2020 Edition

MoP Foundation Study Guide

This guide helps you prepare for the MoP Foundation Exam

Inham Hassen & Frank Turley

Professional Training Center of Excellence

2020 Edition

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Contents

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We wish you all the best!

1.0 Projects, Programmes and Portfolios

In the first chapter, we will review the basics about projects and programmes. Thereafter, we will step into the interesting world of portfolios, by building-up on the basics.

1.1 Why Programmes?

A project is a time-constrained effort, aimed to achieve a set of deliverables, according to a predefined business case. We say that a project is successful, if it delivers the right scope, within expected timescales and within budgets. In addition, a project would be truly successful, if it generates expected benefits. In project management, our aim is to achieve planned project outputs within specified performance targets. In other words, project management aims to “do it the right way”, at individual initiative-level.

Very often, an organization (or even an individual) may carry out more than one project at a time. In many cases, these projects may be related to each other. For example:

- A pharmaceutical company may be researching on developing a new painkiller and at the same time, may be working on reducing the side-effects of their currently available painkillers. Chances are that both these research projects may be take place in the same lab and by the same people.
- A construction company may be working on a new housing development at one site and at the same time, constructing a new commercial establishment nearby. In this case, it is highly likely that labour, warehouses and machinery may be shared between the two projects.
- If an IT company is developing an employee attendance system, a leave application system and a performance assessment system, there will be shared people and resources for these projects.

Apart from shared resources and individuals, there may also be common risks between projects. In case of the construction company, natural disasters may impact both projects, if the sites are nearby. For the pharmaceutical company, if a scandal occurs due to a problem with one of their medicines in the market, this will have an impact on other ongoing projects. Therefore, it makes sense to find a way to combine some factors of projects with common resources, risks and other factors, while keeping them independent of each other. Programme management partly attempts to provide a solution for this need, through exploiting economies of scale and balancing risks between projects.

Programme management is an approach to manage several related projects, with the intention of improving the performance of the entire programme.

1.2 Why Portfolios?

Programme management enables the optimization of resources through taking advantage of economies of scale, while controlling aggregate costs and risks. To achieve this, a programme must be made of projects that are related to each other. A construction company may be in the process of building a residential housing estate and a commercial establishment in the same city. Apart from the fact that both are construction projects, there are many other common factors between the two. Their geographic proximity means that material, machinery and people as well as logistics can be shared between the two, which enables taking advantage of scale economics.

But think of the same company, constructing two commercial establishments in London and Edinburgh. The 400-mile distance between the two cities means that sharing resources or using a common warehouse or using the same set of machinery would not be meaningful. In other words, the two projects appear to be similar to each other but in reality, this is not the case. If a pharmaceutical company is researching on a new painkiller and at the same time, working on an enhancement to a similar drug in the market, then it may be managed as a programme. But, if the company is researching on a new analgesic and also working on addressing a scandal that arose due to the publicity of misinformation about an existing drug, then these two projects are not similar. In both these examples, organizations may have important reasons for undertaking these projects and have made a conscious decision to invest on these projects. This is where portfolio management comes into the picture.

A project portfolio, in simplest terms, covers the totality of the projects in an organization. A portfolio normally consists of all the projects that are carried out by the entity (with a few exceptions that will be discussed later). Projects in the portfolio may or may not be grouped together into programmes. In larger organizations however, it is common to see programmes, that combine together to form the project portfolio.

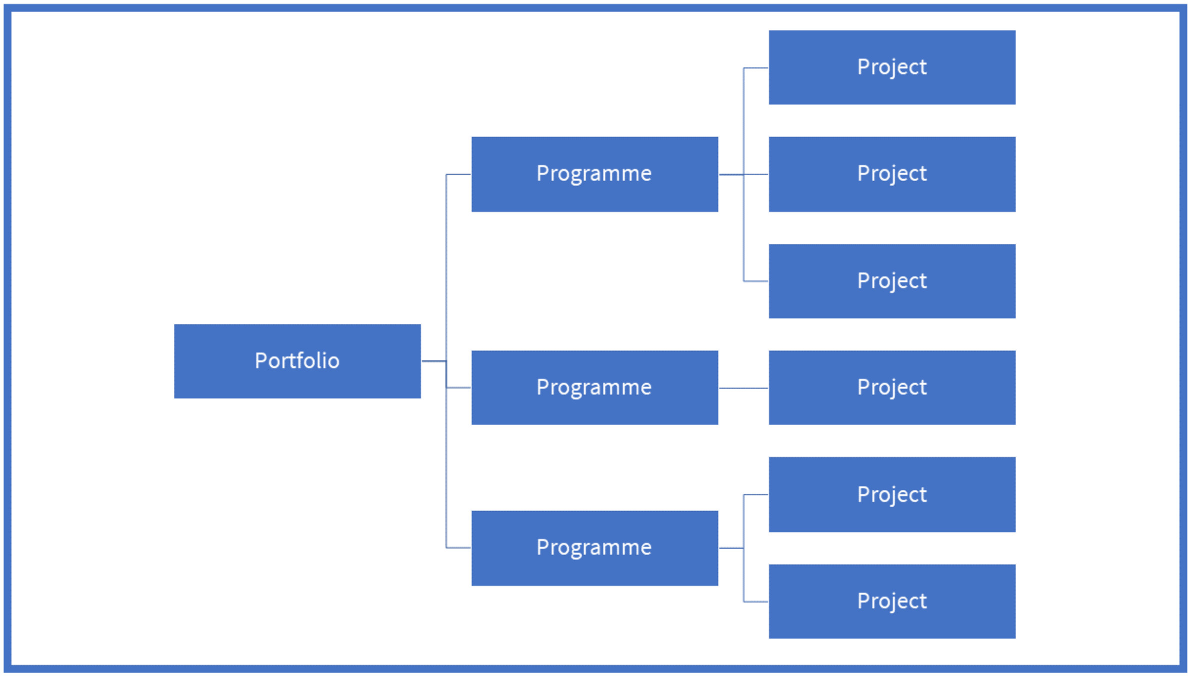

Figure 1.1: Hierarchy of Projects

Oceanic Airlines, a hypothetical organization, has embarked on an ambitious plan to drive its growth during a favourable global situation. The board of directors has decided that the organization will follow a three-pronged strategy to grow. The first strategy is to acquire two competitors. This will enable inorganic growth. Second strategy is to aid organic growth through expanding in growing markets. The third strategy is to discontinue aircraft that are no longer operationally efficient. Based on these strategies, the company has identified the following projects:

Project	Strategic Aim
Acquire Skyfleet Airways	Inorganic growth through acquisition
Obtain a controlling stake in Trans Antarctic Airlines	Inorganic growth through acquisition
Establish new routes to West Africa	Organic growth through expansion
Expand routes in South Asia to cover all countries in the region	Organic growth through expansion
Discontinue aircraft more than 30 years old	Fleet consolidation
Retrofit 10-15 year old aircraft with modern features	Fleet consolidation

Table 1.1: Project Portfolio of Oceanic Airlines

The organization's project portfolio contains all these projects. They may be broken down in to programmes by grouping interrelated projects together.

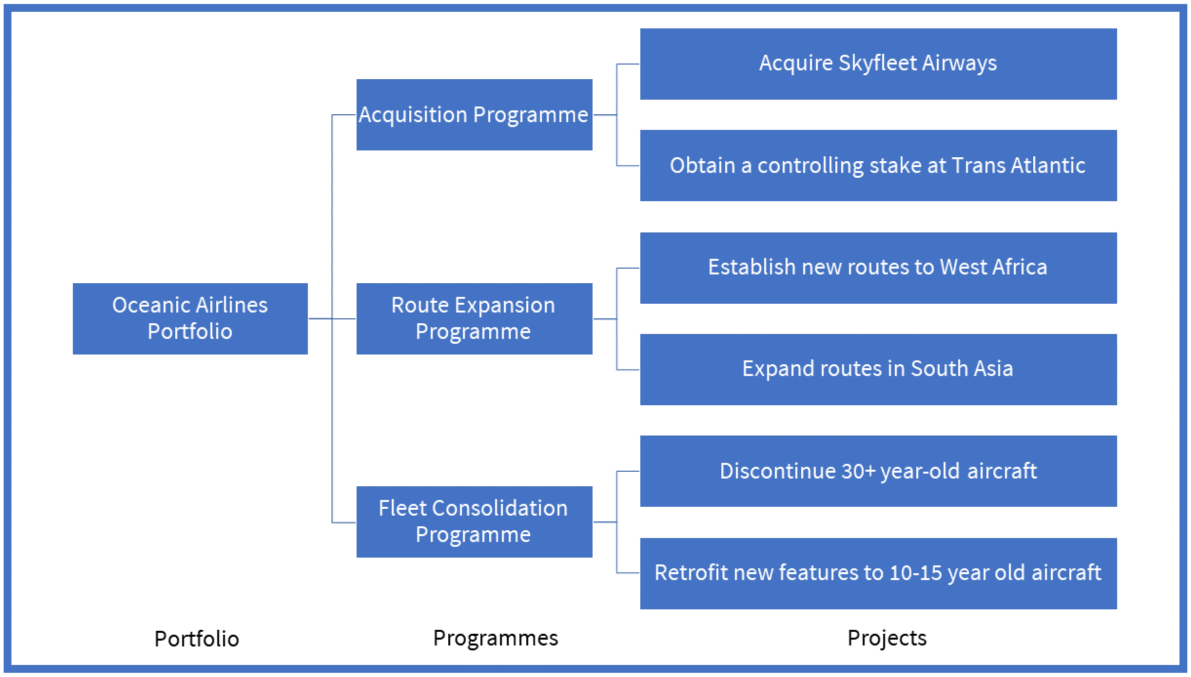

Figure 1.2: Portfolio, Programmes and Projects of Oceanic Airlines

Grouping projects into programmes has its obvious benefits. However, an organization may also choose not to implement programme level management. This is especially true for smaller entities that carry out limited number of projects. If the same company is carrying out just three projects, this is what the portfolio will look like:

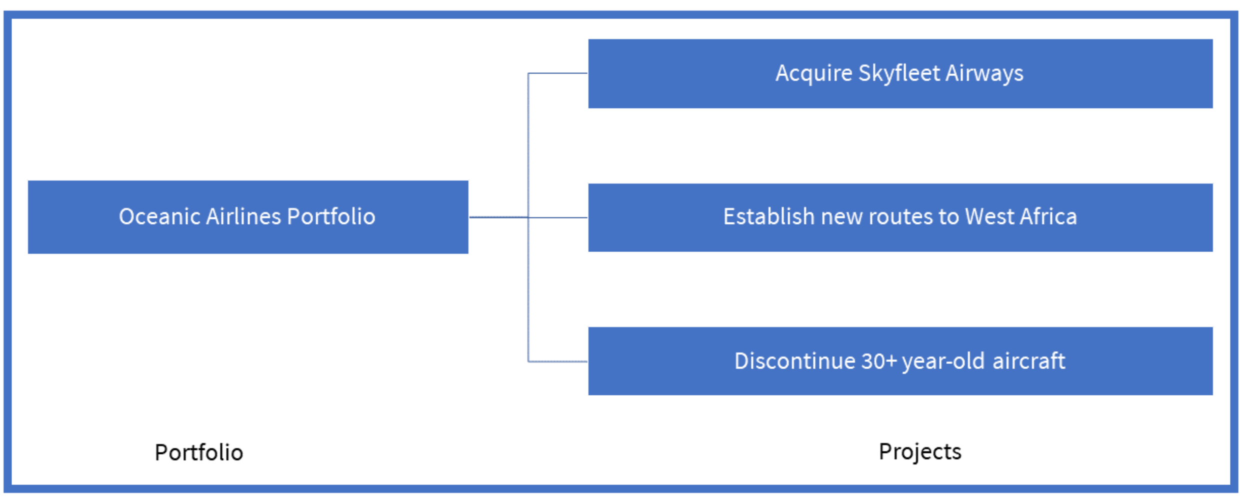

Figure 1.3: Project Portfolio of Oceanic Airlines

There is also a third possibility, where some projects are grouped in to programmes while some are not.

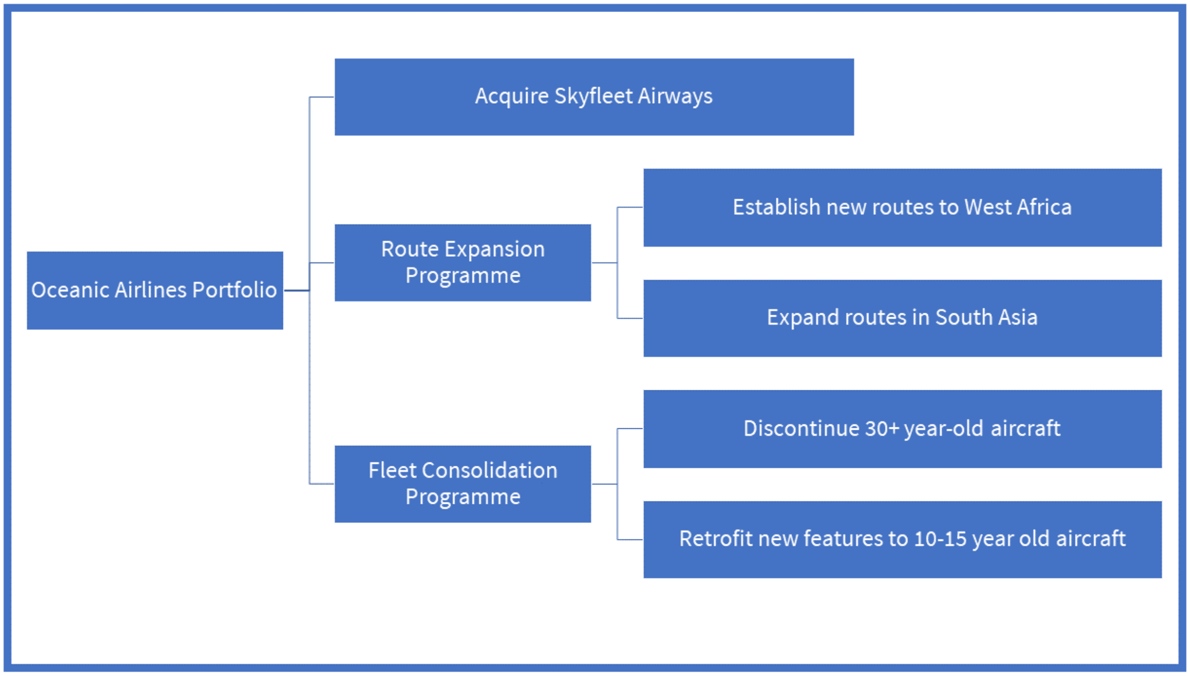

Figure 1.4: Project Portfolio of Oceanic Airlines with Some Projects Grouped into Programmes

1.3 Why Create a Portfolio?

Logically grouping projects as programmes enable us to optimize resources and effectively manage risks. To understand the added benefit gained by creating a portfolio, the definition of the word "portfolio", must be clarified.

An organization's portfolio is the totality of its investment (or segment thereof) in the changes required to achieve its strategic objectives.

This definition emphasizes on two terms – investment and strategic objectives. Projects are necessarily the means to partly realize organizational goals. On the other hand, portfolio management is concerned about the strategic view. The definition also includes the phrase "totality of investment", which means that a portfolio should include all the business change initiatives, except those which do not significantly contribute to the organizational strategy – for example, operational changes. It is also possible for an entity to own and operate two or more project portfolios. A hierarchy of portfolios is common in large establishments with several departments. In such cases, some projects or programmes may be in the organizational portfolio and some of them might be in sub-portfolios. When this happens, the sub-portfolios should be consistent in the way they are implemented and managed.

If an organization has created sub-portfolios, then the sub-portfolios should be implemented and managed consistently with the organizational portfolio. Additional checks may be required for this.

The whole idea of building a portfolio, is to manage the investment in projects (and indeed, programmes) and organize them to achieve business needs.

We should create a portfolio with the following aims:

- Projects (and programmes) that are in progress and projects that are in the pipeline, are provided resources optimally, by prioritizing resource allocation according to organization's strategic goals and perceived risks.
- The portfolio contains all projects (and programmes) that are necessary to achieve the organization's strategic goals and the projects are sufficient to achieve these goals.
- Projects (and programmes) within the portfolio are delivered effectively, with desired benefits that contribute to the organization's strategic goals being realized.

Portfolio management is about managing investments effectively, so that strategic objectives are achieved. The definition is:

Portfolio management is a coordinated collection of strategic processes and decisions that enable the most effective balance of organizational change and business as usual (BAU).

The "strategic processes and decisions" in the above definition, broadly covers the following:

- Every project or programme is assessed and measured for its contribution to the organization's strategic objectives.
- Every project or programme is allocated a priority level, based on factors including cost, risk, capability of resources and the ability for the organization to use its benefits.
- Every project or programme is reviewed regularly for its ability to upkeep with the desired business benefits, strategic contribution, and risks.

Projects and programmes have definite start and end dates. They are always “temporary”. A programme may have a longer lifespan than a project. When Oceanic Airlines carries out an acquisition programme to buy out Skyfleet Airways and gain a controlling stake in Trans Antarctic Airlines, the programme will end after both projects conclude. Portfolios are not “temporary”. When projects or programmes end, new projects will enter the portfolio from the pipeline. In addition to this, benefits of completed projects will continue to accrue. Therefore, the organization’s project portfolio is not time-constrained in the way projects and programmes are. The only time a portfolio will end, is if the senior management of the organization decide that they no longer require portfolio management.

1.4 What are the Benefits of Portfolio Management?

Managing an organization’s projects as a portfolio can create many benefits. The main aim of portfolio management is to ensure organizational change initiatives are aligned with its higher strategy.

Some benefits of portfolio management are:

- **Investments are made for the right programmes and projects:** A strategic overview of the organization’s goals and aims will ensure all change initiatives (projects and programmes) contribute to the strategy of the business. If there are any change initiatives that are redundant or do not contribute to the growth and establishment of the business, they are not undertaken.

Portfolio management creates transparency in the way investments for projects and programmes are linked together and how they deliver the organization’s strategic objectives. This creates accountability for those who make funding decisions.

- **Right projects and programmes are given the right priority**: In this changing world, business aims, and goals rarely remain constant. A strategy that appeared to give a competitive edge to the business some time ago, may no longer be a priority to the senior management of the company. But a project team which was working on a project initiated at that point of time, may only focus on the benefits that were planned for that specific project. Portfolio management constantly evaluates changing business priorities and manages the portfolio of projects, from pipeline to completion in strategy-conscious manner.

Projects and programmes ensure successful delivery and achievement of benefits ("doing things right") at an individual level. Portfolio management's scope is to make right investments ("doing the right thing") and "doing things right" at a collective level.

- **Supports and encourages informed and bold decision-making:** What would you do if you know that a project is doomed? Kill it or try to give a last-ditch effort to recover it? A natural human instinct is to attempt to recover failing projects, even after realising that it may no longer be viable. This only results in the wastage of organizational resources. Portfolio management encourages bold decision-making to prematurely close projects if the need arises.

- **Conscious management of interdependencies:** It is not uncommon to see two business units with the same organization doing projects which may eventually achieve the same benefit. This often happens because one team is unaware of what the other team is doing. When all the strategic change initiatives in an organization fall under the same umbrella, it becomes easier to remove redundant projects, manage interdependencies between projects and build organization-wide transparency of change initiatives that take place, thus optimizing resource utilization.

- **Enhanced Engagement:** Sporadic engagement from senior management in projects, is a common problem in many organizations. Portfolio management will ensure that organization-level decision makers are engaged in understanding the ongoing initiatives and are synchronized with how these initiatives are in line with corporate strategy. This reduces surprises. Enhanced engagement will also ensure senior management commitment remains constant throughout a project's life.

- **Effective Corporate Governance:** In many organizations, there is a lack of visibility between investments in projects and programmes, and benefits that are achieved from them. Portfolio management attempts to prevent this by creating a clarity from the point of investment to the final benefits. This is done by creating transparency in the way investments for change initiatives are linked together with the way organization's strategic objectives are delivered. This creates accountability for investment decisions.

The full scope of portfolio management entails two broad aspects – making the right investment decisions and ensuring projects and programmes are delivered successfully at a collective level. In other words, portfolio management enables "doing the right thing" and collectively, "doing things right".

1.5 Myths about Portfolio Management

Project portfolio management has its roots in financial investment portfolio management. Its origin and lack of understanding has paved way to some myths about this practice.

Some of them are:

- **Portfolio management is an additional overhead to the organization:** Portfolio management does not require an additional set of processes that lie on top of existing ones. Portfolio management is designed for streamlining existing processes and improving coordination between them. For example, portfolio management requires projects to be allocated priority levels and encourages compromising low priority projects in favour of more strategically aligned and more beneficial ones. Therefore, it can be argued that portfolio management actually reduces the organizational overhead, by optimizing value.

- **Portfolio management is complicated:** There is no one-size-fits-all solution in portfolio management. Portfolio management processes and practices can be customized according to the organization's capacity, size and strategic needs. Sophisticated techniques and approaches are not superior to simpler techniques.

- **Portfolio management is expensive:** Establishing a project portfolio management process and operating it in an ongoing basis requires an investment. However, like any investment, it is a balance between costs and benefits. Frequently, the value generated by establishing a portfolio and managing it, outweighs the costs associated with it.

- **Portfolio management requires an IT system:** Portfolio management principles and processes are not aligned with any particular software. If an organization uses basic productivity tools such as word processors, spreadsheets and shared folders, these can be used for maintaining and presenting information. Complex information systems are not necessary for portfolio management.

The existing organizational processes such as strategic planning, financial management, risk management as well as organizational culture and governance structure affects the way an organization would adopt portfolio management using MoP principles and practices. There is no need to invest in new IT systems, create complex processes or make significant financial investments

- **Portfolio management is an isolated function that dictates how projects should be managed:** Portfolio management does not dictate anything, unless it is badly implemented, or wrong people are involved in it. It is a function that supports and coordinates activities with cognizance to the organization's strategic goals and aims.

- **Portfolio management is merely a function that reports on the ongoing projects:** Information plays an important role in portfolio management. However, portfolio management is not simply presentation of information alone. Value addition lies in enabling effective decision-making through information and continuously scrutinising projects against strategic objectives of the organization.

The organization can also create more than one portfolio if there is a business need. However, sub-portfolios should be consistent with the organizational portfolio. This has to be checked regularly. Similarly, there should be an agreed escalation path for sub-portfolios to report if exceptions take place.

1.6 What You Need to Remember for the Exam

✪ An organization's portfolio is the totality of its investment (or segment thereof) in the changes required to achieve its strategic objectives.

✪ The main aim of portfolio management is to ensure organizational change initiatives are aligned with the organization's higher strategy.

✪ Portfolio management creates transparency in the way investments for projects and programmes are linked together and how they deliver the organization's strategic objectives. This creates accountability for those who make funding decisions.

- Projects and programmes ensure successful delivery and achievement of benefits ("doing things right") at an individual level. Portfolio management's scope is to make right investments ("doing the right thing") and "doing things right" at a collective level.
- The organization can also create more than one portfolio if there is a business need. However, sub-portfolios should be consistent with the organizational portfolio. This has to be checked regularly. Similarly, there should be an agreed escalation path for sub-portfolios to report if exceptions take place.
- The existing organizational processes such as strategic planning, financial management, risk management as well as organizational culture and governance structure affects the way an organization would adopt portfolio management using MoP principles and practices. There is no need to invest in new IT systems, create complex processes or make significant financial investments.

1.7 Next steps

- Post any questions about this chapter: https://www.linkedin.com/groups/12472747/
- You are also welcome to e-mail the author: inham@mplaza.pm

2.0 Portfolio Management in an Organizational Context

In the first chapter, we understood the difference between projects, programmes and portfolios. Projects and programmes both are time-bound. Related projects are grouped together to manage resources and aggregate risks. One organization may have a number of programmes. A portfolio of project is used by an organization for the purpose of making sure projects add value to the organization's strategy.

Managing projects as a portfolio will also enable the business to optimize costs, manage interdependencies effectively and to make sure senior management are continuously engaged. In this chapter, will learn more about why portfolios should be aligned with the strategy of an organization and how to achieve it.

2.1 Operations vs. Change

An organization's functions can be broadly divided in to two. An organization always carries out “operations” or “Business as Usual (BAU)”. This is the day to day work. In a pharmaceutical manufacturing company, BAU is the function of manufacturing and distributing medicine to hospitals and pharmacies. BAU for an airline company is to keep planes flying and generating revenue.

Doing BAU alone will soon run an organization out of business. For example, the airline industry has changed significantly in the past three decades. We now have low cost airlines that are cheap to fly but inflexible in accommodating passenger requests. Meals and checked baggage come at a cost. Passengers sitting next to each other in an aircraft may have paid different fares. These are innovations that ensure airlines stay ahead of their competition. Imagine if an airline decides to retain its same style of operation from three decades ago? Such airlines would have run out of business by now.

Clearly, businesses cannot just maintain their BAU and expect to remain competitive. This is true for any business - whether an airline, a construction company, or a soft drink bottling plant. This is also true for government entities. Although government entities do not run out of business, but they are driven to innovate, by public demand for services at a lower cost. Therefore, the two key functions in any organization are “running the business” and “changing the business”. Running the business is carried out by BAU or operations management. Changing the business is carried through projects and programmes. Portfolio management controls the major changes to BAU, collectively. When the changes in the portfolio are successfully implemented, BAU realizes benefits.

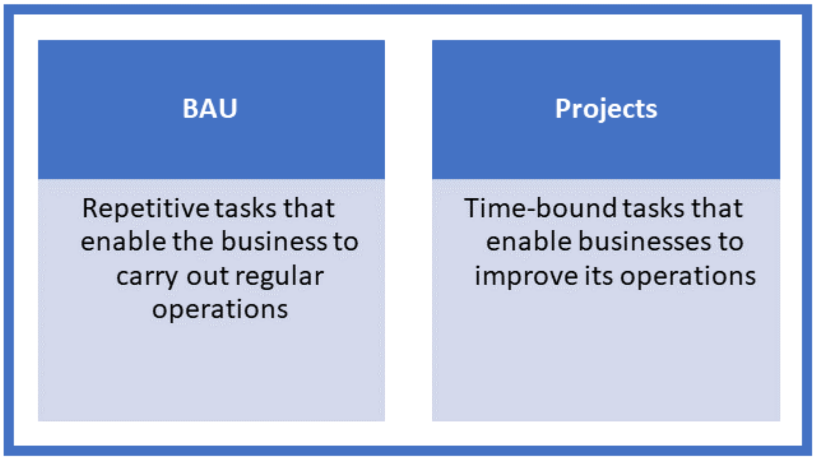

Figure 2.1: The Organizational Context of Projects and Operations

It is also important to note that BAU or "run the business" may also include change initiatives. For example, if the airline adds some more seats to its aircraft by reducing the seat pitch by an inch, it is essentially an operational change or a tactical improvement. This is not a game changer for the company. Therefore, this may still fall under BAU improvements.

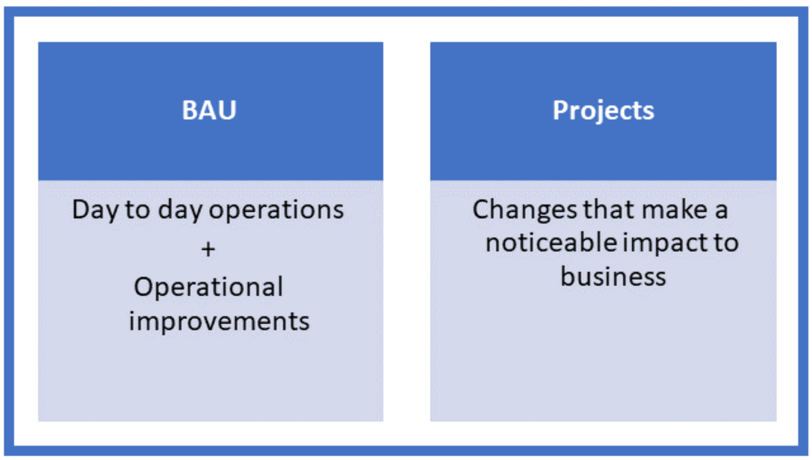

Figure 2.2: The difference between BAU changes and projects

On the other hand, major changes to business, such as completely removing the usage of paper-based boarding passes in favour of digital boarding passes, are significant initiatives that can change the way a business operates. After the airline concludes the digital boarding pass project, it becomes BAU for the company, with the benefit of improved operational efficiency. Therefore, the relationship between the organizational project portfolio and BAU is cyclic. The need to create efficiencies in BAU can give rise to projects. Outputs of projects/programmes are used for improving BAU.

Major changes to the BAU are carried out through projects and programmes. Portfolio management controls the major changes to BAU. When these changes are successfully implemented, BAU realizes benefits.

Both BAU and the portfolio, go hand-in-hand together. This relationship is what enables the organization to achieve its strategic goals. BAU alone or the projects/programmes alone, cannot achieve them. BAU alone will eventually result in the organization being non-competitive in the market. Having a portfolio alone, will not make any kind of sense, because benefits will not be utilized by the business.

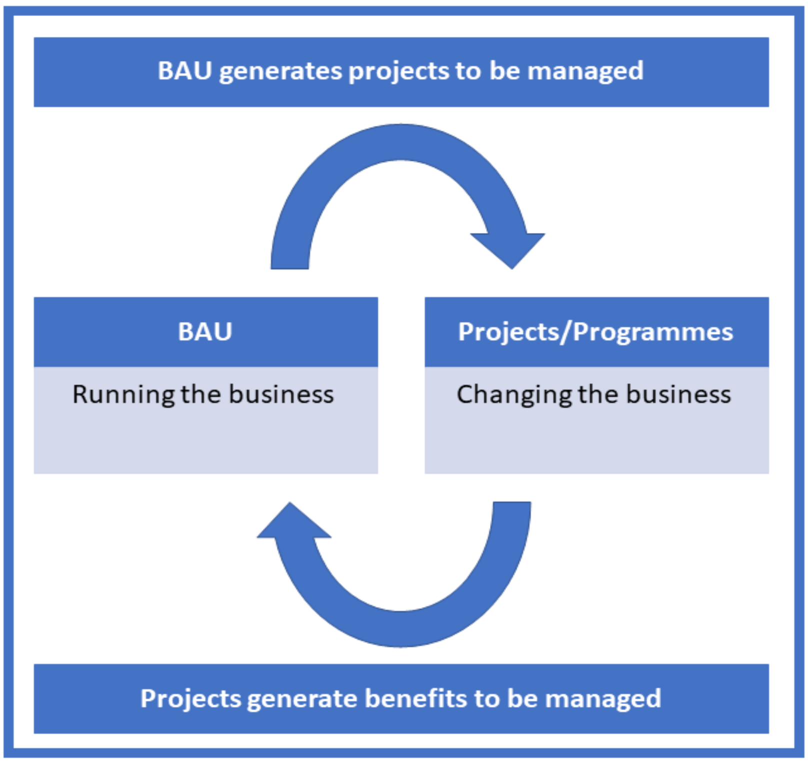

Figure 2.3: The Cyclic Relationship Between BAU and Projects

2.2 Relationship between Strategic Planning and Portfolio Management

Organizational leaders set strategic goals for the company from time to time – usually every year or every quarter. Portfolio management's role starts at this point itself. When the organization has understood its strategic priorities, it is portfolio management's responsibility assess whether projects that are being carried out and project that are planned, actually meet the strategic priorities or not. In other words, strategic planning sets the context for the organizational project portfolio.

Once the strategic plans are set, portfolio management will try to answer the following questions:

- Are the running projects (and programmes) and pipeline projects (and programmes) really necessary to achieve the strategic objectives?
- Is the portfolio, along with the BAU, sufficient to achieve organizational strategic objectives?
- Can we accept the aggregate risks generated by the projects within the portfolio?
- Can we actually do the projects in the portfolio and can we do them within planned targets in terms of timescales and costs?
- To what extent do each project perform, against its planned benefits to the organizational strategy?

Similar to the relationship between BAU and the project portfolio, the relationship between strategic objectives and the project portfolio is also cyclic. Strategic objectives trigger which projects should be included in the portfolio and which projects should be removed. On the other hand, the portfolio also acts as a check to understand whether strategic objectives are achievable. Therefore, portfolio management helps shape the organizational strategy, in addition to being the driver to realize it.

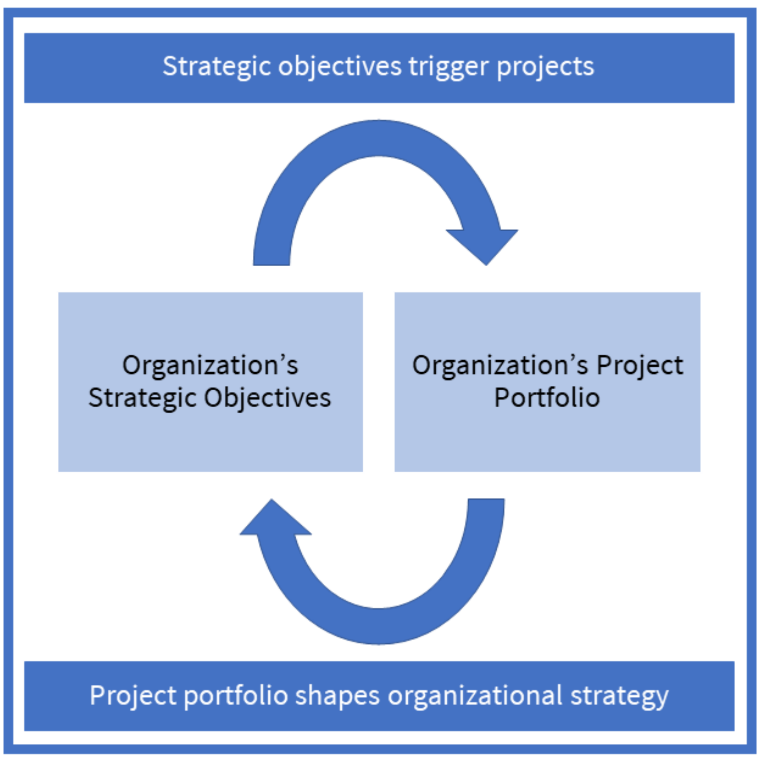

Figure 2.4: The Cyclic Relationship Between Strategic Objectives and the Project Portfolio

As part of the strategic planning process, leadership of an organization would generally assess the external and internal environments it operates in. Tools such as SWOT and PESTLE, are used for this purpose. This is the first step in setting strategic objectives. Once the objectives are reviewed and confirmed, they get published to relevant stakeholders, usually the team leaders of the organization. From time to time, the strategy gets reviewed to understand its suitability within changing dynamics of the market.

One of the fundamental questions that need to be addressed as part of an organization's strategic planning is whether the portfolio and the BAU together, are sufficient to achieve an organization's strategic objectives.

Portfolio management plays a role in each step and it is illustrated as follows:

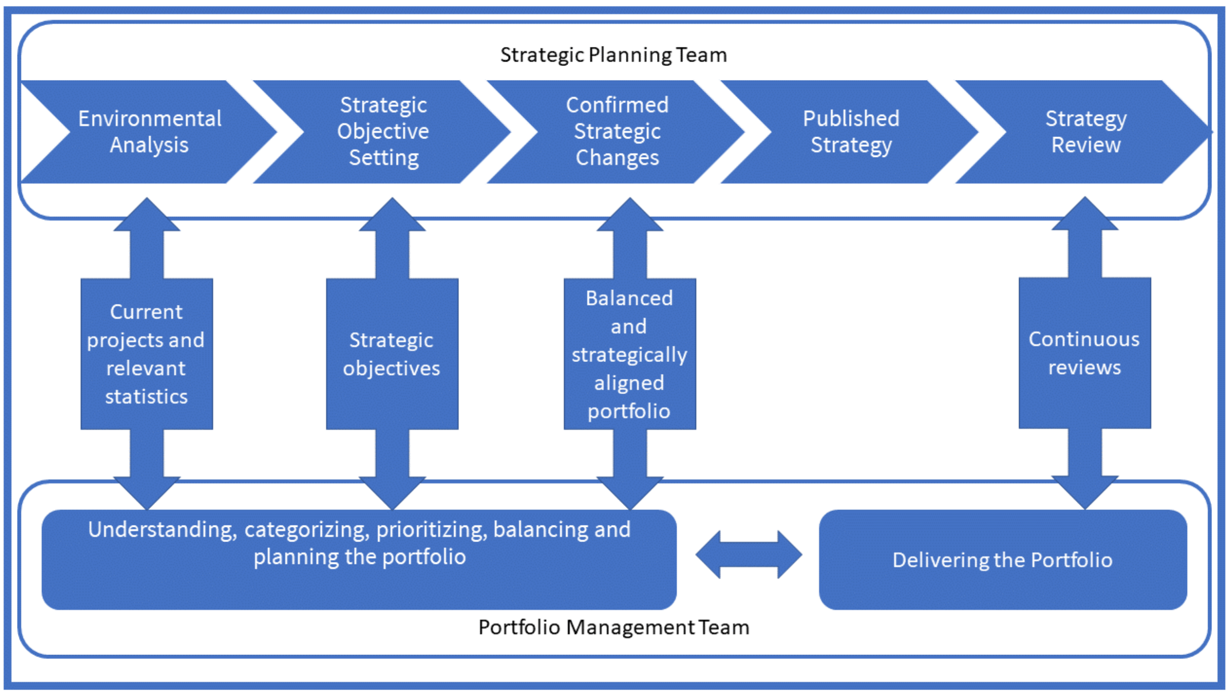

Figure 2.5: How Portfolio Management Links with the Strategic Planning Process

2.3 How Portfolio Management Helps Budget Optimization

Budgets are under constant scrutiny in any organization. People, machinery, buildings and even processes and procedures have a cost associated with them. Allocation of people to projects always comes under scrutiny, because human resources are generally scarce and can be expensive.

Portfolio management helps organizations to invest their people and funds in the most important areas. Every initiative is assessed for how it contributes to the company's strategy and if there is no clear link, the resources can be pulled out of them and transferred to what could be more useful. Clearly, maintaining an organizational project portfolio requires investment. On the other hand, investing on portfolio management will optimize the costs of the business by removing resources and funds from non-value adding initiatives. This allows the firm to focus on initiatives that can enable the organization to achieve its strategic goals much faster.

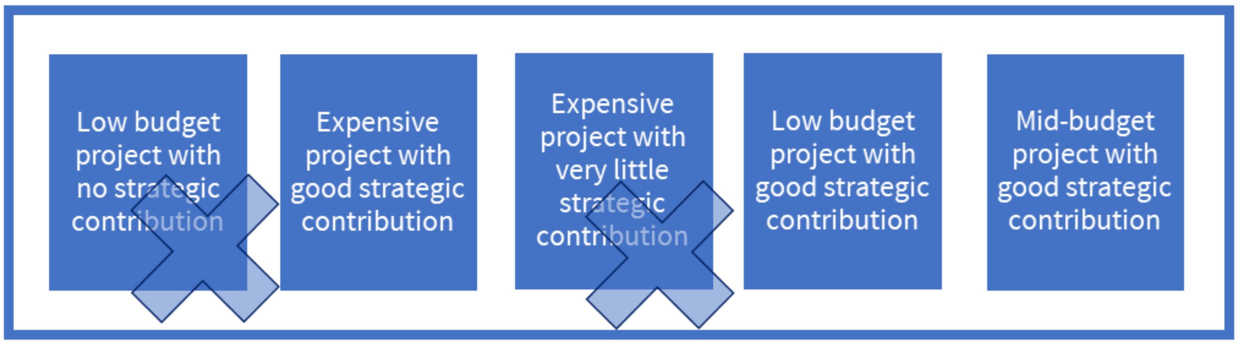

Figure 2.6: Portfolio Management Enables Concentrating Investments on the Right Projects

2.4 Projects within a Portfolio Context

We talked about difference between projects, programmes and the organizational project portfolio in the first chapter. Projects generate benefits that are helpful to achieve one or more objectives at a time. Projects (and indeed, programmes) are the means of achieving change and they form a very important part in portfolio management. Some of the important things that portfolio management does to project management are:

- **Managing aggregate risks:** some projects may encompass high risks while some may carry low risks. Actions taken to mitigate the risks of one project might impact other projects. This is called risk shifting. Risk shifting happens when a project successfully manages its own risk, as far as that specific project is concerned, but the strategy used for managing the risk has affected some other project or affected some other part of the business. Portfolio management ensures this is under control.

- **Managing limited resources:** All resources are limited - be it people, machinery or material. Out of these, people are by far the most valuable and most scarce resource. Project managers for each project may request valuable resources as and when they need them, because their natural priority is their own project. This is when portfolio management steps in, looks at how each project contributes to the organization's strategy and allocates valuable resources to the right project.

- **Managing dependencies:** Projects always have dependencies. Dependencies are both internal and external. Dependencies within projects are pretty much under the control of the project manager. Finish task A and start task B. But what happens when there are dependencies between projects? Task A, which is part of Project Z needs to be completed for Project Y to start task B. These are called logical dependencies, which require portfolio management intervention to handle.

Portfolio management helps to mitigate risk shifting, allocate resources based on priorities and manage logical dependencies. Risk shifting occurs when an action taken to mitigate a risk from project A impacts project B. A logical dependency occurs when an output from project X is reliant upon an output from project Y.

2.5 Organizational Performance Management and Portfolios

Most organizations have a formal or informal performance management system in place. This is where performance targets are allocated to individuals and teams.

Portfolio management cannot work independently from the organization's performance management function. Organizational performance targets affect individual performance metrics. On the other hand, how individuals perform, affects the organizational performance. Therefore, portfolio management needs to involve performance management function to make sure the business strategy, the project portfolio and team performance assessment metrics are all in line with each other.

There is another benefit of engaging performance management function when managing the project portfolio. Those who deal with performance management, generally have the expertise on how to design a performance management system. They know how to create performance metrics. They know how to identify the most important metrics and they also know how performance metrics of multiple teams and individuals can be linked to each other. They may also possess information systems and tools that can be used for updating and reporting performance. This will prevent the portfolio management team from spending time to design a performance management system.

Performance management is a primary organizational function that portfolio management needs to coordinate closely with, to achieve strategic objectives.

Just like all the functions that were discussed so far, portfolio management can also positively influence performance management. When setting performance targets to individuals and teams, the performance management team should be looking at broader organizational contribution by an individual rather than a narrow contribution to his or her own department. But this may not be the case in all organizations. Portfolio management always looks at the higher strategy. Therefore, expertise in portfolio management can be used in performance management function, to understand if performance management metrics are actually aligned with the organizational strategy.

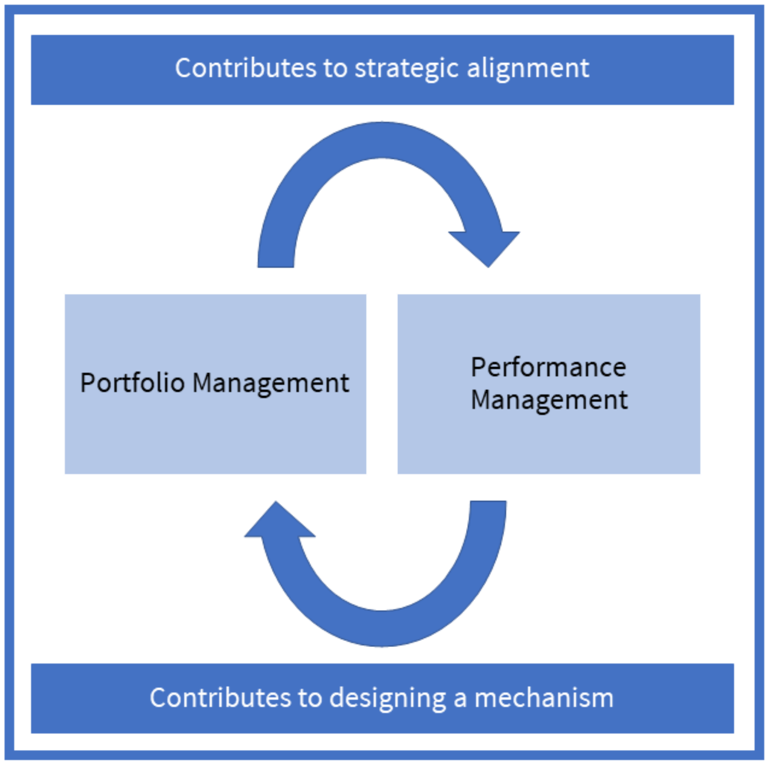

Figure 2.7: Portfolio Management and Performance Management Contribute to Each Other

2.6 How Corporate Governance Relates to Portfolio Management

Organizations listed on stock exchanges usually need to agree to follow regulatory processes to protect the interests of the public. Companies that do business in Europe, need to follow EU-laws when handling personal data. There are laws about how account books need to be maintained. All these are part of corporate governance. Corporate governance affects the reputation of the organization as well as its ability to remain in business

One key aim of portfolio management is to create a transparent flow of information of projects from the topmost level, to the ground level. Projects are investments and utilizing investments effectively is in everyone's best interest. Portfolio management enables a clear line-of-sight from strategic intent to benefits realization. This will make sure right decisions are taken at the right time.

The clear line-of-sight is usually implemented through a dashboard, which builds a transparent flow from strategy to benefits realization.

Portfolio management also allows key stakeholders, especially at the top level, to understand where the investments are going and how are they being utilized. This enables informed decision-making. When informed decisions are made, portfolio management also makes sure there is a trail of evidence upon which the rationale of decision-making is justified. This acts as an audit trail and individual who made the decision can always use it to validate the reasons behind the decision at any forum.

Overall, portfolio management enables effectiveness in corporate governance through enabling accountability for decision-makers. This is carried out through a transparent end-to-end link between strategy and investments in projects and programmes.

2.7 Who are Involved in Portfolio Management?

Portfolio management is not just a silo function carried out within an office by a group of people who set processes and procedures and ask others to follow. Portfolio management spans multiple teams and takes inputs from and gives outputs to all levels within an entity. From the board of management, all the way to the apprentices who carry out day to day work on the ground, portfolio management has something to give and something to take from.

- **The Board of Management:** The most important relationship for portfolio management team, is with the board of management. The board sets the strategy and portfolio management's responsibility is to make sure the strategy is realized. The board of management needs to engage with the team regularly, so that any changes to the strategy are communicated fast. Ideally, the board of management should be brought to a point where the organizational project portfolio becomes a regular discussion point at the board-level itself. After all, it is the board that benefits from it because they will know that the company's investments are being spent wisely.

- **Corporate Finance:** One of the main aims of portfolio management, is making sure investments are spent well. The corporate finance team will be naturally interested in this and at the same time, they will also possess valuable knowledge in financial techniques. Collaboration with them will be helpful to understand mechanisms to create and track budgets.

- **Strategic Planning:** Large companies may have their own corporate strategy team, who are the brains behind the company's business plans. They may use internal data, external information and come up with a roadmap of where the company should be heading. There is a lot to give and take between portfolio management and strategic management. Portfolio management has ready information that strategic planning function will need, to understand the current position of the organization. On the other hand, strategic planning team has the most up to date information that portfolio management will need, to make sure the portfolio is aligned with the company strategy.

- **Information Technology:** IT provides the necessary infrastructure to make business processes efficient. It is wrong to assume that portfolio management is an IT function. But it is not a secret that most project and portfolio management methodologies are implemented in IT industry more than any other, simply because IT leads organizational transformations.

  Even if an organization does not involve IT as anything more than a support function, IT can still play a major role in providing ways to maintain and access data easily and presenting data, in addition to automating business processes.

- **Project and Programme Managers:** Portfolio management simply cannot exist without project and programme managers (PPMs). Standards that are set by portfolio management needs to be executed on the ground by PPMs. PPMs need to report regularly to portfolio management about progress. Any dependencies between projects or programmes, any risk shifts may need to be resolved by programme management. Overall management of the project portfolio lies with portfolio management, but it cannot happen without very close collaboration with the PPMs.

  The board of management, PPMs, strategic planning and IT form a core group which needs to regularly support and coordinate with the portfolio management team. In addition to these functions, there are other departments that need to work together with portfolio management, to meet organizational aims and goals.

Project and programme management in teams play an important role in a portfolio environment by delivering change initiatives. Portfolio management needs to work closely with organizational performance management, the board of directors, corporate finance, strategic planning and information technology play critical roles for delivering strategic objectives.

- **Procurement:** Procurement can be an independent or a shared function, depending on the organization. Procurement function plays an important role in the success of the portfolio and needs to work together with portfolio management to achieve significant cost savings for the organization.

- **Human Resources:** Companies are made of people. People carry out all essential functions within a company. Carrying out a business change initiative needs people – some of them can possess rare talent. In many cases, people need to be trained on new technologies or experts need to be hired. Individuals' performances need to be linked with organizational goals. HR can play a major role in all this. Therefore, it is important for portfolio management to keep HR in constant touch to make sure there are no blockers.

- **Corporate Communications:** Large organizations will also have a team that carries out internal marketing. Sometimes, internal and external marketing are clubbed together to form a single communications team. They are experts in getting the right message across to a broader audience. They know a thing or two about employee engagement. This plays an important role, especially when you wish to change the way, people work.

- **Other support services:** Some organizations may have invested in functions such as business design, who work together with strategic planning, and work relentlessly to achieve an optimal operations model which they target. If an organization is located across many countries and/or cities, there will be a team that handles movements of people. This can often happen at short notice. This needs to be facilitated by a relevant team. We also have teams that manage real estate. When business is booming at one location, the organization may need to obtain larger properties to serve that particular location. When business ramps down, you may need to reduce the headcount in that location. Usually it is handled by a separate team. Larger organizations may also operate teams that set organization-wide processes in order to create uniformity. After all, you do not want two departments to do the same thing in two different ways. They are sometimes known as centres of excellence. All these support services may need to work together with portfolio management team, to make sure the function operates smoothly.

2.8 What You Need to Remember for the Exam

✪ Major changes to the BAU are carried out through projects and programmes. Portfolio management controls the major changes to BAU. When these changes are successfully implemented, BAU realizes benefits.

- One of the fundamental questions that need to be addressed as part of an organization's strategic planning is whether the portfolio and the BAU together, is sufficient to achieve an organization's strategic objectives.
- The portfolio may not include all projects and programmes - especially operational enhancements that do not create significant changes to the business. Initiatives that are part of the portfolio should be reviewed periodically to assess how they perform and how the contribute to organizational strategy.
- As part of strategic planning, portfolio management checks whether the change initiatives in the portfolio necessary, whether the portfolio and the BAU are sufficient to achieve the organizational strategic objectives and whether the portfolio can be delivered within time and cost constraints.
- Portfolio management can be tailored to fit in to organizational circumstances. The organizational circumstances can be influenced by limits on investments, strategic objectives and the track record of successful delivery and benefits realization.
- Portfolio management helps to mitigate risk shifting and to manage logical dependencies. Risk shifting occurs when an action taken to mitigate a risk from project X impacts project Y. A logical dependency occurs when an output from project X is reliant upon an output from project Y.
- Portfolio management enables a clear line of sight from strategic intent to benefits realization. This usually implemented through a dashboard.
- Portfolio management also enables effectiveness in corporate governance through enabling accountability for decision-makers. This is carried out through a transparent end-to-end link between strategy and investments in projects and programmes.
- Project and programme management in teams play an important role in a portfolio environment by delivering change initiatives. Portfolio management needs to work closely with organizational performance management, the board of directors, corporate finance, strategic planning and information technology play critical roles for delivering strategic objectives.

2.9 Next steps

- Post any questions about this chapter: https://www.linkedin.com/groups/12472747/
- You are also welcome to e-mail the author: inham@mplaza.pm

3.0 Principles of Portfolio Management

In the last two chapters, we understood what portfolio management is and how it fits in to strategic and organizational context. BAU is what keeps the organization's business moving but for survival in a tough environment, constant change is important. This is where the portfolio comes in. The relationship between portfolio management and BAU is cyclic, as both use the outputs of each other and provide inputs to each other.

Teams that manage projects and programmes (projects and programmes are collectively known as business change initiatives) are ones who realize the goals of the portfolio. They do this by successfully driving business change initiatives to deliver benefits while ensuring other constraints remain in check. Portfolio management's main aim is to drive the organization to achieve its strategic aims. While project and programme teams play a key role, the portfolio office must work closely with other departments in the organization.

3.1 The Five Principles of MoP

In this context, a "principle" is a fundamental assumption that is applicable in all circumstances. MoP framework mandates five principles for managing portfolios. They can be applied in all situations and in all types of project portfolios. All five principles need to be applied, but they can be tailored according to the organization's situation, without losing the core value of the principles.

The five principles are:

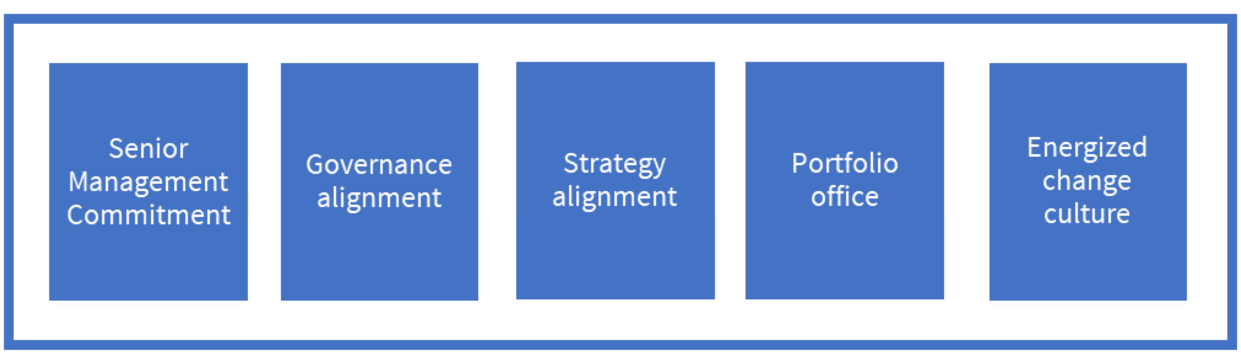

Figure 3.1: MoP Principles

Principle 1: Senior Management Commitment

In this context, senior management refers to top level leadership such as C-level executives or those in similar positions. In portfolio management, the aim is to systematically guide the organization to reach its strategic goals. The main beneficiaries are senior management. Therefore, it is only natural that their full commitment should be provided for portfolio management.

How is this done?

Senior management support is essential and portfolio management cannot exist without it. Senior management should provide support by:

- **Active participation and consent to the governance structure:** The senior management (as part of the portfolio direction group), has the responsibility of joining discussions, signing off on the prioritization criteria, signing off on resources and funds, agreeing on lines of responsibility, placing the portfolio management team at the right place in the organization structure and agreeing on responsibilities of the portfolio management team and everyone else who closely work with them. This is essential to ensure portfolio governance is in place and it is aligned with corporate governance.

- **Contributing their expertise:** Senior leaders possess significant expertise, especially in the organizational context. When implementing portfolio management as a practice, this expertise should be tapped as much as possible. This will be helpful for it to succeed.

- **Championing and communicating to the rest of the organization:** Portfolio management drives the organization to achieve its strategic goals. Naturally, everyone in the entity is a stakeholder. Value achieved through the portfolio trickle downs to all. Communicating the value gained through managing the portfolio and explaining the rationale behind decisions, is a core part of senior leadership's responsibilities.

> *Explaining the rationale behind decisions, especially to colleagues who are not directly involved in the portfolio, is a responsibility of the senior management.*

- **Ensuring compliance:** An important responsibility for the senior leadership involves warranting everyone in the organization (including themselves) are compliant with the portfolio governance mechanism. Part of this is actively making sure their pet projects are not subconsciously prioritized. A larger part is also assessing whether teams that are not directly involved in the portfolio, continue to support it

Best Practices:

- **A vision for the portfolio:** An organization must have a vision and a mission. Similarly, the portfolio itself must also have a vision. This will be the guidance for the senior leadership, the portfolio management team and other key stakeholders to know where the portfolio should head.

- **A champion from senior management:** One key leader among the senior management should act as the champion. This should be someone from the C-level or similar, who has responsibility at a strategic level. The champion's job is to support and promote the portfolio management practice. In tough times, the champion must provide support for the portfolio management team to make difficult decisions. The champion should also encourage the engagement of other senior leaders to support portfolio management.

- **Engagement by senior leadership:** The champion should encourage and act as a motivator for other senior leaders to engage. That does not mean other leaders should give the responsibility of engagement to the champion alone. The principle of senior management commitment requires every senior leader to engage with portfolio management on their own initiative.

- **Roles, responsibilities, rewards, and recognition:** All roles and responsibilities related to portfolio management, should be outline for everyone who is involved. This includes senior management's responsibilities as well. Every organization has a way of rewarding and recognizing its people and it is also important that these responsibilities are included in the reward and recognition strategy.

Senior-level engagement is crucial to effective portfolio management. This is done by having clearly defined roles and responsibilities, establishing a clear structure for decision-making and explaining the rationale behind decisions to their staff members.

Principle 2: Governance Alignment

Governance is the way an organization operates. All processes and procedures followed by an organization, eventually rolls up to its governance. Everyone in the organization must align their work according to the governance structure of the entity. Governance structure of an organization is dependent on business needs, shareholder requirements as well as regulatory or legal needs. It is important to include the portfolio management requirements in the organization's governance structure. Portfolio management itself has a set of processes (most of which, the organization needs to define). These processes should be part of the organization's overall governance structure, so that everyone knows what they are required to do, and work does not get duplicated.

How is this done?

- **Create a portfolio governance structure:** The first step is to prepare a governance structure for the portfolio. The portfolio governance structure should be aligned with the existing structures as much as possible. If the organization already has a set of processes in place for a certain activity, those should be used if they meet the need. The governance structure will also include role descriptions, reporting structures, composition of committees, and ways of exchanging information.

- **Consider global naming conventions:** Each industry and every company has its own set of acronyms and terminology. In project management, there are abbreviations like PID (project initiation documentation). What would happen if one part of the business uses the abbreviation PID for "process identifier" or "personal identification device"? It is important for the portfolio team to have uniform naming conventions across the organization. It becomes even more important in organizations that have multiple portfolios or department-level sub-portfolios.

- **Understand what to include and what to exclude:** One of the biggest pitfalls in portfolio management is including every single initiative in the portfolio. When many non-strategic initiatives are included, portfolio management becomes complex and its value gets diluted. A good way to avoid this, is to keep threshold criteria to include initiatives in the portfolio. This way, projects that are not required to be in the portfolio, will not get there.

Governance alignment is done by aligning the corporate governance processes and portfolio governance processes. If correctly done, portfolio management can build an end-to-end audit trail of the between investments, and the delivery of strategic objectives, which develops accountability.

Best Practices:

- **Consulting process-owners of functional departments:** When creating a portfolio governance structure, process owners from other departments must be consulted. Especially the departments that closely work with the portfolio management team, such as finance, human resources and organizational risk management. This will help to get the portfolio management process aligned with organizational processes smoothly.

- **Aligning sub-portfolios:** Some large organizations have multiple portfolios, usually at a department-level. Departmental portfolios are usually owned by that particular department, which means there's a tendency for senior management, especially those who are not directly involved, to have little interest in it. This is a pitfall that should be avoided through aligning the organizational portfolio and the sub-portfolios by creating consistency among them, using the same principles and cycles specified in this text.

If only some projects and programmes are included in the organizational portfolio and others are included in sub-portfolios, then consistency should be created between the organizational portfolio and the sub-portfolio.

Principle 3: Strategy Alignment

The organization's project and programmes should be designed in a way that the ultimate objective is to reach what the senior management of the organization plans to achieve. This is the key objective of portfolio management. Strategy alignment exists as one of the principles to establish this.

Investing on the right initiative to reach the organizational strategy is very important. Each initiative (projects and programmes) will result in one or more benefits. At least one benefit from every initiative must be aligned with a strategic objective for the organization. If none of the benefits from a project or a programme is aligned with at least one strategic objective, then the project's existence needs to be questioned. This principle provides a mechanism to assess each initiative towards strategic alignment.

How is this done?

- **Having a well-documented strategy:** The organization's strategy should be clear to all employees of the firm. Market conditions and the business environment can change constantly. This can cause strategies to change and that cannot be prevented. However, it is important for strategies to be converted to objectives that can be measured and then transformed to targets for each area of the business. There are ready-made tools such as "Balanced Scorecard", that can be used to achieve this aim.

- **Connecting business cases with organizational strategy:** Every project or programme must have a business case. The business case usually elaborates the benefits planned by the project.

The first step is to identify the benefits of a project (or a programme). It should also indicate how the benefits can enable the organization to reach its strategic goals.

Best Practices

- **Translating high-level strategy:** Strategic objectives of organizations can be set at a very high level. In many cases, it might be extremely difficult to identify a direct link between a project's benefits and a specific organizational strategy. In such cases, the portfolio office can support the project teams by identifying them or making tools available for project teams to map benefits to strategy. One such tool is "value chain analysis".

- **Strategies that are not quantified:** Some organizations tend to create their strategy in qualitative terms that cannot be easily measured. The portfolio management team can support the project teams to assess how benefits align with strategy. It could be a weighting system or a pair-wise comparison. Depending on the situation, the portfolio team can devise a way of linking strategy with benefits.

- **Continuous collaboration:** This should take place from an early stage between the portfolio office and the strategic planning team is necessary for two-way exchange of information between the two teams. This will help the strategic planning team to understand how goals can be realistically converted to targets and will help the portfolio team to understand future plans at an early stage.

- **Regular reviews:** The portfolio itself should be regularly reviewed. There are many benefits of doing so. This is also covered in other topics. One of the benefits of regular reviews is that it will help us to regularly review whether the portfolio is aligned with the strategy and will reduce rework, which helps to improve quality.

Principle 4: Establishing a Portfolio Office

All activities related to portfolio management, such as establishing a portfolio, setting up project and programme management standards, liaison with senior management, providing timely reports etc., need to be implemented and maintained throughout its life. This is carried out through establishing a "portfolio office". The size of the office and the amount of people needed, will depend on the scale of the organization and its vision. It can also be a physical or a virtual organization with people with dedicated or shared responsibilities.

How is this done:

- **Right place in the organization structure:** Portfolio office is the entity that drives organizational strategy into achievable initiatives. It needs be given the right level of seniority within the organizational structure. The portfolio office must have access to the senior management (at the C-level). The office should also be able to provide transformational leadership to project and programme management teams. The right place for a portfolio office would be at one below the C-level, with a direct reporting line to a C-level leader.

- **Leadership for the portfolio office:** A portfolio office needs to be led by someone who can easily converse with top people in the organization and also able to direct and guide colleagues. Knowledge, skills and experience should be considered when identifying the leader for the portfolio office (also known as the Portfolio Director). Depending on the scale of the organization, the portfolio and the approach that the organization wishes to take, the staffing needs can be determined. There is no need for any individual to be involved on a full-time basis in the portfolio office. This depends on organizational factors. The portfolio office is just one criterion for success. The other criteria (indicated by the other four principles) play an equally important role.

Best Practices

- **Senior leadership engagement:** It is important to remember that organization's top management are not experts in portfolio management. Therefore, it is the leader of the portfolio office, who needs to engage frequently and constructively with the senior leadership get the portfolio office's structure in place. The senior management would only have a vague idea about what portfolio management. In many cases, the senior leadership may see portfolio office as the solution to all their problems. Therefore, the leader of the portfolio office also has the critical job of setting expectations.

- **Clear mandate:** Like any other individual or a team in an organization, the mandate for the portfolio office should be clear. Again, the portfolio office leader has the subject matter expertise to explain to the senior leadership of the organization, on setting the expectations. The mandate should be agreed, and the support mechanisms should be clarified as a first step.

- **Performance criteria:** The portfolio office must have its own performance criteria in place. It is important to set performance indicators for every part of the organization, including the portfolio office, so that the progress and value can be measured. Performance indicators will depend on the organization's environment and its overall goals. Therefore, performance indicators may differ from one portfolio office to another.

The portfolio office should be placed at an organizational level, rather than at departmental level. This helps to prevent silo-based interests from taking place. The portfolio office should not be responsible for managing projects or programmes directly, to ensure performance evaluations of projects are not biased. Sub-portfolios can be placed at departmental level if necessary.

Principle 5: Energized Change Culture

Organizational energy is the aggregation of every individual's effort towards achieving the organization's goals. The term "effort" is used in this situation because organizational energy is not just about the work done by the staff, but how committed the entire team is, in terms of emotion, behaviour and cognition. An energized change culture enables the organization to achieve its goals more effectively.

How is this done:

- **Senior Management's Drive:** Senior management commitment is the first principle of portfolio management. Providing commitment is not limited to providing funding and resources. The senior leadership needs to communicate constantly and motivate everyone within the organization to achieve portfolio goals.

- **Clear visibility from strategic goals to personal objectives:** Similar to the link between strategy and project benefits, there should also be a link between strategy and personal objectives of key individuals. Organizational strategy is achieved through the portfolio. Portfolio is made of projects and programmes. Finally, people carry out projects. Connecting the organization's goals all the way down to individual goals, with role descriptions, will play an important role in creating an energized change culture.

- **Employee engagement strategy:** An "engaged employee" is one who is enthusiastic about their work and takes positive action to further the organization's reputation and interests. An engaged employee would know how their work contributes for the organization's achievements. Keeping employees aware of how their projects and programmes benefit the organization as a whole and how they can personally benefit when the organization achieves its strategic goals, is what employee engagement should achieve.

- **Right level of formality**: The culture of each organization determines the right level of bureaucracy. Some organizations may be highly process-oriented, while some organizations may be able to get things done informally. Finding the right balance is important for the portfolio management to be successful. Portfolio management itself consists of processes. The level of formality in implementing processes, should be according to the organization's culture.

Best Practices:

- **Organizational energy cannot be throttled infinitely:** Organizational energy is maintained through right amount of workload, rewards and recognition, capacity to absorb change and motivational factors. If these factors are not assessed and maintained, organizational energy may move from positive to negative rapidly. Organizational energy cannot be gained by sending out communications and information only.

- **Listening to team members:** The leadership also should listen attentively to team members, especially those who are working at ground level. This motivates team members and can also generate useful ideas.

3.2 What You Need to Remember for the Exam

✪ MoP portfolio management methodology is built on five principles. All five principles must be applied on a portfolio. The five principles are, senior management commitment, governance alignment, strategy alignment, portfolio office and energized change culture.

✪ Senior management needs to create clearly defined roles and responsibilities, establishing a clear structure for decision-making and explain the rationale behind decisions to their staff members.

✪ Governance alignment is carried out by aligning the corporate governance processes and portfolio governance processes. If correctly done, portfolio management can build an end-to-end audit trail of the between investments, and the delivery of strategic objectives, which develops accountability.

✪ Aligning corporate governance also involves identifying who will be accountable for making funding decisions for projects and programmes and a defined pathway for reporting escalations at portfolio and sub-portfolio level. Portfolio governance and corporate governance are managed by two different entities within the organization. The portfolio office retains ownership of portfolio governance. Organizational governance would be managed by a different entity.

✪ If only some projects and programmes are included in the organizational portfolio and others are included in sub-portfolios, then consistency should be created between the organizational portfolio and the sub-portfolio.

✪ The portfolio office should be placed at an organizational level, rather than at departmental level. This helps to prevent silo-based interests from taking place. The portfolio office should not be responsible for managing projects or programmes directly, to ensure performance evaluations of projects are not biased. If required, sub-portfolios can be placed at department-level.

3.3 Next steps

- ✪ Post any questions about this chapter: https://www.linkedin.com/groups/12472747/
- ✪ You are also welcome to e-mail the author: inham@mplaza.pm

4.0 The Portfolio Management Cycles

In the earlier chapters, we understood what portfolio management is, and how it fits in to an organization's strategy. We realized that portfolio management is not a standalone function, but has a relationship with the organization's BAU, strategic planning, finance, project and programme management, performance management and corporate governance. Thereafter, we discussed the five principles of portfolio management - senior management commitment, governance alignment, strategy alignment, portfolio office and energized change culture. In this chapter, we will examine the practice of portfolio management further, by exploring portfolio management cycles.

4.1 The Cyclic Nature of Portfolio Management

Managing a portfolio is broadly divided in to two – defining the portfolio and delivering the portfolio. Unlike projects and programmes, there is no start or an end point for portfolios. Instead, the two parts - definition and delivery are cyclic and continual.

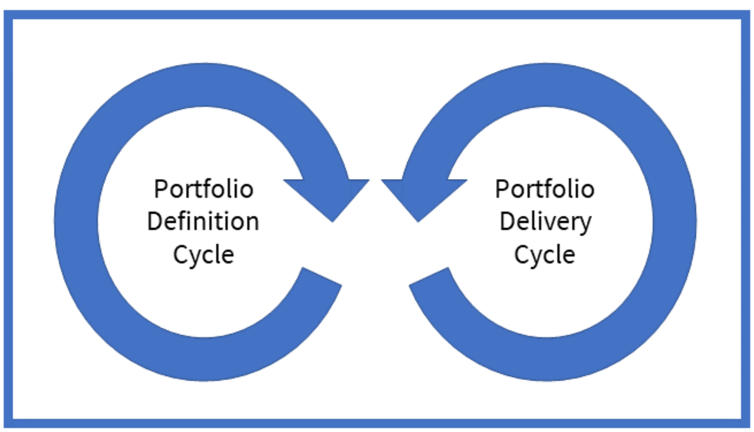

Figure 4.1: The two cycles of portfolio management

The definition and delivery cycles are linked together by the organization's energy. The definition cycle contains five practices that are sequential in nature, but they may sometimes overlap.

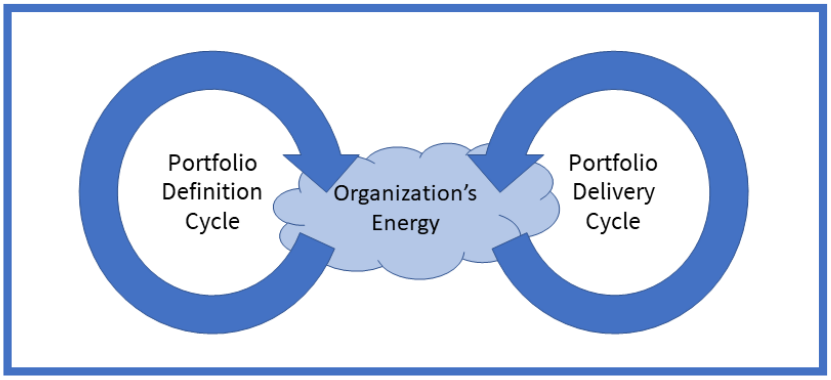

Figure 4.2: The two cycles of portfolio management are linked together by the organization's energy

The delivery cycle is made of seven practices. The seven practices in the delivery cycle largely take place in parallel. In this cycle, projects are not assessed individually in detail. For example, it is not the portfolio management's responsibility to adjust how resources are managed within one project. We always look at the whole portfolio to understand whether we are managing resources effectively.

Processes within the definition cycle are mostly sequential. The delivery cycle processes largely take place in parallel.

The next question is how these two cycles are interlinked to each other. When new projects get added to the portfolio, existing projects may get deprioritized. When strategies change dynamically, projects may also change. Therefore, staff involvement is critical for linking the two cycles together. In this highly dynamic environment, the ability and willingness for the staff to get involved and take bold decisions, is extremely important. This is accentuated through organizational energy.

4.2 The Portfolio Definition Cycle

The portfolio definition cycle is used for generating key information that are needed by the senior leadership to make decisions. This cycle enables senior stakeholders to understand whether the portfolio is aligned with the organizational strategy. In other words, this will help to answer the question, "will the portfolio enable us to go where we plan to go?"

The five processes of the definition cycle are:

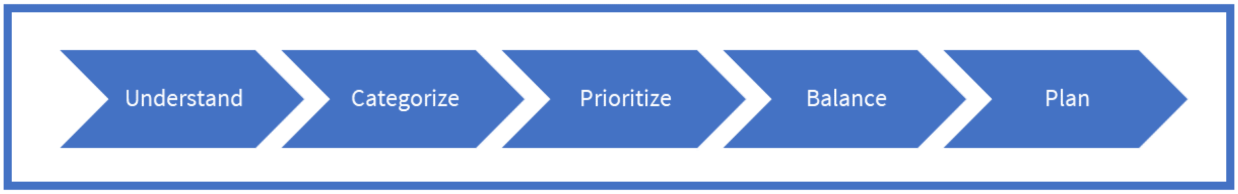

Figure 4.3: Processes of the Portfolio Definition Cycle

There are two key outputs from the definition cycle - the portfolio strategy and the delivery plan. The portfolio strategy indicates “what” the portfolio will deliver. The delivery plan indicates “when and how” the outputs will be delivered. These two outputs enable the senior leadership to understand:

- What will be delivered?
- When will they be delivered?
- What are the key milestones?
- What are the costs associated with these?
- What are the risks?
- What business changes will occur after they are successfully delivered?

Planning and managing details of individual projects is the task of project or programme management team. However, the senior leadership should have an idea of milestones, that will give out benefit-generating outputs, the high-level costs, where the resources are allocated, risks, dependencies and benefits that are realized so far. This will allow the senior leadership to assess whether the changes are going according to what was planned and whether the organization actually has the capacity to deliver what was planned.

The main purpose of the portfolio definition cycle is to assemble important information, which will provide a view to the organization’s senior management, about the projects and programmes that will have highest contribution to the strategic goals.

The definition cycle is about choosing the right projects (“doing the right things”). If the portfolio definition cycle is not done well:

- The portfolio may not reflect the organizational strategy.
- Important, strategically aligned projects may go unnoticed and projects that superficially appear to be important, may get undue priority.
- Pet projects of senior team members may get priority.
- Funds may be allocated to the wrong projects while strategically important projects are starved.
- The outputs from projects may not be used completely in BAU, which result in poor benefits realization.

The portfolio definition cycle needs significant contribution from senior leadership throughout its life and not just at the inception alone. It is important for the portfolio managers and senior leadership meet regularly to review the direction and the status. Poor engagement from the senior leadership can eventually result in the problems that were mentioned earlier.

If the portfolio definition cycle is managed well, the outputs will be a comprehensive portfolio strategy and a portfolio delivery plan.

4.3 The Portfolio Delivery Cycle

The portfolio delivery cycle focuses on the implementation of projects and programmes from the portfolio strategy and portfolio delivery plan. Risks, resources and dependencies within projects are managed by the respective project teams. But at portfolio-level, these are assessed as an aggregate. The delivery cycle ensures projects are well-managed collectively.

In case of resources, the right person ideally should be at the right job. But this is hardly practical. Projects always need to work with available resources and rare resources would be allocated to projects that are most strategically aligned. There may be interdependencies between projects that need to be addressed. If portfolio delivery is managed well, then the overall delivery will improve and most importantly, benefits that are important for the organization's strategy will get realized faster and more effectively.

Portfolio delivery cycle enables the implementation of the planned projects and programmes (change initiatives) according to the Portfolio Strategy and Delivery Plan.

The processes of the delivery cycle are:

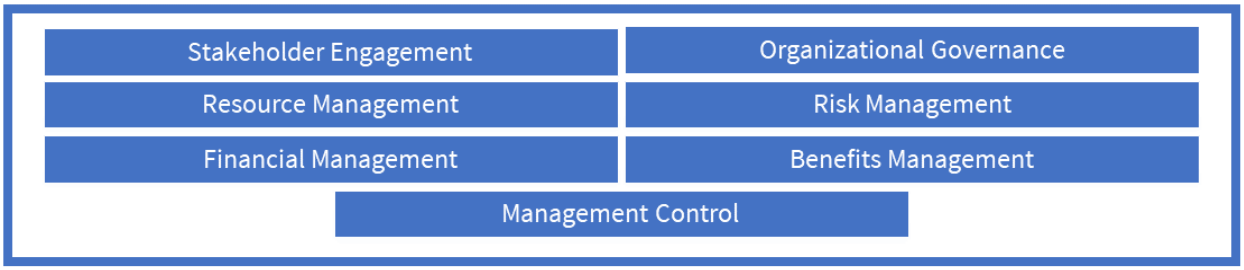

Figure 4.4: Processes of the Portfolio Delivery Cycle

The delivery cycle is about collective delivery of projects and programmes ("doing things right"). If the delivery cycle is not managed well,

- Initiatives may not get delivered at the right time or within budget.
- Logical dependencies (dependencies between projects) may cause projects to delay.
- Resource usage may not be optimal.
- The portfolio itself will not shift itself to changing priorities in business.
- Portfolio will not contribute to the organization's strategy in an optimal way.

Therefore, managing the delivery cycle well, is extremely important to ensure portfolio management is effective.

The complete scope of portfolio encompasses doing the right thing as well as collectively, doing things right. Portfolio scope does not include doing things right at an individual level.

4.4 Organizational Energy

Organizational energy is an understanding of the staff's attitude and behaviour towards change. This includes the attitude of both senior leaders and team members. The concept itself is based on academic research, which divides organizational energy in to four states:

- **Productive energy:** highly involved, care about success and welcome change
- **Comfortable energy:** enjoy what they do, but do not prefer change
- **Resigned energy:** mentally withdrawn and do nothing more than what is necessary
- **Corrosive energy:** team members argue with each other and actively try to prevent changes from taking place

These terms refer to the collective status of energy within a team or for a whole organization, rather than individual energies. In some cases, one team may have productive energy and another team within the same organization may have corrosive energy.

Productive energy is necessary for portfolio implementation to be successful. This can be induced via:

- Commitment, communication, and involvement by senior managers
- Engagement of employees
- Effective governance
- Focus on collective success of the organization

Both resigned energy and corrosive energy are detrimental for an organization. In the former, the employees are mentally withdrawn, and in the latter, employees are actively fighting against any change.

According to research, there are four sources (or 4Cs) of organizational energy. They are:

- **Connection:** how people in the organization connect themselves to the organization's goals
- **Content:** how people are satisfied with their work
- **Context:** how the organizational practices help people to carry out their work
- **Climate:** how organization is supportive towards enabling people to achieve their best

4.5 Implementing Portfolio Management

Unlike projects and programmes, portfolios do not start or end. There are no initiation stages or pre-project stages for implementing a portfolio. Implementation of portfolios commence when the organization understands the importance of managing projects as a portfolio. By this time, the organization will already have some active projects and pipelined projects. There are three approaches to starting a portfolio:

The Big Bang Approach:

The big bang approach is a sudden implementation of a portfolio management structure and practices in an organization. In this approach, all ongoing projects and all pipeline projects are added to the portfolio in one go.

This approach works well in situations where the strategy is formulated by the senior management group and the environment is stable, as it requires very high management commitment, a compelling vision, communication of this vision to all stakeholders, a well-defined implementation plan with a blueprint and most of all, a business case.

In this approach, bulk of the work will involve educating stakeholders about the new way of operating. There may be initial problems due to a sudden transition. However, the advantage is it results in quicker movement and a relatively quick stabilization of the function. Experienced portfolio managers know that a slow approach to building a portfolio, often drags on for a very long time due to other business priorities. Therefore, the big bang approach is usually effective when quick implementation is needed. A recommended implementation strategy is to take the portfolio implementation as a project of its own and give it the right priority.

The big bang approach is suitable for a stable environment where strategy is formulated by the top management.

Evolutionary Approach:

In the evolutionary approach, the portfolio management processes are deployed one step at a time, in an organized way. Areas that need immediate attention can be addressed at first. Or areas that can be transformed easily, are addressed first.

The advantage in this approach is, it addresses the organization's immediate needs. This will enable the stakeholders to realize its value and be engaged with the rest of the implementation process. Another advantage is that it will reduce the disruptions to the organization's BAU. But the flip side is, it may take a longer time to implement. Something else might become priority, which might delay the implementation of portfolio management even more. The key to avoid delaying the implementation is through thorough planning and disciplined execution of the plan. In an environment with less stability and evolving strategy, evolutionary approach would be most suited.

The evolutionary approach is widely seen as the best of both worlds. It reduces the sudden disruption to other activities and establishes its value through visible benefits. The P3O (Portfolio, Programme and Projects Offices) guidelines recommend this approach over both big bang and ad hoc, due to its effectiveness. Although this approach appears to be logical and recommended by many, business needs should be assessed first to understand whether it is the right approach.

The evolutionary approach is suitable for a less-stable environment where strategy also evolves.

The Ad-hoc Approach:

In this approach, portfolio management practices get implemented whenever time and resources permit it. An organization which sees growth in the long term and the need for portfolio management in the future, may start implementing portfolio management in an ad hoc manner today, so that they can gear themselves to asks of the future. There may be no urgency and the management commitment may be low. There is also a very high risk of not completing the implementation, but if it is a conscious decision and the organizational factors are very conducive towards this approach, then it can be accepted.

4.6 Sustaining Progress of Portfolio Management

Many stakeholders in an organization get excited when a new initiative is started. However, enthusiasm usually reduces with time and eventually dies out. This is particularly true for situations where benefits take time to materialize. This can happen irrespective of whether the approach is big bang, evolution or ad hoc. Unlike projects that result in material benefits, a portfolio management implementation results in process changes, which can be also be plagued with resistance to change.

To make sure portfolio management implementation takes place progressively, MoP recommends the following:

- **Senior leadership commitment:** A C-level leader acting as a sponsor is necessary for the successful implementation of portfolio management. The chosen leader (the portfolio director) must continuously promote portfolio management to key stakeholders and engage them. The director will be supported by the portfolio manager, who is given the responsibility of implementing the portfolio will act as the facilitator and provide key technical inputs to make things successful.

- **Evolutionary approach:** The evolutionary approach results in quick wins and it is the recommended approach in most cases. It also demonstrates the value of portfolio management to a larger audience. When benefits are visible to stakeholders, there is a natural tendency to adopt it. However, it is important to look at the environmental factors of the organization and then decide whether this is the right way to go.
- **Reusing existing processes:** If the organization already has some processes in place, they do not need to be changed, unless there is a real reason to do so. For example, some organizations may already have a process to prioritize projects, because they have understood that they cannot do everything at the same time. If the existing processes are good enough, there is no reason to change them. They can be used with portfolio management practice.
- **Success criteria:** Success criteria measures outcomes of efforts. Success criteria should be in place for everyone, including the portfolio director and the portfolio direction group. They should also be made clear to everyone so that every individual is aware of their part. Regular progress reviews should also include a review of success criteria.
- **Individual Performance Criteria:** In most organizations, individual performance is assessed regularly. In most cases, the individual performance criteria are specific to their own department's tasks. To extract the best out of the portfolio, individual performance criteria should envisage a broader organizational context. This will enable portfolio management to be adopted quickly. Portfolio management is always cross-functional. It is not limited to one function alone.
- **Continuous improvement:** Portfolio management practices should also evolve and continuously improve according to the organization's business needs, strategy and environmental changes. Assessing the impact of portfolio management will ensure these forces are addressed and will helps in the on-going development of more effective portfolio management practices.
- **Tailoring:** Portfolio management practices should be tailored to suit local circumstances. This will ensure the organization's existing maturity of delivering projects and programmes are leveraged, to sustain progress of portfolio management.

One way of sustaining progress when rolling-out portfolio management, is to build on existing organizational processes as much as possible. Introducing entirely new processes at once, may create negative organizational energy.

Projects and programmes always have a start and an end. A portfolio is a continuing effort. There are always lessons learned in projects and programmes, which can be reused in other projects. Lessons learned for project implementations can be collected from the internal organization in most cases. On the other hand, a portfolio implementation is always a one-off effort. Some ways of capturing lessons learned in a portfolio implementation, is to retrieve them from other organizations, professional forums or through consultants.

Software systems can certainly help to achieve implementation and continual operation of project portfolio management. They are helpful but not mandatory. They can certainly make data available as and when needed. They can also help to map processes and perform other key functions. Effective use of software is always encouraged. But if the software system itself consumes significant time and effort, then it may not be the right way to go. It is always a good idea to look at tools that are already available within the organization first and then assess whether another tool should be brought in.

4.7 What You Need to Remember for the exam

- MoP portfolio management made of two cycles - the definition cycle and the delivery cycle. Processes within the definition cycle are mostly sequential. The delivery cycle processes largely take place in parallel. The two cycles are linked together by organizational energy.

- The main purpose of the portfolio definition cycle is to assemble important information, which will provide a view to the organization's senior management, about the projects and programmes that will have highest contribution to strategic goals.

- If the portfolio definition cycle is managed well, its outputs will be a comprehensive portfolio strategy and a portfolio delivery plan.

- Portfolio delivery cycle enables the implementation of the planned projects and programmes (change initiatives) according to the Portfolio Strategy and Delivery Plan.

- The organizational energies are productive energy, comfortable energy, resigned energy, and corrosive energy. Productive energy is best suited for any organization. Both resigned energy and corrosive energy are detrimental. In the former, the employees are mentally withdrawn, and in the latter, employees are actively fighting against any change.

- Organizational energies develop from the 4Cs - connection, content, context, and climate. Connection is determined by how people in the organization are connected to the aims and goals, content is how people are satisfied with their work, context and climate arises from how the organization helps and supports people to achieve their work and achieve their best.

- There are three approaches for implementing portfolio management. The big bang approach is suitable for a stable environment where strategy is formulated by the top management. The evolutionary approach is suitable for a less-stable environment where strategy also evolves. The ad hoc approach may only be suitable in an environment where portfolio management is not given priority by top management.

- One way of sustaining progress when rolling-out portfolio management, is to build on existing organizational processes as much as possible. Introducing entirely new processes at once, may create negative organizational energy.

- Continuous improvement and tailoring are important to maintain sustainability in rolling out portfolio management. Portfolio management practices should also evolve and continuously improve according to the organization's business needs, strategy and environmental changes. Assessing the impact of portfolio management will ensure these forces are addressed and will helps in the on-going development of more effective portfolio management practices. Portfolio management practices should also be tailored to suit local circumstances. This will ensure the organization's existing maturity of delivering projects and programmes are leveraged, to sustain progress of portfolio management.

4.8 Next steps

- Post any questions about this chapter: https://www.linkedin.com/groups/12472747/

- You are also welcome to e-mail the author: inham@mplaza.pm

5.0 The Portfolio Definition Cycle

Up until now, we understood that portfolio management is not something that is done in a silo. In fact, portfolio management is closely connected to the organization's strategy, BAU, finance, corporate governance, performance management, project and programme management. To ensure portfolio management is successful, there are five principles that need to be followed. Portfolio management is divided in to two cycles – the definition cycle and the delivery cycle. The two cycles and the practices within them, were introduced in the last chapter. In this chapter, we will learn more about the portfolio definition cycle.

5.1 The Five Practices

All organizations run with a strategy. This may or may not be documented and communicated to staff members, although it should be. Market conditions, customer requirements, competitor behaviour and the organization's internal environment may cause the strategy to change. However, there is always a strategy in place, although it may not be clear to employees of a firm.

The organization's strategy is usually transformed to a set of goals, which trickle down along the firm's hierarchy. The portfolio definition cycle takes over from this point. The primary objective of the portfolio management practice is to align the organization's projects and programmes with its higher strategy and see them through to the end. Portfolio definition cycle is the starting point for this goal.

There are two outputs that result from the portfolio definition cycle – the portfolio strategy and the delivery plan. The portfolio strategy indicates what will be delivered by the portfolio. The delivery plan goes in to details such as when it will be delivered, what are the milestones, risks, costs, people requirements and other factors.

The portfolio definition cycle is divided into five practices. The five practices are carried out sequentially. The five practices are:

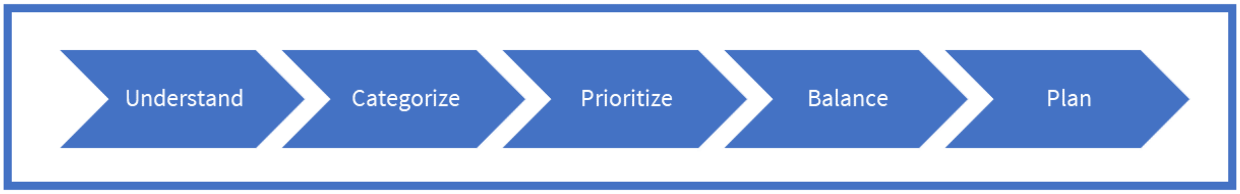

Figure 5.1: Processes of the Portfolio Definition Cycle

5.2 Practice 1: Understand

This practice connects the organization's strategic plans with the projects and programmes that should be included in the portfolio. Organizational planning may take place monthly, quarterly or annually. Some entities, especially governments, may plan twenty or thirty years ahead. The duration itself is irrelevant. If the strategy is long-term, then the portfolio will also be long-term. Further, this is a two-way communication between the portfolio management and the organization's senior leadership.

The portfolio management needs to inform the organization's leadership about:

- Currently ongoing projects (or "change initiatives").
- Projects or change initiatives that are already planned and about to commence ("pipeline projects").
- Expected outcomes from the change initiatives that are already going on and how they will impact the organization. These are usually what we know as "benefits" or "dis-benefits" (negative results).

In all cases, the information should not be detailed, but should be a high-level overview using the least amount of jargon.

The senior management themselves may use a number of techniques to design the organization's strategy. They may need to understand the environment they operate their business in, understand competitors and forecast the future to a certain extent. Tools such as PESTLE (Political, Economic, Social, Technological, Environmental and Legal) analysis, and SWOT (Strengths, Weaknesses, Opportunities and Threats) are common tools that are used for scanning the business environment. In addition to these, Balanced Scorecard, VRIO (Value, Rarity, Imitability, Organization), BCG Matrix etc., can also be used. Once the strategy is created, it should be communicated to the portfolio management. Therefore, the communication between the two entities is two-way.

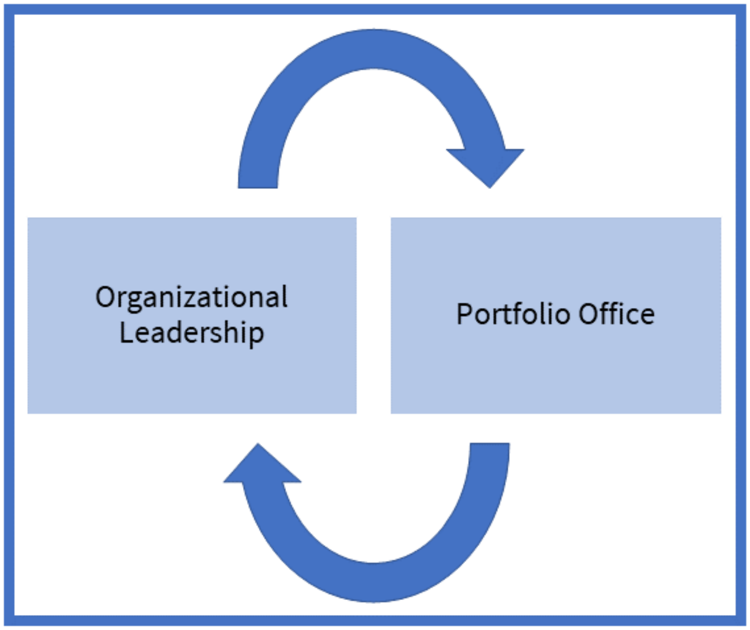

Figure 5.2: The two-way relationship between the organizational leadership and portfolio office

Environment scanning tools play an important role in strategy creation. Tools that can be used include PEST, PESTLE, SLEPT, SWOT etc.

Organizational strategy creation process can be top-down, bottom-up or hybrid. In top-down process, the leadership sets the goals for the short, medium or long-term future and expect the rest of the organization to follow it. In bottom-up, each department is asked to create their plans, which are reviewed by the top management and combined to form the organizational strategy. The hybrid approach is a combination of the two, where the leadership generates its own plans and also includes the plans of each department to create the final strategy. Irrespective of the approach, portfolio management can play an important role in two ways:

- Providing information about the existing transformational initiatives to the board of management
- Receiving the outputs from the board of management and translating them in to executable change initiatives

How is it done?

If the organization already has a portfolio management practice in place, then the portfolio office will highlight the following information on existing projects and programmes to the management:

- Planned business impact
- Forecasted benefits
- Costs and resources required
- Aggregate risks
- Performance to date

Thereafter, the organization's management committee will use tools and techniques outlined earlier (such as PESTLE and SWOT) to scan its business environment and design its strategy. This will be an input to the portfolio management office.

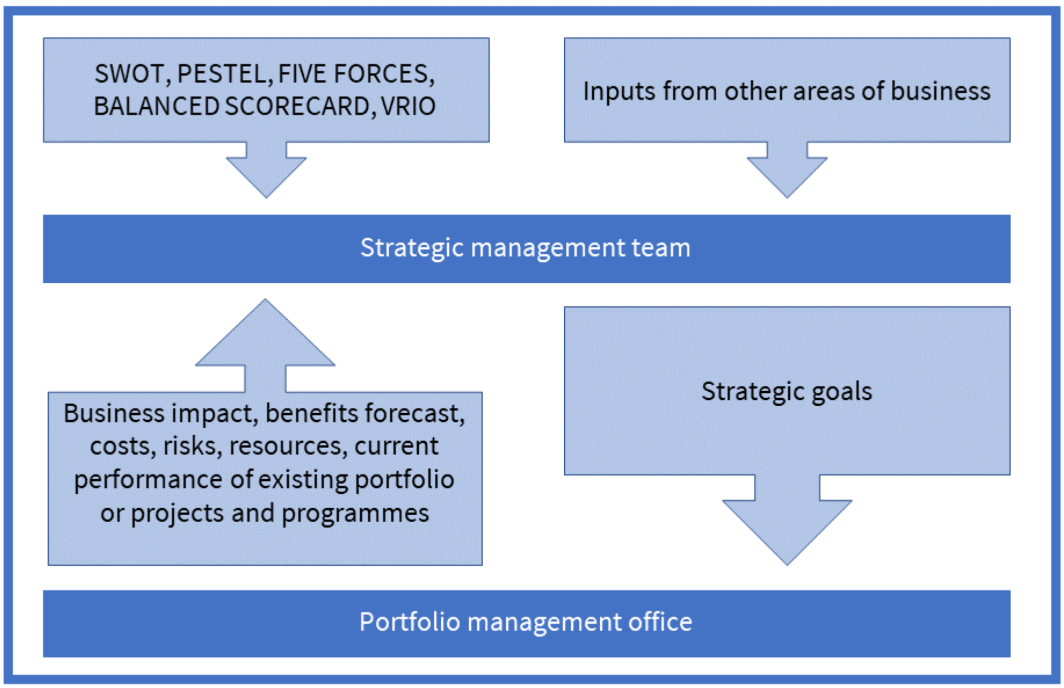

Figure 5.3 Strategic Decision-making Process

When completed, this practice should output a clear and consistent view of the organizational project and programme portfolio. This should include both ongoing projects and programmes as well as pipeline projects and programmes.

This output will also give rise to another activity – a gap analysis, which identifies the gap between the current path of the organization and the expectations of the strategic management. This may also give rise to more projects in the portfolio and in some cases, may also require some projects to close prematurely.

The understand practice is used for creating a picture of the organization's projects and programmes. It should be able to identify all relevant initiatives by involving relevant stakeholders. In this practice, one should also start collecting data that would help to categorize and prioritize projects and programmes, subsequently.

5.3 Practice 2: Categorize

The view of the portfolio gathered from the "understand" practice contains the list of chosen projects and programmes, with a view of how they contribute to organization's strategy. Organizations usually create multiple goals for meeting their strategy. For example, the senior management of an organization decides that in the next financial year, they will follow a strategy of both organic and inorganic growth and a ratio of 60:40 and they expect the total business growth to be double-digits. This situation gives rise to two possible groups of projects and programmes – those that enable organic growth and those that enable inorganic growth. One key requirement is for the senior management to know whether the change initiatives (projects and programmes) support these goals. Therefore, splitting the change initiatives in to these two categories will readily ensure the right information is available for the senior management.

If necessary, the portfolio can also be split to sub-portfolios, where each sub-portfolio can be managed by a separate business segment. This would also be helpful for senior management to picture the composition of the portfolio.

How is it done?

In this practice, each initiative – irrespective of whether it is a project or a programme, placed in a criterion. However, categorization of projects and programmes is not as easy as it appears. If the programmes follow the same structure as the goals created by the higher management, then it would be easy for the portfolio office to provide inputs and status reports to the higher management. But practically, some projects may span multiple goals, while some will only give outputs within a single goal. On the other hand, there may be two projects which are aligned to the same goal, with nothing else in common. Categories can also be risk-based (projects and programmes are placed in different categories according to their perceived risk). They can also be investment-criteria based. Finally, the MoP methodology also proposes a set of generic categories that can be applied for most organizations.

There is no preset rule to carry out the categorization. In fact, the portfolio management team, with the support of the project and programme management team, can choose the right category for each project.

In almost every situation, there may be projects or programmes that fall in to more than one category. Portfolio management team can make a decision whether to place it in one of the categories or both. If a project or a programme does not fall into any of the organization's categories, then its existence needs to be questioned.

The output of this practice is a map of the organization's projects and programmes, with each of them tagged in to one or more predefined categories by the portfolio office. While MoP methodology has a set of categories, organizations are free to choose their own, based on the strategic plans set by the senior leadership. One project or programme can fall in to more than one category. If a project or a programme does not fall into any of the categories, then it needs to be reviewed to understand whether it should exist at all.

Projects and programmes should be placed in different categories, predefined by the portfolio management team. The categories can be strategic-goal based, risk-based or investment-criteria based. Categorization can also follow the generic structure in MoP practice.

5.4 Practice 3: Prioritize

As the word suggests, prioritizing is about ranking the projects and programmes within a portfolio. Unlike its literal definition, in portfolio management, prioritization also means de-prioritization. In other words, if there are ten initiatives within a portfolio, giving high priority to two or three among them automatically means some other initiatives needs to be given lesser importance. Again, prioritization criteria should be designed according to the strategic aims of the business.

How is it done?

First of all, a set of criteria need to be identified, which are sufficiently generic and applicable to all projects. Many organizations opt for financial indicators such as Net Present Value (NPV), Internal Rate of Return (IRR), Payback Period, Initial Investment etc. Financial criteria-based prioritization is popular as business leaders well-associate with financial figures.

Here is an example of how financial attractiveness can be used to prioritize projects:

Priority level (P1 to P5, P5 highest)	Financial Indicators	Projects
P1	Positive NPV + IRR > 20% + Payback Period < 12 months	Project A, Project B
P2	Positive NPV + IRR > 10% + Payback Period < 12 months	Project C
P3	Positive NPV + IRR > 10% + Payback Period < 24 months	Project D, Project E, Project F
P4	All other projects	Project G

Table 5.1: Project Prioritization Using Financial Criteria

It is not a necessity to use financial criteria at all. The organization can have its own set of criteria to determine how projects are prioritized. Prioritization can be based on customer impact, confidence of successful delivery or any other criterion suitable for the industry. An example of a prioritization criterion for a local government authority could be support for sustainable population growth.

Priority level (P1 to P5, P5 highest)	Description
P1	Directly enables the population growth of 1 million in 30 years
P2	Indirectly enables the population growth 1 million in 30 years
P3	Does not have any relevance to population growth

Table 5.2: Another example for Project Prioritization Criteria

In both examples above, there was only one criterion for prioritizing projects. Even in the first example, all financial information, such as NPV, IRR and Payback Period are just that – financial. This is called Single Criterion Analysis (SCA). While this is simple, it would be highly impractical, as no senior management would say the sole reason for the company's existence is to earn money or the sole reason for the council's existence is to plan for population growth.

Organizations usually require more than one criterion to prioritize projects. For example:

Manufacturing Business	Local Authority
Strategy alignment	Strategy alignment
Competitive advantage	Impact to general public
Fit to existing supply chain	Impact to the environment
Required R&D effort	Impact on council expenditure
Marketability	Implementation duration
Ability to improve customer satisfaction	

Table 5.3: Multiple prioritization criteria for two types of organizations

In this example, the manufacturing business have six criteria, while the local authority has five. There are no rules on the number of criteria for scoring. When more than one criterion is required for project prioritization, multi-criteria analysis needs to be used.

When potential investments (projects and programmes) need to be assessed under the two or more main headings, multi-criteria analysis should be used.

In multi-criteria analysis, each criterion is allocated a score. Thereafter, each project is assessed for its impact on each criterion. This is a simple mathematical calculation. However, it is not discussed in detail because it is not within the scope of this text.

Prioritization criteria should reflect the organizational and industry needs. Industry practices should always be analyzed, but at the end, the criteria should reflect the organization's requirements. In fact, if a portfolio is segmented or if the portfolio contains sub-portfolios, then prioritization criteria can differ for each segment or sub-portfolio.

It is important to consider different prioritization criteria for segmented portfolios or sub-portfolios, from the main portfolio.

5.5 Practice 4: Balance

The prioritization process can sometimes result in a skewed portfolio. Whether it is single-criteria analysis of multi-criteria analysis, there is a possibility of too many projects of the same type getting approved. For example, in a production organization, any project that has the capability of increasing sales by 10%, fits to existing marketing strategy, requires very little R&D and fits to existing supply chain, can easily go through and get a good score. If there are ten such projects, all of them can get prioritized, starving other initiatives. And the end result will be ten product launches for the company at the same time! This is the result of an unbalanced portfolio.

Portfolio balancing aims to overcome this problem by organizing the projects and programmes in a way that initiatives give optimal output for the business. This will also prevent a lot of projects finishing at the same time or some resources getting overwhelmed. Balancing helps to achieve all organizational strategic goals and maintains the organizational risk at a reasonable level, by preventing too many high-risk projects or too many low-risk projects getting executed.

Portfolio balancing should always take place after prioritization.

How is it done?

Portfolio balancing can be done manually using a set of independent criteria from what was already selected for prioritization. It can also be done qualitatively, by portfolio governance body assessing the whole portfolio to find out whether any imbalance is created. Large organizations may choose algorithmic assessments to balance the portfolio.

Graphical representation of the projects and programmes in the portfolio is always helpful for understanding the current nature of the portfolio. Following is an example that shows how the prioritized projects in the portfolio, match two balancing criteria (risk and reward).

Figure 5.4: Risk and Reward Bubble Diagram

This example shows three high-risk, high-reward projects, two low-risk, low-reward projects, and one each for low-risk, high-reward and high-risk, low-reward. From the outset, the portfolio governance team can choose to cancel the high-risk, low-reward project, because it would not make a sensible investment. If three projects are too many for high-risk, high-reward criteria, then the organization can opt for removing one of them or moving it to a different timeline.

Good practices of portfolio-balancing include representation of information in a graphical format, portfolio governance committee involvement and the usage of objective techniques such as algorithms to carry out balancing. No one (especially the management) should be allowed to overrule the results of the balancing process and it is always preferable for the portfolio office to sign-off on it.

5.6 Practice 5: Plan

This is the last practice of the portfolio definition cycle. In this practice, information from previous practices are collated. The two key outputs of this practice are the portfolio strategy and the delivery plan. These plans should also be approved by senior leadership to make sure there are no gaps in expectations. The leadership team that approves and drives the portfolio is the portfolio direction group, which is separate group with delegated responsibility by the senior management.

The portfolio strategy will enable all stakeholders to understand where the portfolio is heading and how it is designed to help the organization to reach its strategic goals. The portfolio delivery plan is a more detailed artefact which will go into milestone level and will enable tracking and managing resources.

The aim of this practice is to create a plan with clear milestones and a schedule, which can be tracked and managed. The outputs should motivate people to deliver shared goals.

How is it done?

Presenting the portfolio strategy and the delivery plan can be done in a creative and suitable way for the organization, the presentation should include:

- A view of how the portfolio is aligned with the business strategy and how it enables the achievement of the business strategy. This is the presented portfolio strategy.
- An overview which is clear to all stakeholders on what is included in the portfolio and how it will be delivered. This should indicate milestones, budgets, expected benefits along with a summary of risks. This is partly the strategy and partly the delivery plan.
- A baseline for monitoring and reviewing the progress of the portfolio. This is part of the portfolio delivery plan.

The portfolio strategy and the delivery plan are living entities. They are not presented once and left on their own. They should be reviewed along with the organizational strategy reviews. This usually happens every quarter in most organizations. In some cases, it may happen annually. There may also be ad-hoc strategy reviews taking place due to sudden changes in the business environment or any other factors that significantly affect the business. If the senior leadership of the organization decides to revisit their strategy, then the portfolio strategy and the delivery plan must also be reviewed.

5.7 Benefits of a Well-managed Portfolio Definition Cycle

If the portfolio definition cycle is managed well, the right projects and programmes will be in the portfolio and they will be aligned with the senior management’s strategic goals and aims. The projects and programmes will also be balanced. The final benefit will be an improved delivery time of projects and improved budget utilization.

The end-benefit of a well-managed portfolio definition cycle will be improved delivery times and improved budgetary performance of projects within the portfolio.

5.8 What You Need to Remember for the Exam

- ✪ The five practices of the portfolio definition cycle are understand, categorize, prioritize, balance and plan. The two outputs of the definition cycle are the portfolio strategy and the portfolio delivery plan.
- ✪ The "understand" practice is used for creating a picture of the organization's projects and programmes. It should be able to identify all relevant initiatives by involving relevant stakeholders. In this practice, one should also start collecting data that would help to categorize and prioritize projects and programmes, subsequently.
- ✪ In the "understand" practice, environment scanning tools play an important role in strategy creation. Tools that can be used include PEST, PESTLE, SLEPT, SWOT etc.
- ✪ "Categorize" practice enables the projects and programmes to be categorized into groups. If necessary, the portfolio can also be split to sub-portfolios, where each sub-portfolio can be managed by a separate business segment. This would also be helpful for senior management to picture the composition of the portfolio.
- ✪ Projects and programmes should be placed in different categories, which are predefined by the portfolio management team. The categories can be strategic-goal based, risk-based or investment-criteria based. Categorization can also follow the generic structure in MoP practice.
- ✪ In the "prioritize" practice, each change initiative is allocated a priority. This can be based on single-criteria analysis or multi-criteria analysis.
- ✪ When potential investments (projects and programmes) are assessed under the two or more main headings, multi-criteria analysis should be used.
- ✪ It is important to consider different prioritization criteria for segmented portfolios or sub-portfolios, from the main portfolio.

- The "Balance" practice should always take place after prioritization to ensure the portfolio is not skewed.

- Good practices of portfolio-balancing include representation of information in a graphical format, portfolio governance committee involvement and the usage of objective techniques such as algorithms to carry out balancing. No one, especially the management should be allowed to overrule the results of the balancing process and it is always preferable for the portfolio office to sign-off on it.

- The aim of "plan" practice is to create a plan with clear milestones and a schedule, which can be tracked and managed. The outputs should motivate people to deliver shared goals.

- The end-benefit of a well-managed portfolio definition cycle will be improved delivery times and improved budgetary performance of projects within the portfolio.

5.9 Next steps

- Post any questions about this chapter: https://www.linkedin.com/groups/12472747/

- You are also welcome to e-mail the author: inham@mplaza.pm

6.0 The Portfolio Delivery Cycle

Portfolio management process is split in to two cycles – the definition cycle and the delivery cycle. The definition cycle is about how to transform the organizational strategy into a project portfolio. First, we need to understand the vision of the business and where the existing portfolio is heading. Then we need to categorize each effort. Once that is done, we use a scoring model to assess and prioritize each project or programme. There are many ways to do this, but the most practical way is to use multi-criteria analysis. The result generated by prioritizing projects through an analytical framework will almost always be skewed. Therefore, we take an extra step to understand whether the portfolio is balanced. Putting it all together, is the final step of defining the portfolio. This step is called planning, where two important products are created – the portfolio strategy and the delivery plan. In this chapter, we will learn how to extract the benefits of all the hard work we have done so far, by putting it all in to practice.

6.1 The Seven Practices

The portfolio definition cycle had five practices. They are done in sequence. On the other hand, the delivery cycle has seven practices. They are mostly done in parallel. The delivery cycle is geared towards the collective delivery of projects and programmes in the portfolio as a whole.

Portfolio definition cycle activities are largely sequential. Portfolio delivery cycle activities are largely parallel.

Practices in the portfolio definition cycle require specialist portfolio management knowledge, which is the expertise of the portfolio office. On the other hand, practices in the delivery cycle require the tapping other specialist knowledge areas such as financial management, organizational governance and human resource management. The portfolio specialist has the task of tapping expert knowledge from all these areas and engaging them towards achieving the goals set out in the portfolio strategy and delivery plan.

The main aim of the portfolio delivery cycle is to ensure planned change initiatives in the portfolio strategy and delivery plan are successfully implemented.

The delivery cycle has seven practices. They are:

Figure 6.1: Seven Practices of Portfolio Management

The seven practices encompass a wide range of skills. At the administrative level, following prerequisites will enable the organization to get better results in implementing the delivery practice.

- **The organization must have good corporate governance standards:** If the organization itself does not have proper policies and procedures in place to govern its business, then portfolio management may get affected.
- **The organization must have project management practices in place:** Portfolio goals are achieved through projects and programmes, which need to be delivered consistently. Inconsistent project management practices will deter the successful implementation of portfolio delivery practice. However, portfolio office can support by improving organization-wide project and programme delivery capability.

Portfolio management can support organizational project and programme management practices by developing organization-wide capability to deliver projects and programmes.

6.2 Practice 6: Management Control

The portfolio strategy and the delivery plan are the two key outputs of the portfolio definition cycle. Management control is to the practice that ensures these two outputs are followed, so that the portfolio remains aligned with the strategy. The portfolio strategy is targeted towards top management and the delivery plan is targeted for those who deliver projects and programmes. Both portfolio strategy and delivery plan are owned and managed by the portfolio office.

The two main aims of the management control practice are to ensure the portfolio remains aligned with the strategy and delivery of the portfolio is on track.

How is this done?

The management control practice enables the organization to bridge a gap between project and programme management delivery activities and the expectations of portfolio management. This practice has five activities:

Figure 6.2: Elements of Management Control Practice

Defined Processes:

- Processes need to ensure the right option is chosen at the beginning of the project itself and the right benefits are achieved from the project.
- A process must be in place for escalation handling, which enables project and programme managers to escalate decision-making when their decision-making limits are exceeded.

Guidance and Templates:

- Project managers may use templates for the purpose of managing their own projects. Two important outputs of projects have an impact beyond the project itself. They are, the Business Case and the Benefits Realization Plan. Creating templates and providing guidance for project managers to create sound businesses cases and build uniform benefits realization plans will enable portfolio management to build a clear picture of how ongoing initiatives help achieve the organization's strategy.
- In addition to the two key templates – business case and the benefits realization plan the portfolio office can also provide templates for project initiation documentation, feasibility studies, investment appraisals etc., and also provide tools and techniques such as project management tools and reporting tools.

Regular Progress Reporting:

- Progress reporting is one of the most important areas in projects and in programmes. This allows stakeholders to know where the project is headed and what problems are expected or faced. On the other hand, portfolio management performs the key task of reporting at portfolio-level, in addition to managing them. The audience for portfolio-level reviews, is the senior management of the entity.

Portfolio-level Review:

- Reporting goes almost hand-in-hand with reviews. Properly designed reporting can actually minimize the number of reviews that are needed. If there is a need to review the portfolio frequently, then it is very likely that reports do not meet stakeholder expectations. As a rule of thumb, reviewing the portfolio every quarter or every 6-months should be sufficient for most businesses. Some organizations may opt for annual reviews, which is also acceptable.

- Reviews should encompass factors such as meeting key milestones, budget expenses against benchmarks, planned and achieved benefits, expected future performance and any other performance metrics related to the portfolio.

Stage Gates:

- Projects and programmes must always have a continued business justification to exist. This is a golden rule in any project. If the business justification does not hold any longer, then the project must be closed. Part of management control is to place regular stage gates for projects, where the continued business justification of projects must be assessed. This is done at the stage-gate level. Note that stage gates are different from portfolio-level reviews.

Keys to success of the management control practice includes regular stage reviews during the lifecycle of any project or programme, regular progress reporting, strategy-aligned reviews, defined processes and uniform templates and guidance for project and programme teams.

6.3 Practice 7: Benefits Management

Projects are done to achieve benefits. Benefits are planned and managed by the portfolio office to achieve the organization’s strategy. To achieve this, there are six tasks that the portfolio benefits management practice needs to carry out:

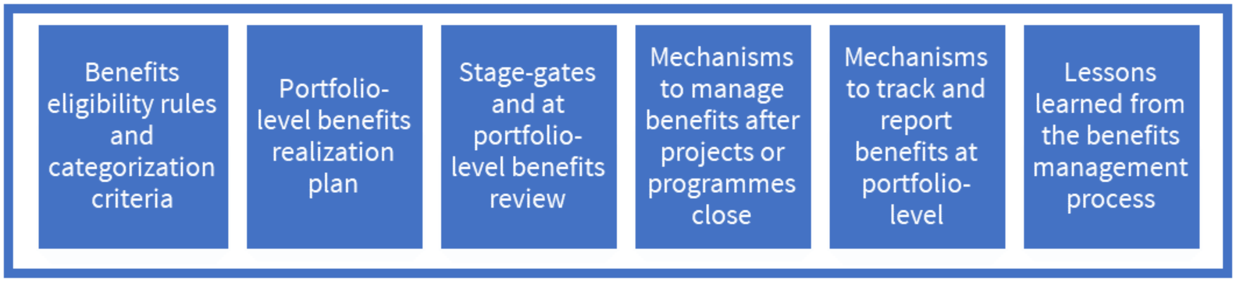

Figure 6.3: Elements of Benefits Management Practice

How is this done?

Creating benefits eligibility rules and categorization criteria:

- Each project and programme may result in more than one benefit Benefits should be categorized across all projects in the same way, so that every project or programme uses the same criteria to assess benefits. And at the end, the portfolio office can consolidate all of them in to one, for presenting a portfolio-level view.

- Benefits eligibility rules are created to define the way benefits are documented and managed. Categorization is one part of benefits eligibility rules. Benefits eligibility rules must be in place to quantify the value of the benefits and validating them, after the project or the programme starts accumulating benefits.

Creating a benefits realization plan at the portfolio-level:

- Every project or programme manager will need to plan the benefits realization of their own change initiative. The portfolio office will put it all together and create a forecast of benefits for the future planning periods. It is important to note that this is not merely putting all the benefits together.

The portfolio benefits management framework enables a consistent approach to managing benefits in projects and programmes throughout the portfolio.

Forecasting benefits:

- The portfolio office also has the capability of making reliable estimates of future benefits, based on how the organization has been performing in the past. The portfolio office can use reference-class forecasting to create a forecast based on past-performance.

Reference class forecasting enables benefits to be estimated using information from past projects and programmes.

Reviewing benefits at each stage:

- The portfolio office will have a consolidated list of benefits. They should be regularly reviewed. This is to understand whether the accrued and future benefits are in line with the strategic goals. This review is carried out with the executives and can be used as an opportunity to renew the commitments of the senior management, to the portfolio.

Reporting and Tracking benefits:

- Our main aim is to enable the organization to reach its strategic goals. Projects and programmes create benefits. Benefits are the building blocks to reach the organization's strategy. A uniform mechanism to track and report benefits will ensure nothing is slipped. When reporting information, it is also important to stick to a planned route and a reporting schedule. This will ensure stakeholders receive "one version of the truth".

When reporting, it is essential that the audience should only receive one version of the truth. A pre-planned route and a schedule for sending updates will be helpful to achieve this.

6.4 Practice 8: Financial Management

An organization's finances remain the topmost indicator of how it performs. This is true, even for non-profit entities, because their continuity is dictated by how well they manage their funds. Therefore, it is very important to align the portfolio management with the financial management processes of the organization.

The six elements of the financial management practice are:

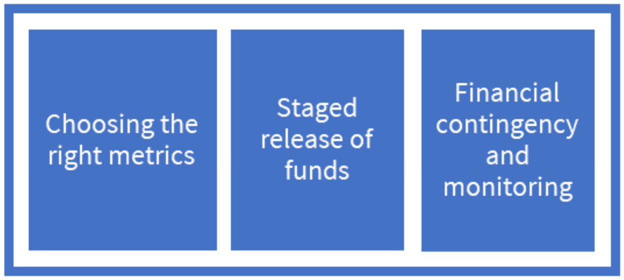

Figure 6.4: Elements of Financial Management Practice

How is this done?

Choosing the right metrics:

- Financial performance is almost always assessed through metrics. Net Present Value (NPV), IRR (Internal Rate of Return) and Break-even Point are some of the metrics that are commonly used for assessing investment decisions. These metrics can be applied to most portfolios. The finance team and the senior leadership would be best poised to choose the metrics are best suited for the organization's business model.

Net present value is a financial indicator that expresses the value of future costs and benefits in today's money. This is due to the fact that value of money depreciates with time.

Staged Release of Funds:

- Funds are rarely released upfront to a project. In nearly all cases, funds get released stage by stage, as the project or programme progresses. The obvious reason is the fact that any organization works with a limited budget and there are always other investments and expenses that require funding. Therefore, a financial plan for the entire portfolio is also a necessity.

Staged release of funding should be aligned with milestones and gates of the project. This will ensure funds are best utilized

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Financial Contingency and Monitoring:

- An organization would also have a financial contingency plan. The financial contingency plan is created to mitigate the impact of an unforeseen risk. There should also be a contingency plan at portfolio level, to address project, programme and portfolio-level contingencies. The reason is simple. Not meeting portfolio aims will have a serious impact on meeting the organization's strategy and the portfolio-level financial contingency plan can also be aligned with the project-level and programme level contingency plans.

- All organizations monitor the amount of money they spend for their activities. Monitoring spend at portfolio-level is equally important, as it will give a good indication on the costs that are incurred for reaching the organization's strategic goals. The same dashboard can be trickled down to programme and project-levels.

6.4 Practice 9: Risk Management

Risks are unexpected events that may or may not occur. Risks can happen in projects, programmes and portfolios. Effective management of risks is an important task for the portfolio office.

Figure 6.5: Elements of Risk Management Practice

How is this done?

Aligned portfolio and organizational risk management practices:

- If the organization has risk management policies and practices in place, portfolio management needs to collaborate closely with them to ensure there is no duplication of work and conflicts in processes.

Managing interdependencies between projects and programmes:

- Each project or programmes carries own risk. Risk shifting occurs when the action taken to mitigate a risk from one project, has an effect on another project. Portfolio management needs to ensure the effect of risk shifting is reduced. Similar to risks, logical dependencies take place when one project is waiting for the output from another project.

Maintain financial contingency:

- Mitigation strategy of a risk heavily depends on the risk, the project and the possible strategies to address it. The organization's risk appetite is also a factor can affect risk response strategies. Taking all these factors into account, a portfolio office should have its own financial contingency budgets available.

Including risk management in the prioritization process:

- Multi-criteria analysis enables us to choose more than one criterion to prioritize projects and programmes. Many organizations would choose financial returns as one of the prioritization criteria. Alongside financial returns, risk can also be considered to understand the risk-management effort that is needed to achieve desired returns.

Consider the risk to the organization from the portfolio:

- The organization will have its own risks to manage. Risks generated by the portfolio can have an impact on the organization. How the portfolio risk will impact the organization, should be monitored and managed by the portfolio office.

The main elements of risk management include managing interdependencies between projects and programmes, maintaining sufficient portfolio-level financial contingency and including risk in the prioritization process, along with returns.

6.5 Practice 10: Stakeholder Engagement

Stakeholders for portfolios are usually senior, influential people. Managing their expectations can be tricky. It is important to engage them in the right way at the right time, which will eventually result in successfully reaching the organization’s strategic goals. All stakeholders, irrespective of whether they are internal or external, are customers of the portfolio office. Engaging them is not just limited to keeping them informed or following their orders. Engaging means tapping the interest and influence of stakeholders to achieve organization’s goals.

Figure 6.6: Elements of Engaging Stakeholders Practice

How is this done?

Creating a shared vision:

- Each senior leader in an organization has their own vision. Vision of the finance leader may be different from that of the technology leader. Organizational leadership and the portfolio office both, can benefit from creating a common vision for all senior leaders.

Getting the support of the management board for portfolio communications:

- Communications that are supported by senior management are usually very effective in most organizations. Identifying an influential senior management team member to give proactive and visible backing, will help to gain the support of most people in the organization.

Interest-influence matrix:

- In portfolio management, stakeholders are assessed with the interest the level of influence they have on portfolio. This enables us to identify high-interest, high-influence stakeholders, who need to be managed carefully.

Building an engagement strategy around each stakeholder:

- Understanding each stakeholder's comfortable way of receiving communications is important. Some stakeholders may be great at tapping away on a smartphone, while some still prefer e-mails or memos. Understanding each stakeholder's information needs and communication needs will improve engagement with the portfolio.

Collaborative development of communication strategies:

- Communication is an essential part of project, programme and portfolio management. In many organizations, there will be an individual or a team handling internal marketing within the organization. If the organization has communications specialists, their knowledge and skills can be utilized for building a communication strategy centred on the portfolio. This will obviate the need of reinventing the wheel.

Using champion-challenger model:

- Champion-challenger model is a decision-making mechanism. This model requires an individual who has a "better" idea than what is currently in practice, becomes a "champion" of that idea, while others become "challengers". If one or more of the challengers' ideas are found to be better than the champion's idea, then the challenger becomes the champion, while everyone else become challengers. This strategy can be applied for stakeholder engagement, where a stakeholder, who has a "better" idea than what is in practice, is positively engaged.

The elements of engaging stakeholders include creating a shared vision, getting management board support for portfolio communications, building an influence-interest matrix, building an engagement strategy around each stakeholder and using the champion-challenger model for getting stakeholders to engage positively. This is a core part of the portfolio delivery plan.

6.6 Practice 11: Organizational Governance

Organizational governance is a system by which an organization makes and implements decisions in pursuit of its objectives. They can be influenced by internal parties such as senior management or external parties such as external bodies, the government (through laws and regulations), pressure groups and stock exchanges. Portfolio management should align itself with the organization's structure. This will create efficiency.

Figure 6.7: Elements of Organizational Governance Practice

How is this done?

Vision Alignment:

- The aim of the portfolio is to achieve the organization's strategic objectives. Strategic objectives will always be aligned with the organization's vision (if not, the senior management needs to address that problem first). Both organizational vision and the portfolio vision should be aligned together and signed off by the senior management to ensure the portfolio is geared to deliver the objectives set out in the organizational vision.

Portfolio Success Criteria and Stage Gates:

- Success criteria are used for assessing whether things are going according to plan. Metrics need to be designed for assessing the portfolio's ongoing alignment with the organizational goals. The nature of metrics differs from organization to organization. There are no universally applicable metrics that can be used for any business. Therefore, the portfolio management need to design the metrics in collaboration with the organizational leadership. Stage gates are regular milestones, where assessment will be carried out. Creating regular stage gates is important to create success for the management control practice.

Role Descriptions:

- Similar to job descriptions, role descriptions outline what is expected from an individual or a group, which is performing a specific role. An individual may perform more than one role. In portfolio management, some roles are performed by a group (such as the portfolio progress group). Portfolio governance requires clear role descriptions are created for every role to ensure expectations are clarified.

Escalation Paths:

- Decisions sometimes need to be escalated to higher levels. Escalations can happen within projects, within the programme or from project/programme to the portfolio. In some cases, escalation can happen from the portfolio to senior corporate management. A part of aligning the portfolio with the business change lifecycle, would be to define the escalation paths and decision-making limits for each individual or group.

Process Ownership:

- Portfolio management processes are owned and managed by the portfolio office. The portfolio office will keep checking continuously, whether the processes are operating fine and they are doing the job. It will also check whether the processes are being followed and there are no non-compliances. If there are too many non-compliances or if too many people are bypassing processes, it is also important to find out whether the process is the right one. This is also part of the portfolio office's responsibility.

6.7 Practice 12: Resource Management

Resources will always be constrained in real life organizations. Excessive resources cause inefficiencies and survival will be extremely tough for an inefficient entity. One of the most important roles of the portfolio office is to manage resources efficiently. This means making tough decisions to allocate good resources to projects that are considered high priority, while managing expectations of others. This is an important task for the portfolio office, but it can have serious impacts towards business efficiency and benefits realization.

Figure 6.7: Elements of Organizational Governance Practice

How is this done?

Maintaining a resource register and schedule:

- At portfolio level, a register needs to be maintained for all organizational resources with a mapping to skill set. Most resources will have expertise in one or two areas and working knowledge in a few other areas. By maintaining a resource register, the portfolio office can support projects and programmes to find suitable resources to meet their needs. Resource schedule can be created using business cases that are created for each change initiative.

Dynamic resource planning at portfolio-level:

- Resource requirements for projects and programmes are always dynamic. At portfolio-level, forecasting should be done to ensure the current and future demand for resource and their timing is understood.

Regular review of resources and corrective action:

- Project and programme managers will inevitably look up to the portfolio office to supply them with resources. When shortages of resources are predicted to occur, the portfolio office needs to take corrective action. Predicting whether there will be resource shortages can be carried out during regular reviews.

6.8 What You Need to Remember for the Exam

✪ Portfolio definition cycle activities are mostly carried out in sequence. Portfolio delivery cycle activities are mostly done in parallel.

✪ The main aim of the portfolio delivery cycle is to ensure planned change initiatives in the portfolio strategy and delivery plan are successfully implemented.

✪ Portfolio management can support organizational project and programme management practices by developing organization-wide capability to deliver projects and programmes.

- ✪ The two main aims of the management control practice are to ensure the portfolio remains aligned with the strategy and delivery of the portfolio is on track.
- ✪ Keys to success of the management control practice includes regular stage reviews during the lifecycle of any project or programme, regular progress reporting, strategy-aligned reviews, defined processes and uniform templates and guidance for project and programme teams.
- ✪ The portfolio benefits management framework enables a consistent approach to managing benefits in projects and programmes throughout the portfolio.
- ✪ Reference class forecasting enables benefits to be estimated using information from past projects and programmes.
- ✪ When reporting, it is essential that the audience should only receive one version of the truth. A pre-planned route and a schedule will be helpful to achieve this.
- ✪ Net present value is a financial indicator that expresses the value of future costs and benefits in today's money. This is due to the fact that value of money depreciates with time.
- ✪ Staged release of funding should be aligned with milestones and gates of the project. This will ensure funds are best utilized
- ✪ The main elements of risk management include managing interdependencies between projects and programmes, maintaining sufficient portfolio-level financial contingency and including risk in the prioritization process, along with returns.
- ✪ The elements of engaging stakeholders include creating a shared vision, getting management board support for portfolio communications, building an influence-interest matrix, building an engagement strategy around each stakeholder and using the champion-challenger model for getting stakeholders to engage positively. This is a core part of the portfolio delivery plan.
- ✪ The portfolio office also has the responsibility of maintaining a resource register, creating a resource schedule, planning resources dynamically and regularly reviewing resource utilization and taking corrective action.

6.9 Next steps

- ✪ Post any questions about this chapter: https://www.linkedin.com/groups/12472747/
- ✪ You are also welcome to e-mail the author: inham@mplaza.pm

7.0 Key Portfolio Management Roles

Portfolio Direction Group (PDG) May also be known as the **Investment Committee**	• Approves portfolio management practices, including the framework and definition cycle processes • Checks whether the portfolio is balanced, contains sufficient and feasible number of projects and programmes and approves the portfolio strategy and delivery plan. • Provides funding to the portfolio and approves individual projects and programmes within the portfolio. This includes terminating projects and programmes where necessary. • Reviews the portfolio regularly considering organizational goals and recommendations from other key stakeholders to direct the portfolio. • Acts as the highest level of escalation to ensure any conflicts are resolved according to the organization's best interests.
Portfolio Progress Group (PPG) May also be known as the **Delivery Committee**	• Responsible for the portfolio delivery cycle processes getting effectively carried out at the organization. • Monitors the overall progress and resolves any issues that may compromise the delivery and subsequent benefits realization of the portfolio. • Manages the budget, benefits, risks, issues, assumptions and dependencies as well as resources effectively, by taking proactive action, including forecasts when required. • Acts as the approver of portfolio-level communications to the senior management and other stakeholders

Portfolio Director (PD) May also be known as **Business Change Director**	• This is an individual role for a senior leader. The PD will champion the portfolio management practice across the organization. • Acts for the best interest of the portfolio by ensuring funding availability, PDG approvals and maintaining positive relationship between the portfolio office and the senior leadership. • Promotes a culture of positive energy within the organization, especially among teams that deliver projects and programmes.
Portfolio Manager	• Carries out day to day management of portfolio by coordinating with various stakeholders, including Project and Programme Managers. • Prepares portfolio strategy, delivery plan and updates to the senior management of the organization • Ensures consistency in project documentation such as business case and benefits realization plans • Carries out portfolio prioritization and balancing based on the direction of the senior leadership and information from project/programme owners.
Portfolio Benefits Manager	• Builds the benefits management framework for the portfolio and ensures the benefits management approach is applied consistently across all projects and programmes. • Engages in business case creation, feasibility studies and investment appraisals during starting stages of projects and engages in benefits realization activities during post-implementation stages. • Advises and trains project and programme managers on effective benefits realization from projects.
Project and Programme Managers (PPMs)	• Execute individual projects or programmes based on the portfolio strategy and the portfolio delivery plan • Work closely with the portfolio office to generate business cases, secure resources, report progress and manage benefits • Actively participate in creating an energetic culture within their teams.

7.1 What You Need to Remember for the Exam

- Portfolio direction group consists of senior-most management in the organization and they participate actively in the portfolio definition cycle. Portfolio progress group is actively involved in the portfolio delivery cycle tasks.

- None of these roles need to be full-time. One individual can perform more than one of these roles, while carrying out other organizational tasks as well. Only exception is the portfolio office should not have direct delivery responsibilities. This is to avoid bias in assessing performance of projects or programmes.

7.2 Next steps

- Post any questions about this chapter: https://www.linkedin.com/groups/12472747/

- You are also welcome to e-mail the author: inham@mplaza.pm

8.0 Key Portfolio Management Documents

Portfolio Strategy	The portfolio strategy indicates what will be delivered by the portfolio and enables senior stakeholders to understand where the portfolio is heading (vision, mission and objectives) and how it is designed to help the organization to reach its strategic goals.
Portfolio Delivery Plan	The portfolio delivery plan is more detailed than the portfolio strategy. This document acts as the baseline for monitoring progress of the portfolio. The delivery plan goes in to details such as when it will be delivered, what are the milestones, risks, costs, people requirements and other factors.
Portfolio Benefits Realization Plan	Portfolio benefits realization plan is a summary of benefits that are forecasted to be achieved by the portfolio for a set time period (usually a quarter or a year). This can also be used as a baseline for tracking benefits. Note that this does not include actuals.
Portfolio Dashboard	Portfolio dashboard is a presentation of planned vs. actual progress of collective initiatives within the portfolio. This will enable stakeholders to identify areas where potential issues may occur. Note that any forecast and actuals comparison is highlighted in the portfolio dashboard. For example, portfolio benefits realization plan indicates only planned benefits and portfolio financial plan includes only planned finances, but portfolio dashboard includes both planned and actuals.
Portfolio Resource Schedule	Portfolio resource schedule specifies the capacity of resources and their availability to support change initiatives within the portfolio is outlined in the portfolio resource schedule. This document will also include slack, over- and under-capacity.
Portfolio Financial Plan	Portfolio financial plan contains the budget for the portfolio. This is acts as the baseline for tracking expenditure. Note that this does not include actuals.
Portfolio Management Framework	Portfolio management framework acts as a reference to stakeholders on the portfolio management practices of the organization and how the portfolio governance takes place.

Portfolio Benefits Management Framework	Portfolio benefits management framework provides a consistent mechanism to manage benefits of all projects within the portfolio.
Portfolio Stakeholder Engagement Plan	Portfolio stakeholder engagement plan provides a framework for consistent engagement of stakeholders and communications for the portfolio.

8.1 What You Need to Remember for the Exam

- Portfolio dashboard indicates planned vs. actual status for most portfolio-related items – such as resources, finances and benefits. Plans include only planned values.

8.2 Next steps

- Post any questions about this chapter: https://www.linkedin.com/groups/12472747/
- You are also welcome to e-mail the author: inham@mplaza.pm

The MoP Foundation Exam

Exam Format

- The MoP Foundation exam has 50 multiple choice questions with one correct answer per question
- The pass mark is 50%. You need to get 25 correct. There is no negative marking
- Exam duration is 40 minutes
- This is a closed book exam with no support allowed
- You can register and sit for this exam completely online, at your own convenience. Exam proctoring takes place through the webcam

Prerequisites

To sit for the exam, you will need the following:

- A laptop or a desktop with:
    - Windows 7 or later or Mac OS 10.10 or later
    - 2GB RAM
    - At least 15" monitor with a resolution of 1024 x 768 or more
    - A webcam that can be rotated. Inbuilt webcams in laptops are allowed
    - Speakers and microphone (the use of headsets is only allowed during onboarding)
    - An internet connection with at least 512kbps stable speed
    - Any virtualization software such as VMware, Virtual PC, Virtual Box or Sandbox needs to be disabled
- A quiet space with no disturbances and a clean desk with no papers or any other objects
- A government-issued photo ID with your up to date personal details (this is important especially if your name has changed)
- Note that these prerequisites may change without notice. For the latest updates, check:

Mac users: https://www.peoplecert.org/exams-peoplecert-online-proctoring-mac

Windows users: https://www.peoplecert.org/exams-peoplecert-online-proctoring-windows

If the computer is part of a corporate network, you need to check with the IT admin whether you will be permitted to install the ExamShield software

Exam Process

Step 1 - Purchase the exam voucher

- You may purchase the exam voucher directly from PeopleCert, at www.peoplecert.org or from Management Plaza - http://mplaza.training
- You will receive a voucher code via e-mail, irrespective of where you purchase it from
- The voucher code is valid for 1 year from the date of purchase

Compare the prices of both Management Plaza and PeopleCert for exam vouchers. Usually Management Plaza offers vouchers for the exam at a lower price.

Step 2 - Schedule your exam

- Create an account in www.peoplecert.org (if you haven't got one already) and login to https://webcandidate.peoplecert.org/
- Click **Register for an exam** to register for your exam. Select **Using Exam Voucher,** enter your **Voucher code** and click the **Submit** button
- When choosing a timeslot for the exam, please pay attention to the time zone. Especially, if your location practices daylight saving time
- An email confirming your exam registration and your exam details will be sent to you
- Pay attention to exam rescheduling policy, as they cannot be rescheduled within a certain timeframe (this is at PeopleCert's discretion)

Step 3 - Take the exam

- PeopleCert will send an e-mail with the latest instructions on setting up your computer to take the exam, please read through it thoroughly, as instructions may change from time to time
- Ensure that you are well prepared and in a location without any disturbances

- Login to the system about 10 minutes prior to the exam start time. Do note that the proctor may be from a different time zone than yours, so the exam start time may slightly vary. This will not impact your exam in any way. You will get the full 40 minutes irrespective of the start time

The MoP Exam Simulator

- Like any exam, success in MoP depends on practice. We recommend subscribing to the full version of the MoP exam simulator. The simulator contains 573 question-answer permutations, which can be used to practice multiple times
- The exam simulator helps to learn more, fill in the gaps, familiarize yourself with the style of the exam, and uncover the secrets before taking your actual exam!
- The exam simulator enables you to pace yourself for the exam's time constraints. You need to answer 50 multiple-choice questions in 40 minutes!
- The simulator does not require any downloads or installations. It is completely online and accessible from both desktop and mobile devices
- Management Plaza's exam simulator is currently the only MoP exam simulator in the world!
- A short demo version is also available for you to try, before buying it. Access it through:

https://mplaza.training/exam-simulators/mop-foundation/

or

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http://mplaza.training

MoP Foundation Study Guide

The MoP Foundation is an indispensable certification for project and programme managers to reach the pinnacle of their profession. With this certification, project and programme managers can determine whether investments are being made in the right change initiatives, change initiatives are being executed and delivered in the right way, and benefits are realised effectively.

This text articulates the MoP methodology in a simple and easy to understand way, while retaining focus on the strategic approach to projects and programmes. Even more importantly, this guide, with its precise and targeted content, enables the learner to pass the MoP Foundation examination with ease.

For best results, this guide should be used in conjunction with the MoP exam simulator, which is also available at mplaza.training

About the Authors

Inham Hassen is a project portfolio manager, with over a decade of expertise in setting up and operating portfolio offices, with a quest to demystify portfolio management. He is also an accredited MoP trainer and has delivered training programmes in project management and portfolio management globally. He invites you to connect with him on LinkedIn at https://www.linkedin.com/in/inhamhassen or contact via inham@mplaza.pm for an introductory session or a complete training course in MoP Foundation.

Frank Turley is on a mission to help aspiring project managers gain practical experience. He does this through his writings, sample projects, tips, and innovative ways of teaching the PM methodologies. Frank is a co-creator of P3.Express, a lightweight approach to project management, which makes project management easy to teach, learn and use. He is also a trainer for PRINCE2 Foundation, Agile, Scrum and ITIL4 Foundation. He invites you to connect with him on LinkedIn at https://www.linkedin.com/in/frankturley or contact via frank@mplaza.pm to know more about P3.Express or for trainings in PRINCE2 or ITIL.

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