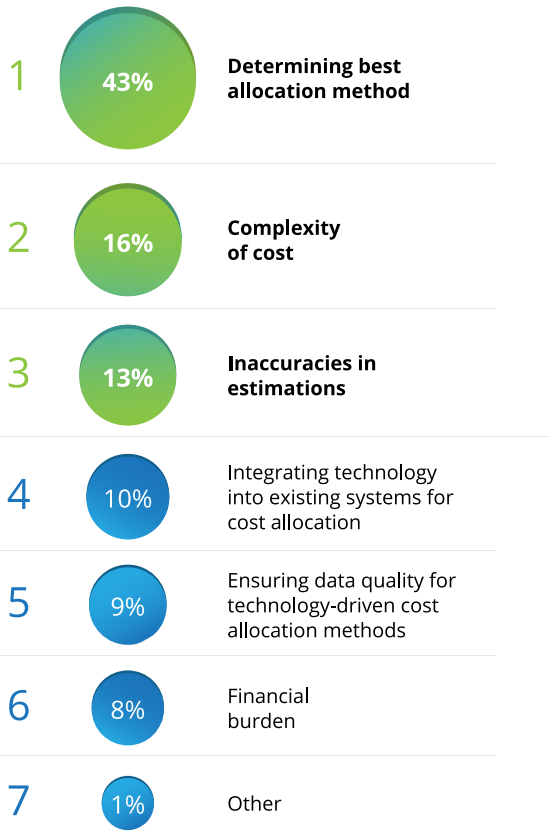
Common challenges of cost allocation

Organizations face several key challenges related to cost allocations. When asked what the most significant challenge of allocating costs is, 43% of respondents noted determining the best allocation methods as the biggest challenge subject to allocation, with 16% of respondents noting this as a challenge.

Figure 5: Primary challenges of corporate cost allocation in organizations

Survey Question:

If your organization allocates corporate costs, what is the biggest challenge when working to allocate costs?



Deloitte's insights

Many organizations face difficulties determining the best method for cost allocation for several reasons. Often, the interests of different internal BUs result in conflicting views regarding how costs should be assigned, making it challenging to gain buy-in on an appropriate allocation method. Additionally, the availability of granular data, or lack thereof, can restrict which type of drivers can be used to allocate cost pools.

Other common challenges of designing and allocating corporate costs include outdated systems to perform the allocations, as well as inconsistent use of drivers within the organization and a lack of transparency of the allocation methods used. To effectively mitigate the use of inconsistent drivers and improve reporting transparency, leadership should clearly communicate and educate the organization regarding which cost pools, drivers, and recipients are included in the allocation model.

Presenting allocated costs as controllable versus non-controllable can also assist stakeholders in understanding costs, noting that controllable costs are those that BUs can influence or change to enhance profitability, and non-controllable costs reflect spend allocated to BUs but are those which they have minimal influence over.

Consideration should also be given to performing a periodic review of the cost allocation methodology after it is established to take into consideration changes to the business, resulting impacts on the nature of cost pools subject to allocation, as well as the allocation drivers. This can determine if the cost allocation design continues to properly reflect how and where resources are used to maintain fair and equitable allocations.

Section 1 key takeaways

Takeaways include both survey findings and Deloitte's insights.

- The primary costing methods used in organizations today are actual costing, job/project costing, and standard costing.
- **Deloitte's insights**

  While actual costing was the most used method of costing from the survey, we find companies leveraging standard costing typically have more information to evaluate and explain variances between actual operating results versus budget.

- Statistical measures are more common than consumption-based drivers for allocating costs across BUs in support of management reporting, as well as for external reporting.
- **Deloitte's insights**

  A leading practice is to use consumption-based drivers to more effectively impact preferred operational behaviors for the costs incurred.

- The main goal of cost allocation is improved business accountability for costs incurred and transparency of the impact of costs on financial reporting.
- The most significant challenge when designing and allocating corporate costs is determining the right allocation method for the organization and communicating that effectively.
- **Deloitte's insights**

  The quality of a chosen cost allocation model can be impacted by the availability of granular data to perform allocations.

- **Deloitte's insights**

  Organizations often review cost data but can neglect to routinely reassess the quality of the cost model design. Outdated cost methodologies and documentation can pose significant challenges to generating performance reporting that provides business insights. It is a leading practice to conduct an annual review of allocation methodologies, including cost pools and drivers, to leverage the latest available data and ensure the methodologies remain current and effective.

Section 2: Transforming cost data into business insights

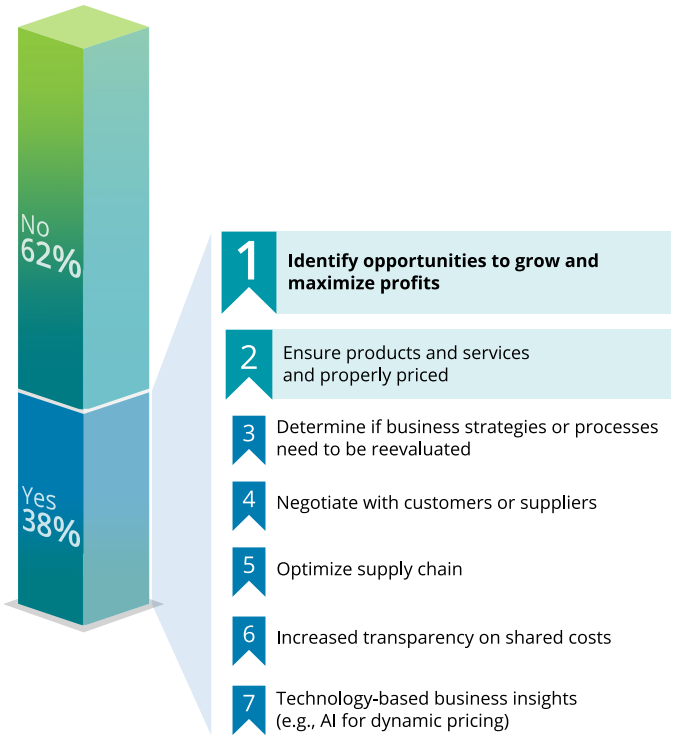
Cost-to-serve analysis

Which products and services are making money? Which customer relationships are truly profitable? Which levers can be pulled to increase profitability? The cost-to-serve (CTS) reporting approach can help answer these questions. CTS brings together operational and financial data to generate business insights and identify opportunities to improve profitability measures. CTS is the analysis and quantification of activities and related costs incurred through the end-to-end value chain to deliver a product or service to a customer. It provides reporting transparency into the actual costs of delivering products or services to customers across different dimensions, such as customers, channels, and/or regions.[1]

Figure 6: Objectives of cost-to serve analysis by organizations

Survey Question:

Does your organization leverage any type of cost-to-serve analysis? If so, what is the primary goal of such analysis?



CTS analysis is a powerful tool for businesses looking to optimize their operations, improve efficiency, and enhance profitability. However, our survey uncovered that many companies do not leverage CTS analysis today. The survey showed that 62% of respondents did not use CTS to evaluate their performance goals or modify their strategy to increase profits.

Deloitte's insights

The minimal use of CTS may be due to a lack of awareness of this type of reporting, or companies may not have the tools or data readily available to enable a CTS analysis. To be most effective, the CTS analysis requires access to cross-functional data sets and a data aggregation and transformation tool beyond a spreadsheet's capabilities to perform calculations that deliver meaningful analysis to the enterprise. Additionally, CTS requires data at a granular level to provide meaningful reporting by customer and product, which organizations may not have readily available. If organizations do not have complete and consistent data at this level company-wide, it may be challenging to garner insights on CTS. By using CTS, organizations can better understand the total cost to deliver products and services to customers, enable more accurate pricing decisions, and provide more visibility to the cost levers affecting business profitability.

Goals and outcomes of cost to serve

For those respondents that leverage a CTS analysis (38%), 34% stated that identifying opportunities to grow and maximize profits is the primary goal. Other key goals included ensuring products or services are properly priced (23%) and determining if the business's strategies or processes need to be reevaluated (15%).

In terms of the results of using a CTS analysis, 31% of respondents identified that reduced expenses through cost savings initiatives was the most common impact, followed by strategic realignment of business models (22%) and revenue growth from strategic pricing adjustments (21%).

1. Deloitte, "Cost to serve: Does your profitability reporting tell the full story?," 2025.

Data's role and availability

When asked to identify the top three roles cost information plays in organizations, the most common role was to support business strategy and strategic decisions (20%). This was followed by driving product or service cost reduction and margin improvement (17%) and supporting pricing or customer contract negotiations (16%).

As we mentioned, information should be readily available to inform decisions. But it isn't always. Only 57% of respondents felt that the right people are provided with relevant information at the right point in time to review and manage key performance indicators (KPIs) for cost and profitability performance. Of the respondents that noted that the right people were not provided with relevant information (43%), 84% agreed that advanced technology such as real-time analytics dashboards could improve this situation. This may highlight the important role some emerging technologies and data tools can play to improve the availability of information.

Deloitte's insights

Although it may seem high that 43% of respondents indicated that relevant information is not provided timely or to the right people, it aligns with what we are seeing in the marketplace. Many organizations struggle to obtain granular product costing information necessary for strategic decision-making and have challenges with data integrity.

Timing is also a crucial factor. If organizations need to rely on profitability reporting prepared by accounting and FP&A teams only at month-end, data users are forced to make future decisions without real-time information. Additionally, data must be meaningful and understood in order for users to take appropriate actions. Referencing the organization's cost manual and other cost model materials can help educate users on leveraging reporting to gain insights.

Figure 7: Roles of cost information in organizations

Survey Question:

What are the top three roles that cost information plays in your organization?

Barriers to obtaining meaningful data

Only 9% of respondents stated that they were very satisfied with their organization's reporting transparency and ability to obtain performance insights. Furthermore, more than half of respondents (54%) indicated that they either do not have reporting available or their organization needs to improve the transparency of its cost and profitability reporting in order to understand levers to enhance profitability.

While there are many common barriers to obtaining data critical to decision-making, respondents identified that a complex and disparate systems landscape was the primary barrier to obtaining meaningful cost data (15%), followed by data availability challenges due to interdependencies between functions, operating units, and departments (14%).

As it relates to using cost data to support business decisions, survey respondents identified the availability or timeliness of cost data (21%) and maintaining accurate and reliable cost information (20%) as the top challenges.

Deloitte's insights

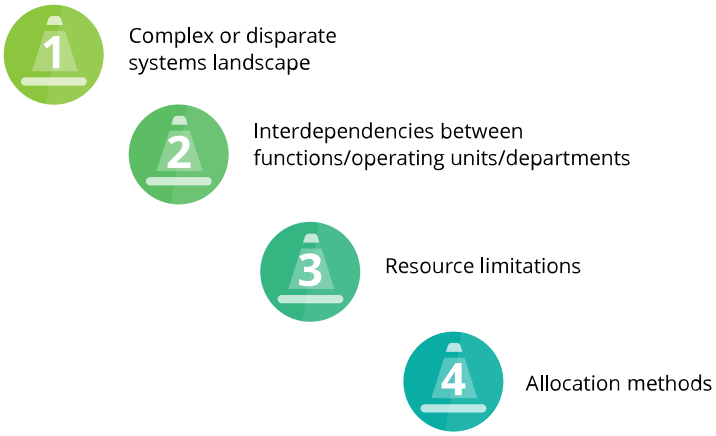
If data quality or availability is a challenge, redesigning and implementing a new data model that enables the capture of data elements required for decision-making may help solve these challenges.

For challenges related to maintaining accurate and reliable cost information, establishing a governance model can create a framework for periodic evaluation of the cost model logic and its cost components to assess whether changes are required to improve results or performance.

Figure 8: Common barriers to obtain meaningful cost data

Survey Question:

What are the greatest barriers your organization faces when working to obtain meaningful cost data?



*Other barriers that respondents mentioned were: leadership alignment, perceived cost and/or complexity to fix issues, cost accounting knowledge, integrating emerging technologies (e.g., AI, blockchain) into existing processes, skill gaps in emerging technology utilization, inconsistency of costing processes across regions, and no significant challenge

Section 2 key takeaways

Takeaways include both survey findings and Deloitte's insights.

- Only 38% of organizations are leveraging CTS analysis, which can help organizations better understand the total cost to deliver products and services to customers, and support pricing and spend decisions.
- Fewer than 10% of respondents stated that they were very satisfied with the transparency and insights of their organizations' cost and profitability reporting.
- **Deloitte's insights**
  - Data and technology are crucial to performance modeling and strategic decision support. However, incomplete data sets, a lack of data granularity, and system limitations challenge the availability and transparency of information.
  - Data has always been a critical issue, serving as the foundation for most everything. New data tools and enterprise resource planning (ERP) capabilities enable companies to generate real-time reports and support a trend toward self-service reporting, giving users access to timely information. However, if the data quality and corresponding cost models are not robust, the reporting generated from these tools won't be either.

Section 3:
Technology's impact on costing decisions

Having access to the right data for strategic decision-making is critical to be competitive in the marketplace. When an organization is forced to make decisions around cost and profitability with limited data, those decisions can have unintended consequences that affect business results.

In a highly competitive global economy, a cost management strategy is crucial for driving business performance and maintaining a competitive advantage. Achieving this requires cost transparency, the ability to perform scenario analysis on alternative strategies, and tools and technologies that enhance data quality and provide valuable insights that accelerate business decisions.

Performance modeling tools

Performance modeling can provide visibility to revenue, costs, and profit margins at a granular level and can be used to identify areas for strategic growth and optimize performance. Based on the survey, 60% of respondents confirmed that their organization uses performance modeling tools, with the most common tools identified as spreadsheets (30%) and standard ERP software (21%). Very few respondents noted any use of AI analytics (3%) or blockchain (1%). The use of advanced technology is expected to increase as finance and accounting organizations become more comfortable with new technologies and AI-enabled finance models.

Deloitte's insights

While spreadsheets are currently the most common performance modeling tool in the marketplace, there has been an increased use of standard ERP reporting capabilities and purpose-built calculation engines. In combination with modeling tools, there is also a growing shift toward using data visualization technology for analysis and reporting.

In the next five to 10 years, we expect increased use of machine learning (ML) and AI for performance modeling. These technologies can process large data sets through large language models (LLM) to derive insights in connection with performance analysis. AI can also identify trends, patterns, and opportunities, as well as highlight inequities in cost allocations. While integrating AI into performance modeling and reporting processes can have many benefits, it may take some time before organizations can leverage AI to produce actionable profitability insights or autonomous performance models due to their data requirements. These tools will likely gain traction as organizations develop better data models based on cross-functional business decision requirements and become more familiar with these technologies. The rate of adoption may vary by industry and technological familiarity of organizations.

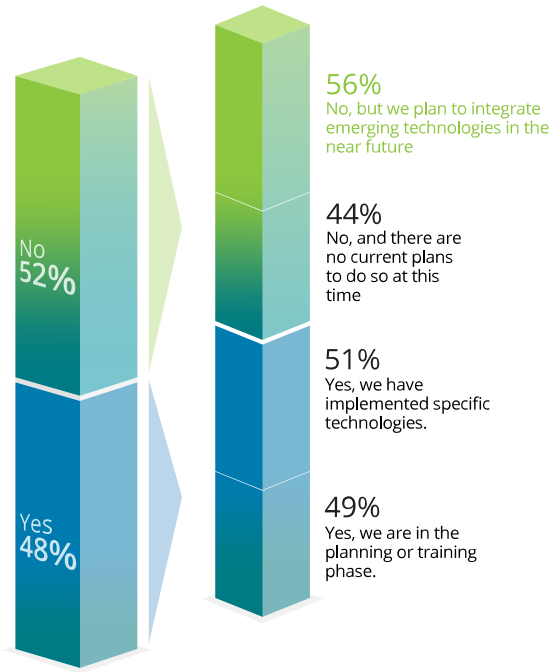
The impact of technology

How will emerging technologies, such as AI, data analytics, and predictive analytics tools, have an impact on cost accounting and profitability management? Respondents identified three ways in which they expect emerging technologies will disrupt traditional cost accounting and profitability analysis practices: automating routine tasks and processes (19%), enabling real-time data analysis and reporting (18%), and shifting from historical to predictive analytics models (18%). The impact of emerging technologies will be multifaceted—and has the possibility to be transformative. However, organizations are still close to 50/50 on integrating these technologies. While 24% of respondents have already implemented emerging technologies for their cost and profitability management and 29% of respondents are in the planning or training phase of implementing an emerging technology, a full 52% of respondents have not taken any steps to integrate emerging technologies such as AI, blockchain, or advanced data analytics into their organization's cost and profitability management function. However, this could change and tip the scales in the near future—out of those respondents who have not taken any steps to integrate emerging technology, more than half (56%) plan to integrate it in the future.

Figure 9: Adoption of emerging technologies for cost and profitability management

Survey Question:

Has your organization taken any steps to integrate emerging technologies (AI, blockchain, data analytics) in its costing and profitability management?



Deloitte's insights

One of the greatest opportunities for using emerging technologies in profitability management lies in tools that can analyze large data sets in detail, allowing for a more granular evaluation of cost data. Relevant emerging technologies can include data aggregation and calculation engines which can enable organizations to build cost-to-serve models to understand the end-to-end cost to deliver products and services to customers. Additionally, these emerging technologies can provide more detailed insights, including cost profiles by products, customers, and regions, helping organizations better understand market dynamics and their impacts on pricing and margin. While many companies may analyze this data at an aggregated level, these tools enable more detailed and precise analysis. However, as mentioned earlier, technology can only be as effective as the cost model, allocation drivers, and integrity of the data used.

While predictive analytics was identified as a key use case of emerging technology in the survey, it is not feasible until organizations have granular data better organized for this use. Once this data is properly structured, AI can be used to analyze trends and make intelligent predictions about future outcomes.

One emerging technology that is likely to affect cost and profitability analysis is advanced analytics tools. When asked to what extent advanced data analytics is being used to drive cost optimization and profitability, 40% of respondents stated they have limited use or are still in the initial stages of adoption. Only 13% of respondents stated their organization uses advanced data analytics extensively across multiple departments.

Deloitte's insights

If the adoption of emerging technology tools and more advanced analytics were leveraged by a wider number of finance and accounting professionals, it may have a paradigm-shifting impact on cost and profitability analysis and empower the function to have more efficient and optimized performance models, benefiting the whole of the enterprise.

Advanced data analytic tools have the potential to significantly improve the performance modeling process—enabling the use of data sets for CTS analysis and providing insights into cost information across multiple criteria.

Benefits of new technology to cost and profitability management

Survey respondents identified a number of benefits from using emerging technologies in costing and profitability, including reduced time spent on data collection and analysis (12%), increased efficiency in reporting and analysis (11%), improved accuracy of cost estimations (10%), and the integration of multiple data sources (10%). Other notable anticipated benefits include more granular and detailed cost analysis (10%), enhanced data-driven decision-making (9%), and enhanced transparency and visibility into cost drivers (9%).

While the survey findings highlight many potential benefits, there are challenges that come with technology adoption for cost and profitability management. The top two challenges noted were high initial investment costs (14%) and lack of skilled professionals (13%). The difficulty integrating new technology with existing systems was also a notable challenge (11%) as were data privacy and security concerns (10%) and the resistance or reluctance to change (10%)—a common challenge when transforming the finance function.

Deloitte's insights

These survey findings align with our marketplace observations. Organizations that are leveraging emerging technologies are better able to retrieve higher-quality information more efficiently and are equipped for more informed decision-making.

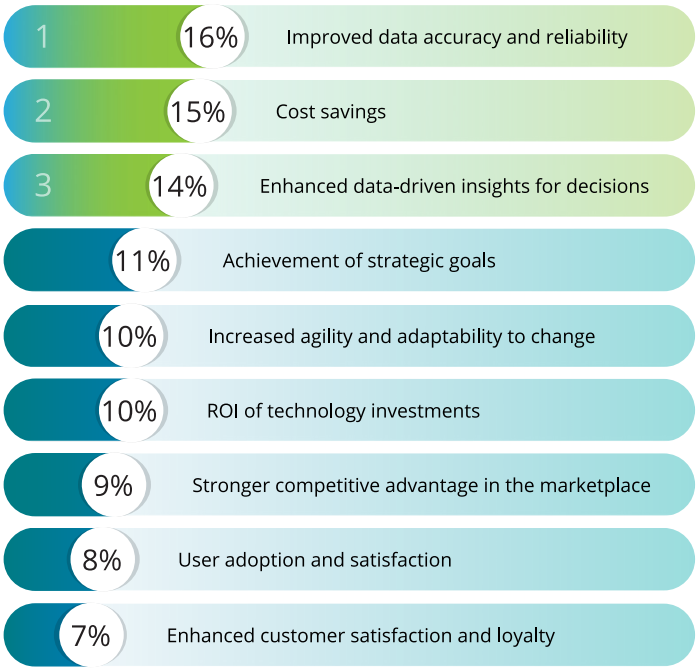
Keeping up with the technology

When evaluating the success and effectiveness of new technology implementations, respondents identified improved data accuracy and reliability (16%), cost savings (15%), and enhanced data-driven insights (14%) as key benefits.

Figure 10: Common metrics for evaluating successful technology implementation in cost and profitability practices

Survey Question:

What metrics does or will your organization consider when evaluating the success of technology implementation in cost and profitability practices?



Staying current on technology

To keep pace with the rapid evolution of technology, respondents noted their organizations plan to provide continuous professional development for staff (20%), regularly update IT infrastructure and systems (18%), and build a culture of innovation and continuous improvement (17%).

Deloitte's insights

We find that organizations that prioritize training their workforce to leverage technologies are positioned to maintain a competitive advantage. This training enables a workforce with the technological acumen to effectively use these tools and think strategically about their application to provide better information.

Section 3 key takeaways

Takeaways include both survey findings and Deloitte's insights.

- Sixty percent of respondents utilize performance modeling tools such as spreadsheets and ERP software to analyze their organization's cost and profitability. While advanced technologies can support more granular analysis of revenues, costs, and profit margins to identify areas for operational improvement and strategic growth, more than half (52%) of respondents have not taken any steps to integrate emerging technologies.
- The most anticipated benefits from using emerging technologies in cost and profitability reporting are a reduction in time spent on data collection and analysis, reporting efficiency, and the improved accuracy of cost estimations.
- **Deloitte's insights**
  - While advanced data and predictive analytics tools are bound to have a large impact on cost and profitability analysis, improvements to data quality may need to be prioritized first.
  - The methods to cost products may not be changing, but the models and tools used to inform decisions on product/service costing and performance analysis are. Organizations have an opportunity to embrace this change and leverage emerging technologies to retrieve better information and empower better decision-making.

Final thoughts

Cost and profitability management in the current landscape

The methods organizations use to assign costs to products and services—including the widely used actual costing and standard costing—serve as the foundation for effective cost and profitability management. While cost allocation enables organizations to distribute expenses across multiple business lines and supports both internal management and external reporting, organizations face challenges in selecting the most effective allocation methods to achieve the primary goals of costing allocation.

Deloitte's insights

In addition, data quality has always been the bedrock of effective cost modeling and reporting, and many organizations are increasingly prioritizing data refinement initiatives to enhance the accuracy of these models, improve reporting quality, and drive more informed decision-making.

CTS models represent a largely untapped opportunity for companies seeking to enhance profitability and gain a competitive edge. Despite only 38% of organizations currently employing CTS models, emerging technologies are set to revolutionize this space, empowering businesses with granular, cross-functional cost analysis.

Deloitte's insights

In addition, data quality has always been the bedrock of effective cost modeling and reporting, and many organizations are increasingly prioritizing data refinement initiatives to enhance the accuracy of these models, improve reporting quality, and drive more informed decision-making.

Embracing new tools and technology

Emerging technologies are poised to redefine cost and profitability analysis, delivering greater efficiency, accuracy, and real-time insights. Organizations anticipate several key benefits, including reduced time spent on data collection and analysis, enhanced reporting capabilities, and more granular cost data.

Deloitte's insights

Automation is transforming traditional cost accounting by removing manual tasks, enabling real-time data analysis, and shifting the focus from historical reporting to predictive analytics. Performance modeling tools provide unprecedented visibility into revenue, costs, and profit margins, identifying opportunities for cost optimization and strategic growth. New ERP capabilities are designed to enhance real-time reporting and shift users toward self-service reporting—equipping them with more timely and relevant financial insights.

While many organizations still rely on traditional modeling tools such as spreadsheets and standard ERP software, AI adoption is also on the rise. By integrating AI-driven tools into self-service reporting portals, companies can streamline financial analysis, accelerate decision making, and gain deeper insights into key performance metrics.

Charting a path forward

The integration of emerging technologies into cost and profitability management presents a transformative opportunity for organizations, and the future of cost and profitability management lies in the seamless integration of emerging technologies that enhance financial transparency, efficiency, and strategic decision making.

Deloitte's insights

To stay competitive, organizations should embrace digital transformation, harnessing the power of AI, automation, and advanced analytics.

A crucial element of this evolution is upskilling the workforce to effectively utilize these technologies. Cross-functional communication and education will be key. Prioritizing education can foster a culture of continuous innovation and improvement, enabling organizations to fully capitalize on the benefits of CTS analysis and other advanced analytics tools. Additionally, robust data models and governance should remain a priority, facilitating accuracy, reliability, and security in financial data—foundational components for informed decision-making.

By proactively addressing challenges such as disparate legacy systems, data inconsistencies, and barriers to change, organizations can unlock new levels of efficiency and profitability. Those that invest in innovation and adaptability may be better positioned to not only refine their cost allocation and performance modeling capabilities but also establish a potential competitive advantage in an increasingly data-driven financial landscape.

About the authors

Colleen Whitmore

Colleen is a finance transformation partner at Deloitte & Touche LLP and a leader in the Cost and Profitability practice. With more than 30 years of industry and consulting experience, she advises clients on solutions to improve the transparency of an organization's financial reporting and increase visibility and insight into operating results. Colleen's experience includes leading teams in the evaluation of finance function organizational design and delivery models, and implementing tech-enabled solutions to align accounting processes and controls with reporting strategy to improve the partnership between finance and the business.

As a leader in the Cost and Profitability practice, she leads teams in connection with evaluating product/service cost methods, together with overhead, shared service, and corporate cost allocation methodologies and their impact on strategic decision-making. Projects have included cost modeling to support cost reduction opportunities, product or service rationalization decisions, and the evaluation of companies' cost-to-serve customers.

Colleen is a CPA licensed in Illinois and New York, and a Canadian Chartered Accountant.

Jon Moyer

Jon is a senior manager at Deloitte & Touche LLP with more than a decade of experience in the Controllership Analytics & Technology space, helping clients refocus accounting and finance efforts to streamline operations, improve profitability transparency, and enhance management insights. He has led projects in areas such as data modeling, allocation optimization, chart of accounts design, re-segmentation modeling, ERP migration, mergers and acquisitions pre-and post-Day 1 finance integration, and business and operational reviews.

Jon is a CPA in New Jersey.

Katie Glynn

Katie is a partner at Deloitte & Touche LLP and also holds various leadership roles to drive leading practices and enhance the Deloitte brand, including leader of the Deloitte Intercompany Center of Excellence and director of the Deloitte Center for Controllership™. She specializes in helping clients address complex record-to-report challenges to reduce risk and enhance management oversight through business process redesign, enabling technologies, and finance master data governance. Katie's primary focus is on assisting organizations to transform the end-to-end intercompany process by designing and implementing solutions that meet the specific needs of her client constituents across finance, treasury, and tax functions.

Katie holds a bachelor of science in accounting from California State University, Long Beach, and is a CPA licensed in California. She can be reached at kaglynn@deloitte.com.

Rebecca Baker

Rebecca is the director of product management at IMA. She began her career as a research assistant at the Space Vacuum Epitaxy Center at the University of Houston working on creating new forms of semiconductors grown in space, and she later moved into more grounded areas in the software industry, which led to getting her PhD in information science from the University of North Texas. The author of Agile UX Storytelling, she holds a patent for Information Encapsulation and is a frequently requested speaker at conferences on topics spanning technical/UX writing to remote usability testing to agile UX processes and beyond. Her passion for research and helping people understand the "why" behind design combined with the recent developments in large language model (LLM)-based artificial intelligence led her to partner with her colleague, Dr. Jerome L. Rekart, to write a new book, Designing for Human Intelligence in an Artificial Intelligence World, to be released in July 2025.

Beth Kaplan

Beth is a managing director at Deloitte & Touche LLP and also serves as the founder and chief advisor to the Deloitte Center for Controllership™. Beth has more than 40 years of experience as an auditor, CFO/controller, and financial operations consultant. She specializes in helping the controllership function improve overall finance processes, reduce cost of delivery, and reduce risk. She has served some of the largest global and national organizations as they transform their controllership function due to mergers, accounting changes, and systems transformation. As a thought leader in operational finance and controllership, Beth is a frequent contributor to Deloitte's content for the Center for Controllership and hosts the Controllership Perspectives Dbriefs series on relevant topics, including the changing role of controllership, process automation, and talent of the future.

Beth holds a bachelor of science in accounting from California State University, East Bay, is a CPA licensed in California, and is a Chartered Global Management Accountant (CGMA®). She can be reached at bkaplan@deloitte.com.

The authors would like to thank the following Deloitte professionals for their contributions:

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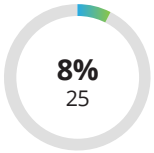
Nimisha Kapur, Risk & Financial Advisory consultant, Deloitte & Touche LLP (nikapur@deloitte.com)

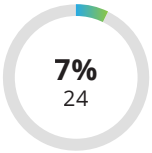
About the survey

Demographic summary

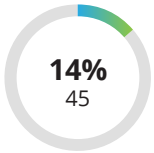
Job title



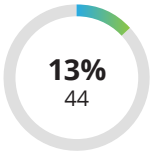
C-level executive



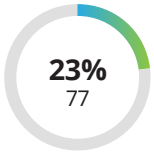
Executive Officer or Vice-President



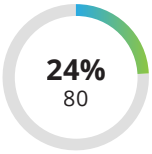
Controller/ Comptroller



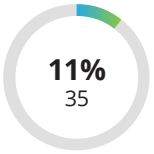
Finance or Accounting Director



Finance or Accounting Manager

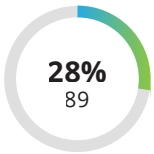


Accountant/ Analyst

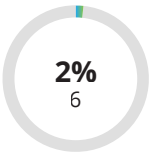


Other (please specify)

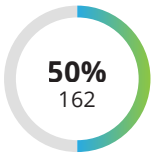
Region



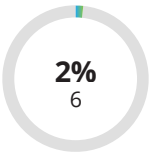
US



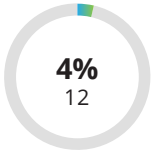
Canada



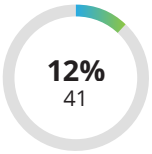
Asia-Pacific



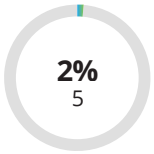
Europe



India

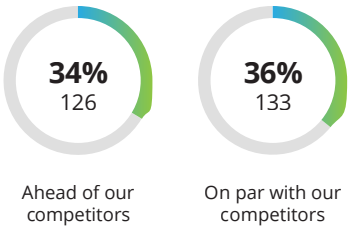


Middle East & North Africa

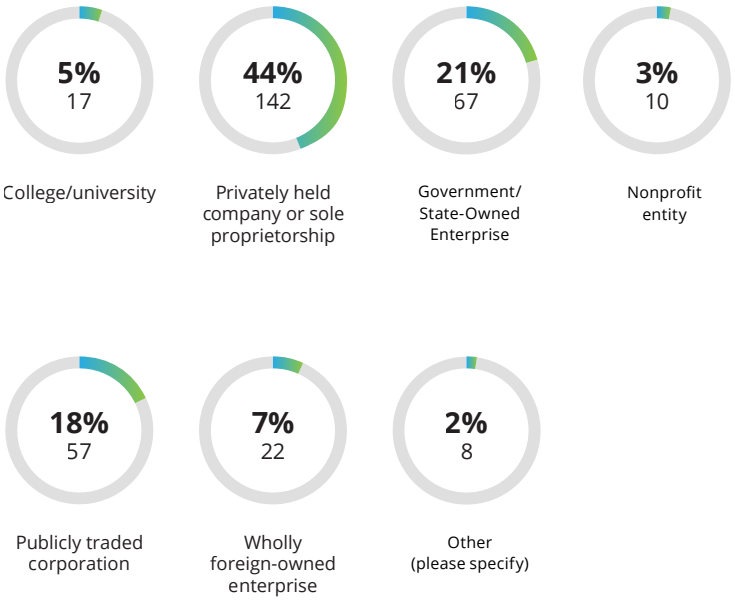


Other

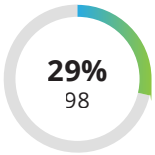
Company market position



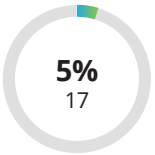
Company structure



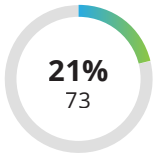
Company industry



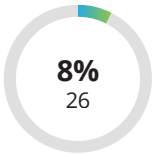
Consumer and Industrial Products



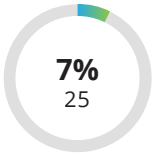
Energy and Resources (includes power and utilities)



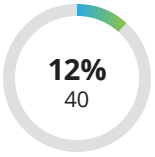
Financial and other business services



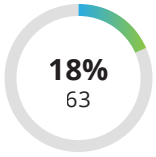
Government and Public Services



Life Sciences and Health Care

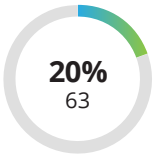


Technology, Media, and Telecommunications

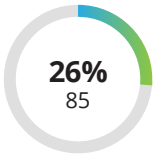


Other (please specify)

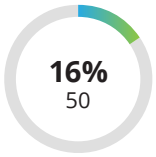
Company size (number of employees)



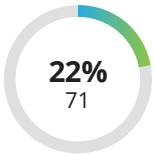
Less than 100



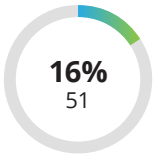
101–500



501–1,000

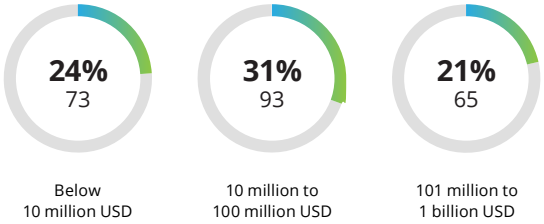


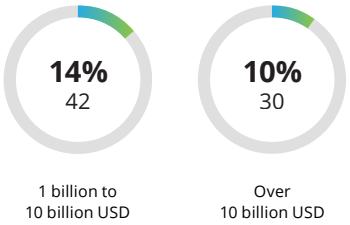
1,001–10,000



More than 10,000

Company size (annual revenue)





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