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Investment Committee Governance — Approving Without Understanding

A Practitioner's Perspective on the Structural Failures of Portfolio Decision-Making



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“The committee does not fail because its members lack intelligence; it fails because the process is designed to confirm rather than to challenge.”

1. The Ritual of the Green Light

There is a moment in the lifecycle of every significant initiative when it passes through the investment committee. In principle, this is the organisation's most important governance checkpoint — the point at which scarce capital is allocated against competing demands, where strategic intent meets operational reality, and where the leadership collectively decides what the organisation will and will not pursue. In practice, it is frequently something else entirely: a ceremony of endorsement, conducted with the trappings of rigour but lacking its substance.

The pattern is remarkably consistent. A business case arrives, often running to dozens of pages, accompanied by financial projections that extend years into the future. The committee convenes. Questions are asked — but they tend to cluster around the financial summary, the risk register, and the timeline. The underlying assumptions, the technical complexity, the organisational readiness, the interdependencies with other initiatives in the portfolio — these receive superficial attention at best. The committee approves. The initiative proceeds. Months later, when it is struggling or failing, the question of how it was ever sanctioned in the first place is quietly set aside.

This is not a story about incompetent leadership. It is a story about structural incentives, information asymmetry, and the quiet erosion of genuine scrutiny in organisations that believe they already have it.

2. The Architecture of Uninformed Consent

To understand why investment committees approve what they do not understand, one must first examine what the committee actually receives. The standard business case document is, in most organisations, a work of advocacy rather than analysis. It is prepared by the team that wants the initiative funded. Its purpose, whatever the template may claim, is to secure approval. The financial model is constructed to demonstrate a return. The risk section identifies risks that are manageable. The timeline is optimistic but not implausibly so. The strategic alignment section maps the initiative against whatever corporate priorities were last articulated, with enough flexibility to make almost anything fit.

The committee, meanwhile, is typically composed of senior leaders whose expertise spans the organisation's operations but rarely extends to the technical or methodological detail of every proposal. They are busy. They have read — or skimmed — the papers the evening

before. They are relying on the sponsoring executive to vouch for the initiative's viability, and on the finance team to have validated the numbers. The result is a decision-making process built on trust rather than understanding, on delegation rather than scrutiny.

This is not inherently wrong. Delegation is how large organisations function. But it becomes dangerous when the committee believes it is exercising judgement when it is, in fact, exercising faith — and when the organisation records the outcome as a rigorous investment decision.

3. Why the Questions Are Never Sharp Enough

The quality of committee decision-making is ultimately determined by the quality of the questions asked. And here, a set of structural forces conspire to keep those questions blunt.

The seniority trap. Committee members are senior. They are generalists by necessity, having risen through one discipline but now accountable for decisions across many. To ask a deeply technical question is to risk exposing a gap in their own knowledge — or, worse, to signal distrust of the executive presenting the case. The social dynamics of the boardroom militate against the kind of forensic questioning that would surface real weaknesses in a proposal. In my experience, the most penetrating questions in these settings come from those who have least to lose politically — the newest member, the non-executive, the person whose own empire is not entangled with the proposal. But these voices are often the least influential in the room.

The volume problem. A typical investment committee in a large organisation reviews multiple proposals per session. Each receives a fixed slot — thirty minutes, perhaps forty-five. The committee cannot possibly develop a deep understanding of each initiative in the time available. It must therefore rely on heuristics: does the sponsor seem confident? Do the numbers look reasonable? Is this aligned with something the CEO has said publicly? These are not bad heuristics, but they are no substitute for understanding.

The asymmetry of preparation. The presenting team has spent weeks or months preparing the case. The committee has spent hours, at most, reviewing it. This asymmetry is structural and largely unavoidable, but its consequences are rarely acknowledged. The committee is making a decision on the basis of a curated summary, prepared by people with a vested interest in the outcome, and it is doing so with a fraction of the preparation time.

4. The Complicity of the Business Case

The business case document itself bears significant responsibility for this dynamic. In most organisations, the business case template has evolved over years into an elaborate instrument that creates the appearance of analytical rigour without necessarily delivering its substance.

Consider the financial model. A five-year net present value calculation for a complex transformation initiative is, in any honest assessment, an exercise in structured speculation. The assumptions underpinning the revenue projections, the cost estimates, the discount rate, the benefits realisation timeline — each carries substantial uncertainty. Yet the model presents a single number, or perhaps a narrow range, with an implied precision that the underlying data cannot support. The committee sees the number. It

compares it against a hurdle rate. It moves on.

Or consider the risk register. The standard format lists risks, assigns probability and impact scores, and identifies mitigations. But the risks that actually derail initiatives — the ones rooted in organisational politics, capability gaps, integration complexity, or simply the accumulated weight of too many concurrent demands on the same people — are rarely captured in a format that assigns them a neat probability score. They are systemic, emergent, and resistant to the tidy categorisation the template demands. So they are either omitted or rendered in language so generic as to be meaningless.

The business case, in short, is optimised for approval. It answers the questions the committee is likely to ask, in the format the committee expects, with the level of confidence the committee needs to say yes. It is not optimised for understanding, and it is certainly not optimised for the kind of honest uncertainty that would make the committee's decision genuinely informed.

5. The Structural Incentive to Approve

Beyond the information problem, there is a deeper incentive problem. In most organisations, the default bias of the investment committee is towards approval rather than rejection.

This is partly cultural. Organisations that pride themselves on ambition and growth do not celebrate the committee that says no. The executive who consistently blocks initiatives risks being seen as obstructive, risk-averse, or insufficiently strategic. The committee that rejects too many proposals invites the accusation that it is a bottleneck — and in organisations where speed is valued, that is a serious charge.

It is partly structural. The initiatives that reach the committee have already survived multiple rounds of internal selection, negotiation, and political manoeuvring. By the time a proposal is formally presented, it has acquired sponsors, stakeholders, and dependencies. Rejecting it is not simply a matter of declining a business case; it is a matter of unwinding commitments, disappointing allies, and potentially destabilising relationships across the leadership team. The political cost of rejection often exceeds the political cost of approving something that subsequently fails — because failure, when it comes, is diffused across time and shared among many, while rejection is immediate and attributed to specific individuals.

It is partly procedural. Many organisations lack a robust mechanism for deferral — for saying not yet rather than no. The committee's options are typically binary: approve or reject. Deferral, where it exists, is often treated as a soft rejection, creating the same political friction. The result is that initiatives which are not ready for approval are approved anyway, on the understanding that the details will be worked out during delivery.

6. The Downstream Consequences

The consequences of governance theatre are not abstract. They manifest in the portfolio as a whole, and they compound over time.

When the committee approves initiatives it does not fully understand, it loses the ability to make meaningful trade-offs across the portfolio. It cannot weigh one initiative against

another with any confidence, because it does not have a genuine understanding of what each will demand or deliver. Portfolio prioritisation becomes an exercise in political negotiation rather than strategic resource allocation.

When the committee does not interrogate assumptions, it creates a moral hazard for the teams preparing business cases. The message, received clearly if never stated explicitly, is that a well-constructed document matters more than a well-constructed argument. Teams learn to invest in presentation rather than analysis, in advocacy rather than honesty. The business case becomes a sales document, and the committee becomes the customer to be sold to.

When the committee approves on faith rather than understanding, it also abdicates its most important function: the early identification of initiatives that should not proceed. The cost of stopping an initiative rises steeply with time. A proposal rejected at the committee stage costs little. An initiative cancelled after twelve months of delivery costs enormously — in capital, in reputation, and in the opportunity cost of the resources it consumed. The committee's failure to scrutinise is, in effect, a decision to defer the cost of that scrutiny to the organisation as a whole.

7. What Would Genuine Scrutiny Require

The uncomfortable truth is that genuine investment committee governance would require changes that most organisations are reluctant to make.

It would require smaller agendas — fewer proposals per session, with more time allocated to each. This means either more frequent committee meetings or a more aggressive pre-screening process that filters out proposals before they reach the committee. Both carry costs: more meetings consume senior leadership time; more pre-screening requires a capable portfolio office with the authority and expertise to make preliminary judgements.

It would require independent challenge. The committee needs access to perspectives that are not aligned with the sponsoring team — technical assessments from people who did not build the solution, financial reviews from analysts who did not construct the model, operational readiness assessments from delivery leaders who will inherit the work. This is not about distrust; it is about the basic principle that no one should mark their own homework.

It would require different documentation. Instead of the advocacy document that the business case has become, the committee needs something closer to a balanced assessment — one that presents the case for the initiative alongside an honest account of its uncertainties, its dependencies, and the conditions under which it would fail. Some organisations have experimented with requiring a pre-mortem alongside the business case: a structured exercise in which the team imagines the initiative has failed and works backward to identify the most likely causes. The results are invariably more illuminating than the risk register.

It would require a culture that values the question as much as the answer. This is perhaps the hardest change of all. In organisations where decisiveness is prized, the committee member who slows the process with difficult questions is swimming against the current. But the alternative — a committee that approves efficiently and governs poorly — is ultimately more expensive.

8. The Persistence of the Pattern

What is most striking about investment committee governance failures is not that they occur, but that they persist. The pattern is well recognised. Most senior leaders, in candid moments, will acknowledge that their committee process is less rigorous than it appears. Many have experienced the consequences directly — the initiative that was approved on thin evidence and subsequently consumed far more than it delivered.

Yet the pattern endures, because the forces sustaining it are structural rather than individual. No single actor is responsible. The sponsoring executive is doing what the system incentivises. The committee member is behaving rationally given the constraints of time and information. The business case author is producing what the template and the culture demand. The portfolio office, where it exists, is facilitating the process it has been asked to facilitate.

Changing this requires more than exhortation. It requires redesigning the process — the documents, the agenda, the incentives, the culture of the room — so that genuine understanding becomes not just possible but expected. Until organisations are willing to invest in the quality of their decision-making with the same seriousness they invest in the initiatives those decisions authorise, the approval stamp will continue to be applied to things that are not yet understood.

The gap between governance as designed and governance as practised is not a failure of individuals. It is a failure of architecture — and it will persist until the architecture is deliberately rebuilt.

The organisations that will navigate the next decade of complexity most effectively will not be those with the most sophisticated business case templates or the most senior investment committees. They will be the ones that had the courage to admit that approving is not the same as understanding — and rebuilt their governance accordingly.