

BEYOND RATIFICATION

The Committee That Cannot Say No: Why Investment Governance Approves What It Cannot Understand

A Practitioner's Perspective on Investment Committee Governance in Portfolio Management



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“A committee that cannot say no to anything is not governing a portfolio; it is ratifying one.”

1. Executive Summary

The scene is familiar to anyone who has spent time near the top of a large organisation's change agenda. A committee convenes. A portfolio of initiatives — some modest, some enormous — is placed before it. Over the course of an hour or two, that portfolio is approved. And yet, were you to stop any member afterwards and ask them to explain the assumptions behind the third business case on the agenda, or to defend its benefits profile, or to say what would have to be true for it to fail, most could not. They approved it all the same.

This essay is about that gap — between the authority a committee exercises and the understanding it actually possesses — and about why it has proved so remarkably durable. My argument is that the committee's inability to understand what it approves is not a lapse of individual diligence that better people or thicker papers would cure. It is a structural property of how these bodies are built: too many decisions, too little time, business cases written to be approved rather than to be understood, and a web of incentives that rewards the appearance of scrutiny over its substance. Approval becomes a ritual — governance as theatre — in which each participant performs an assigned role and the portfolio advances regardless of whether anyone present could defend a single figure within it.

The consequence is not merely wasted effort. It is a persistent and expensive illusion of control. Organisations come to believe they are governing investment at the very moment they are surrendering the ability to do so. Closing that gap, I will argue, requires not more governance but less of it, applied far more deeply — and a committee prepared to say the three words it is least equipped by its own design to utter: we do not understand.

2. The Ritual We All Recognise

The papers arrive a few days before the meeting. They are thick. Each business case runs to twenty or thirty pages, and there are a dozen of them, sometimes twenty. No member reads them all; most read the covering summary and skim the rest, and the honest ones will admit as much in private. On the day, the chair moves briskly through the agenda, because the agenda is long and the diaries behind it are longer. Each case is allotted a few minutes. Questions are asked — but listen carefully to the questions, and a pattern emerges. Is this aligned to the strategy? Have the affected directorates been consulted? Is the risk rating appropriate? When do the benefits land? These are questions about the

packaging of the decision, not its substance. They can be answered without anyone in the room understanding whether the initiative is a good idea.

Then the vote is taken, or more often no vote is taken at all — approval is assumed unless someone actively objects, and objecting is expensive. The case is waved through. The chair turns the page. The ritual repeats, ten or fifteen times, until the portfolio is approved and everyone can return to the work they consider real.

“The committee does not decide what to fund; it certifies decisions that were made elsewhere, by people it will never question.”

I have sat on both sides of this table — as the sponsor presenting the case I needed approved, and later as a member of the body doing the approving — and the most uncomfortable realisation of my career was that the two experiences felt identical. As a sponsor I knew my case would pass because the machinery was built to pass cases. As a committee member I understood, too late, that I was part of that machinery. Nothing about the individuals had changed. The structure had simply absorbed us both.

3. Why the Committee Cannot Understand What It Approves

Begin with the arithmetic of attention, because everything else follows from it. A committee that meets monthly for two hours and processes fifteen cases is giving each investment roughly eight minutes of collective consideration. Eight minutes to weigh a commitment that may run to seven or eight figures and reshape the working lives of hundreds of people. No degree of intelligence around the table survives that ratio. The problem is not that the wrong people were appointed; it is that the right people were handed an impossible task and asked to perform it as though it were possible.

Compounding the arithmetic is a deep and structural information asymmetry. The people who wrote the business case have lived with it for months. They know which assumptions are load-bearing and which are decorative, which numbers are grounded and which were chosen to clear the hurdle. The committee knows none of this. It sees only the finished artefact, and the finished artefact has been engineered — I use the word deliberately — to produce a single outcome.

This is the point least often acknowledged: the business case is not an analytical document. It is an advocacy document wearing the costume of analysis. Its author's purpose is not to help the committee reach the right decision; it is to secure a yes. And so the case is written backwards. The desired conclusion is fixed first, and the figures are assembled to support it.

- The discount rate is chosen so that the net present value lands comfortably above zero.
- The benefits are stated in confident numbers and the costs in cautious ranges, so that the ratio always flatters.
- Risks are listed — a case with no risks looks naive — but each is paired with a mitigation so reassuring that the risk effectively disappears on the page.

- Assumptions that would sink the case are not stated as assumptions; they are buried in the narrative or omitted entirely.

None of this requires dishonesty. A sincere sponsor, wholly convinced of the merits of their initiative, will produce exactly this document without a moment's guilt, because they are not trying to deceive the committee — they are trying to communicate a conviction they already hold. The distortion is systemic, not personal. But the effect on the committee is the same: it is asked to scrutinise a document specifically constructed to resist scrutiny, in a fraction of the time scrutiny would require, across more cases than any human being can hold in mind at once.

Under those conditions, understanding is not difficult. It is unavailable.

4. The Structural Forces That Sustain the Pattern

If the pattern were merely inefficient, it would have been reformed long ago. That it persists — across sectors, across decades, across every reorganisation of the governance chart — tells us it is doing something useful for the organisation, even if that something is not what the organisation claims. Three forces hold it in place.

The first is the laundering of accountability. An initiative that has been approved by a properly constituted investment committee carries a particular kind of protection. When it fails, and a meaningful proportion of them do, there is no single person to hold responsible. The sponsor points to the approval; the committee points to the papers it was given; the papers point to assumptions that have since changed. Responsibility, passed through the committee, comes out the other side diffused to the point of invisibility. This is not a bug in the eyes of the participants. It is the most valuable service the committee provides. A decision made by one accountable individual is a career risk; the same decision ratified by a committee is a shared and therefore survivable one.

The deepest function of many investment committees is not to improve decisions but to distribute the blame for them. Understood this way, the committee is working perfectly — it has simply been asked to do something other than govern.

The second force is the politics of the collective yes. Consider the position of a committee member who genuinely does not understand a case and suspects it is weak. To act on that suspicion, they must interrupt the flow of an already overloaded meeting, challenge a colleague who outranks or out-influences them, and delay an initiative that others appear content to approve. If they are wrong, they have obstructed a good project and marked themselves as difficult. If they are right, they have made an enemy of the sponsor and gained nothing personal from it. The rational move — the move the structure rewards — is silence. And when every member reasons this way, the collective silence is read as collective assent, and the case passes with a unanimity that no single member actually feels.

The third force is the fiction of the portfolio as a rational aggregate. The committee tells itself that even if any individual case receives only cursory attention, the portfolio as a whole reflects a coherent strategy. But a portfolio is not made coherent by the act of approving its parts in sequence. Coherence would require someone to consider the initiatives against one another — to ask which should be funded instead of which, given finite capacity, rather than which should be funded in addition. That comparison almost never happens, because the cases arrive one at a time, each judged in isolation against an

absolute threshold rather than against its rivals. The portfolio is therefore not selected. It is accumulated. And an accumulated portfolio inherits none of the discipline that the word 'portfolio' is meant to imply.

What the committee believes it is doing	What is structurally happening
Weighing each investment on its merits	Certifying advocacy documents built to pass
Selecting the strongest initiatives	Accumulating whatever is brought forward
Exercising control over investment	Transferring accountability away from individuals
Governing a coherent portfolio	Approving isolated cases against an absolute threshold
Bringing independent judgement	Performing assent under time and political pressure

5. The Quiet Economics of Approval

There is an economic logic beneath all of this, and it is worth stating plainly because it explains why exhortation never fixes the problem. Understanding is expensive. Approval is cheap. For every actor in the system, the incentives point the same way.

To understand a business case properly — to test its assumptions, model its sensitivities, seek out the evidence behind its benefits, and compare it honestly against the alternatives — costs time the committee does not have, expertise it may not possess, and political capital none of its members wish to spend. To approve it costs nothing beyond the few minutes on the agenda, and it purchases goodwill from the sponsor, the appearance of momentum, and freedom from the accusation of obstruction. Faced with that price differential, meeting after meeting, a rational body will approve. Not because its members are lazy or careless, but because the structure has made understanding the costly path and approval the cheap one, and then acted surprised when everyone chose the cheap path.

1. Understanding requires slowing down; the calendar rewards speed.
2. Understanding requires challenge; the culture rewards collegiality.
3. Understanding requires expertise; the membership is chosen for seniority.
4. Understanding requires saying no; the incentives punish the person who does.

Until those four economics are changed, no amount of urging committees to 'be more rigorous' will move them, because rigour is not a matter of will. It is a matter of what the surrounding structure makes affordable.

6. What Understanding Would Actually Require

It follows that the remedy is not a better template, a redesigned scoring matrix, or a more strongly worded terms of reference. Organisations reach for these instruments precisely because they are cheap and visible, and precisely because they change nothing. A more elaborate scoring model applied in the same eight minutes by the same overloaded committee produces the same approvals with a more impressive audit trail. The theatre acquires better scenery; the play is unchanged.

What would actually change the pattern is harder, and it begins by attacking the arithmetic of attention directly.

- Fund fewer things, and consider them properly. A committee that examines four investments in a session can understand them. The same committee facing twenty cannot understand any. The volume of the agenda is not a fact of nature; it is the accumulated result of never having said no, and it is the first thing that must be governed.
- Replace absolute thresholds with genuine comparison. The question a portfolio body exists to answer is not 'does this clear the hurdle?' but 'is this a better use of our finite capacity than the things it would displace?' That question can only be asked when initiatives are ranked against one another, not waved through one at a time.
- Separate advocacy from analysis. If the only document before the committee is written by the person who wants the answer to be yes, the committee is structurally blind. Someone independent of the sponsor must be charged with testing the case and reporting what they found — not to obstruct, but to give the committee a second pair of eyes that is not paid to reach a predetermined conclusion.
- Make deferral respectable. A committee that can only say yes is not a decision-making body. Deferring a case for want of understanding must become an ordinary, unremarkable act rather than an insult to the sponsor — and that is a matter of what the chair models and protects.

“Rigour is not something a committee decides to have. It is something the surrounding structure either makes affordable or makes impossible.”

None of these moves is technically difficult. All of them are politically difficult, which is why they are so rarely attempted. Each one asks the organisation to trade the comfort of the collective yes for the discomfort of genuine choice, and to accept fewer, slower, better-understood decisions in place of the reassuring churn of a portfolio that only ever grows.

7. The Gap Between Intent and Reality

Step back from the committee room and the pattern reveals something larger about how organisations relate to their own transformation. We build elaborate governance because we want control over the enormous sums and enormous risks that change involves. We convene the committees, draft the frameworks, populate the templates, and schedule the gates, and having done all this we feel controlled. The feeling is the point, and the feeling is precisely the problem.

Because the real decisions — the ones that determine what the organisation actually does — are very often made before the committee ever meets. They are made in the conversation where a sponsor secures the backing of an influential leader. They are made when a favoured programme is quietly assured of funding long before its case is written. They are made in the corridor, the pre-meeting, the alignment of interests that renders the formal decision a formality. By the time the case reaches the committee, its fate is usually sealed, and the committee's role is to supply the legitimacy that the corridor

cannot provide. This is the gap between transformation intent and transformation reality in its purest form: the organisation intends to govern its investments, and has built an entire apparatus expressing that intent, while the reality is that the apparatus ratifies decisions taken outside it.

The danger is not that the theatre exists. Some ceremony is inevitable, perhaps even useful, in any large human system. The danger is that the organisation forgets it is theatre. It begins to trust the approvals as though they represented understanding. It reports to its board that its portfolio is under control because the governance process was followed. And it is then genuinely surprised, two or three years later, when initiatives that passed every gate deliver a fraction of their promised benefits — surprised because it mistook the performance of control for the substance of it, and never noticed the difference until the results arrived.

8. Toward a Governance That Decides

So what would a real investment committee look like? It would be smaller. It would meet against a shorter agenda, because it would have learned to fund fewer things. It would receive, alongside each sponsor's case, an independent assessment of that case, and it would spend its time on the space between the two. It would rank initiatives against one another rather than nodding each through in turn. It would treat deferral as a normal outcome and understand that a body which never declines anything is not governing. And it would be chaired by someone who understood that their most important task was to protect the awkward question and the person brave enough to ask it.

Above all, it would be willing to say the three words that the current structure makes almost unsayable — we do not understand — and to treat that admission not as a failure of the committee but as the beginning of its actual work. For the admission is the only honest starting point. A committee that cannot say no to anything is not governing a portfolio; it is ratifying one. And an organisation that cannot tell the difference between those two activities will keep approving what it does not understand, keep mistaking the ritual for the reality, and keep being surprised by outcomes that were, in truth, never governed at all.

The pattern persists because it is comfortable, because it distributes risk, and because the alternative demands a kind of institutional courage that is always in shorter supply than institutional process. But it is not immutable. It persists only until an organisation decides that it would rather understand a few decisions than approve a great many — and is prepared to pay, in time and in discomfort, the real price of doing so.