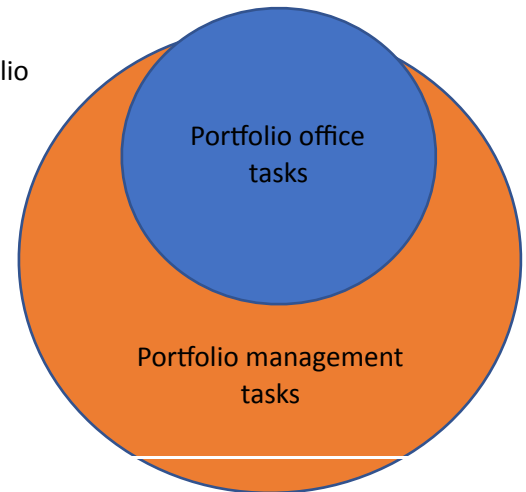


## Is there a difference between Portfolio Management and the work of a Portfolio Office?

### Summary and take-away

1. Companies often have portfolio management guidance. Much of this work is often done within an office set up for this purpose, often called a Portfolio Office.
2. So distinguishing between Portfolio Management and a Portfolio Office tends to avoid confusion with the client.
3. Apply the portfolio management guidance. Make use of the PMO guidance if there is a portfolio office but be aware that this often focussed towards programme offices rather than portfolio offices.



### Different blends of Portfolio Management and Portfolio office

Portfolio offices have been shown to contribute to project portfolio success (Unger et al. 2012). There can be a lot of variety in how much of the portfolio management is done by the Portfolio Office itself. This can vary from having no portfolio office up to a strong portfolio office (PfMO), and there are three main cases.

#### Case 1: PfMO does all the work

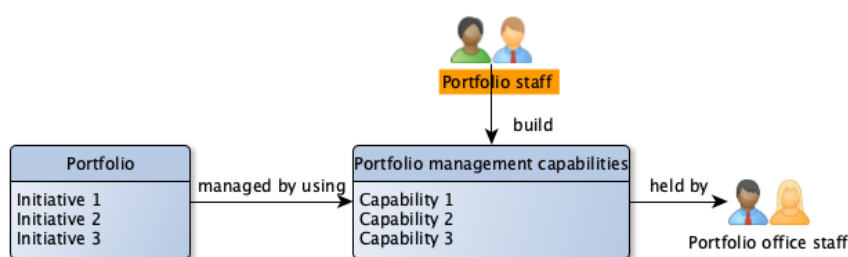


Figure 2: Case 1

All portfolio management is done within a portfolio office. The task would then involve setting up or developing the portfolio office.

The decision rights of the portfolio office, as well as the understanding of its staff need to be high in this case. It is also important that the staff understand what decisions they are making, and how they should make them.

On these drawings, by 'portfolio staff', I refer to those that are designing and setting up all portfolio activities, whether that is a short assignment, or whether they are then retained to run the portfolio.

It is worth being wary of Senior Management intentions and behaviour in this case, because some portfolio decisions tend to be better made by the leadership rather than by a separate office, and by asking for a full Portfolio office they may decide they need pay no further attention once it is in place.

We can use our PMO set-up guidance providing we also consult any Portfolio Management guidance when considering the detail of particular PfM capabilities. This is because the PMO set-up IP is focussed upon programmes rather than portfolios. It also focusses rather more data, process, products and responsibilities, and rather less on the experience and the practice of making portfolio management decisions.

#### Case 2: There is no PfMO, and the organisation doesn't want one

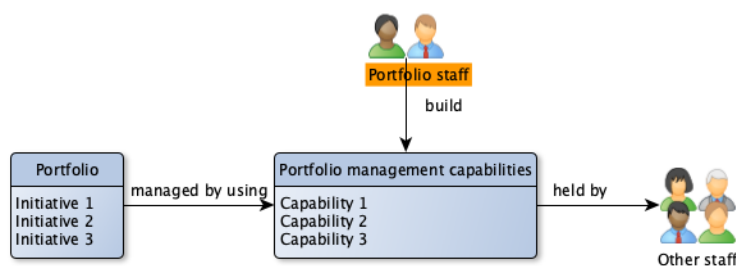


Figure 3: Case 2

In a 2nd case, portfolio management is being done (or to be done) within the client, but there is no portfolio office, and no desire for one. The management of the portfolio may be done by an individual as part of their job. Or the work may be distributed informally across a number of staff, including managers and directors. In this case, it is important that the various staff understand which aspects of portfolio management they should be doing, and that they have the requisite skills. In this case, we should be relying on the portfolio management guidance.

#### Case 3: Some but not all portfolio management is being done by a PfMO

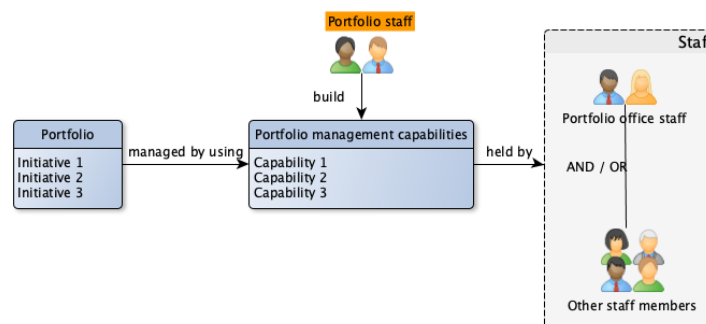


Figure 4: Case 3

In the 3rd case, some of the portfolio management is being done within a portfolio office, perhaps most of it, but some of the portfolio management is being done by others outside the portfolio office. This is perhaps the most common scenario, because many of the portfolio management functions involve decision making and senior-staff direction, even if it is not recognised as “portfolio management”. An office, no matter its title, may be seen by an organisation as a form-filling and reporting function - and staffed and treated accordingly.

Sometimes there are numerous portfolio management functions that being neglected, for which there is unfair blame placed on the under-powered Portfolio office “Although these senior managers may delegate several their steering and controlling obligations to PPMOs [portfolio PMOs], to keep the portfolio strategically focussed ... senior managers must act personally” (Unger et al 2012).

#### Other cases you might come across

There are variations on the above cases.

1. There may be a portfolio office for each sub-portfolio, however described by the client. In this case the design will need to consider how best to distribute the portfolio management services, and how to communicate / co-operate between sub-portfolio offices. This can be designed so that there is also an overall portfolio office, or by ensuring that all required portfolio management capabilities are covered across the offices.
2. Often there is a portfolio office that covers the whole organisation, but where individual departments also have a portfolio office.
3. Portfolio management activities might be spread across several offices at portfolio / programme / project level. Axelos have considered how portfolio, programme and project offices can work together in one organisation (P3O™), and the permutations of office type are considerable. Offices can be split by region / function / project level for instance. In these cases, it is also likely that the portfolio office will be doing some Programme and Project management, and the lower offices will be doing some Portfolio management.
4. A Portfolio can be spread across and down a supply chain, or across several companies that are working in some alliance on cross-company projects.

In all these cases, care should be taken during the early stages of an assignment to understand the situation and the requirement. It is worth consulting P3O documentation or a P3O trained consultant to understand what combinations of offices are recommended.

The client should be offered suitable options of office combinations, along with a recommendation. These options should be done in the context of the broader governance arrangements being agreed with the client. They should also consider the local conditions and context in which each office is working, because different parts of the organisation will play along with a sub-portfolio office or other PMO to varying degrees.

For example, if we choose to create sub-portfolio offices at the request of the central authority, then they may not be accepted by the local departments, unless their role has been tailored through consultation with local staff.

#### Why suggest that Portfolio Management is broader than the Portfolio Office?

The landscape of old, discarded and emerging portfolio offices is not a surprise to everyone. In work cited by Bredillet et al 2018, three quarters of Portfolio Offices and PMOs shut down in the first three years of their establishment. They suggest that “PMOs as organizational entities and PFM as an

organizational capability .... coevolve over time". They summarise the work of Pellegrinelle and Garagna who suggest that the "PMOs reconfigure frequently because they have been established to answer a need; when the need is addressed, the value of PMO decreases, therefore PMO leaders will redefine the purpose of the PMO and seek to obtain new benefits." From this perspective, the ability to set up and close Portfolio offices is a way of refreshing the broader and longer-term Portfolio Management effort.

#### How does the client talk about Portfolio Management and Offices?

We end with a note of caution. Clients may well understand the concepts "portfolio management" and "portfolio office" differently to you. Therefore, when the client states that there is a portfolio management office, or that portfolio management is happening, it is worth asking for more detail.

You may find for example, that there is a project office or a programme office that has been called a portfolio office. Or programme management being done that is being called portfolio management. Or that there is a portfolio office doing portfolio management, but it is also doing a lot of programme management. And so on.

Similarly, the client may have asked for portfolio management and/or a portfolio office but appears to need programme and project and PMO services as well.

Early conversations and data review, ideally at the sales stage, will surface these challenges and opportunities.

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