Chapter 1

Introduction to Portfolio Management

This *Portfolio Management Standard* addresses a gap in the management-by-projects field across all industry sectors—that is, the need for a documented set of processes that represent generally recognized good practices in the discipline of portfolio management. While project management and program management have traditionally focused on "doing work right," portfolio management is concerned with "doing the right work."

The term "portfolio" has been in use for some time and is used throughout many varying industries; therefore, the term has come to represent different meanings. It is realized that there are many types and varieties of portfolios; for example, in the financial industry, a portfolio is a collection of investment instruments (stocks, bonds, mutual funds, commodities, etc.). This standard does not attempt to address those types of portfolios—further, there is no attempt to bridge this standard to those other kinds of portfolios. For the purpose of this standard, the focus is on "project portfolio." Although project portfolio is the focus of this standard, it will be denoted throughout this document as simply "portfolio."

This chapter defines key terms associated with portfolio management and provides an overview of the rest of the *Portfolio Management Standard* in the following sections:

1.1 Purpose of the Portfolio Management Standard
1.2 What is a Portfolio?
1.3 What is Portfolio Management?
1.4 The Link with Corporate Strategy
1.5 The Link between Portfolio Management and Corporate Governance
1.6 The Link Between Portfolio Management and Operations
1.7 The Links between Portfolio Management and Project Management/Program Management
1.8 Role of the Portfolio Manager
1.9 Portfolio Management Metrics
1.10 Portfolio Management Reporting

1.1 Purpose of the Portfolio Management Standard

The primary purpose of the *Portfolio Management Standard* is to describe generally accepted processes associated with portfolio management. This standard is an expansion of information provided in *A Guide to the Project Management Body of Knowledge* (*PMBOK® Guide*)—Third Edition and the *Organizational Project Management Maturity Model* (*OPM3®*). This standard focuses on portfolio management as it relates to the disciplines of project and program management. Its application is intended for all types of organizations (i.e., profit, non-profit, and government). When the term "business" is used here, it applies generally to these three types of organizations.

1.1.1 Audience for the Portfolio Management Standard

This standard provides a foundational reference for anyone interested in portfolio management of projects and programs. This includes, but is not limited to:

- Senior executives
- Portfolio managers
- Program managers
- Managers of project and program managers
- Project managers and other project team members
- Members of a project or program management office
- Customers and other stakeholders
- Functional managers and process owners with resources in a portfolio
- Educators teaching the management of portfolios and related subjects
- Consultants and other specialists in project, program, and portfolio management and related fields
- Trainers developing portfolio management educational programs
- Researchers analyzing portfolio management.

1.2 What is a Portfolio?

A portfolio is a collection of projects and/or programs and other work that is grouped together to facilitate the effective management of that work to meet strategic business objectives. The projects or programs (hereafter referred to as "components") of the portfolio may be mutually independent or directly related. At any given moment, the portfolio represents a "snapshot" of its selected components that both reflect and affect the strategic goals of the organization—that is to say, the portfolio represents the organization's set of active programs, projects, subportfolios, and other work at a specific point in time.

It is important to understand the relationship of a portfolio and the components of the portfolio. Figure 1-1 illustrates this relationship.

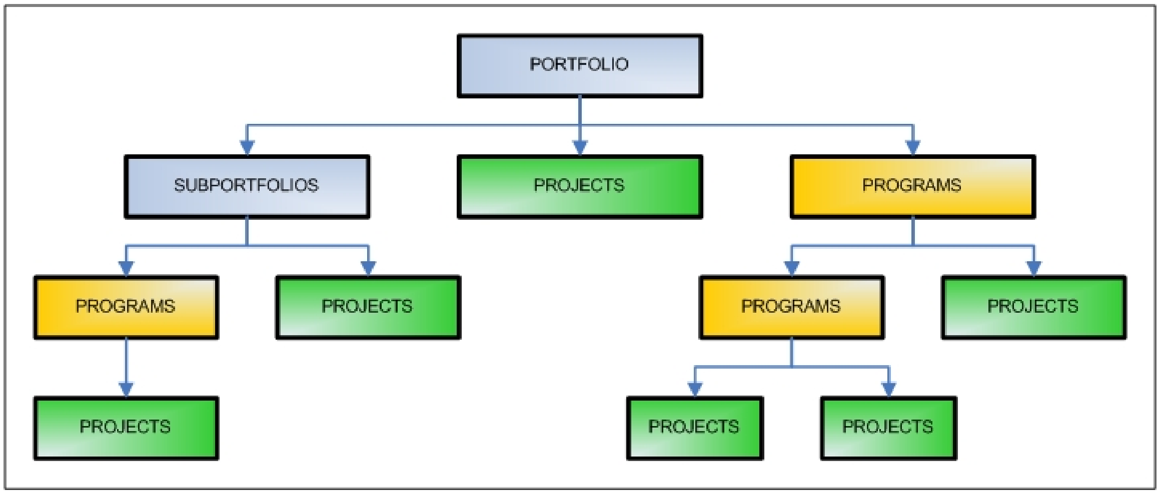

Figure 1-1: Portfolio Relationships—Example

A portfolio will reflect an organization's strategic intent and direction. It is where priorities are identified, investment decisions are made, and resources are allocated. If a portfolio's components are not aligned to its business strategy, the organization can reasonably question why the work is being undertaken.

All components of a portfolio exhibit certain common features:

- They represent investments made or planned by the organization
- They are aligned with the organization's strategic goals and objectives
- They typically have some distinguishing features that permit the organization to group them for more effective management
- The components of a portfolio are quantifiable; that is, they can be measured, ranked and prioritized.

1.3 What is Portfolio Management?

Portfolio management is the centralized management of one or more portfolios, and involves identifying, prioritizing, authorizing, managing, and controlling projects, programs, and other related work, to achieve specific strategic business objectives.

The term "portfolio management" is used throughout many varying industries; therefore, it has come to represent different meanings. There are many types and varieties of portfolio management. This standard does not attempt to address all types of portfolio management; instead, it focuses on "project portfolio management." Although project portfolio management is the focus of this standard, it is denoted throughout this document as simply "portfolio management."

1.4 The Link with Corporate Strategy

Figure 1-2 shows the general relationships among the strategic and tactical processes in the organization. From the vision and mission, the corporate strategy and objectives are developed. Execution of the strategy requires the application of strategic management processes, systems, and tools to define and develop:

- High-level operations planning and management
- Portfolio planning and management.

This leads to tactical implementation of operational and project-related activities.

(Diagram adapted from «The Project Age: Working Paper No. 1», Claude Emond, Renee Thibault, Hugues Bouchard)

Figure 1-2: An organizational context of portfolio management

The top of the triangle ("Vision," "Mission," and "Corporate Strategy and Objectives") illustrates the components used to set the targets or goals. These components dictate all further organizational actions.

The middle of the triangle ("High-level Operations Planning and Management," and "Project Portfolio Planning and Management") represents the processes that establish appropriate actions required to meet the goals.

These processes interact with the bottom of the triangle, in which the contribution of all operational activities must be compared to recurrent value creation, and the contribution of all project activities must be compared to new value creation. ("Management of On-going Operations" and "Management of Authorized Programs and Projects," at the bottom of the triangle, represents components that ensure the organization's operations and portfolios are executed effectively and efficiently.)

Both the operational and project aspects of an organization must be considered in portfolio management. The operational side of the organization uses recurrent activities and operations management processes that facilitate effective high level planning and management. The project side of the organization uses program/project management processes that enable efficient project planning and implementation activities. At the tactical management level, the question is: “Is this operation or project managed efficiently with optimal results, from minimum use of resources, with minimum effort, and complying with organizational values and standards?”

Organizations rely on projects and programs in order to achieve their strategic intent. The application of portfolio management allows this interconnection by the sharing and allocation of goals and resources. The flow of control is as follows:

1. Strategic intent determines the resources that should be allocated to the portfolio.

2. The strategic intent is mapped onto a set of projects and programs, including their resource allocations. As portfolio components, these are managed according to the portfolio management principles outlined in this document.

3. Each program then corresponds to the delegated subset of the overall strategic intent, which it will deliver by means of the allocated resources.

4. Each project is defined by its contribution to the portfolio’s strategic intent, and can then be managed according to the principles in the *PMBOK® Guide*—Third Edition, and other principles as appropriate.

1.5 The Link between Portfolio Management and Corporate Governance

Portfolio management is one of several governance methods used within organizations. Governance is the act of creating and using a framework to align, organize, and execute activities in a collectively coherent and intelligible manner in order to meet goals. Corporate governance establishes the limits of power, rules of conduct, and protocols of work that organizations can use effectively to advance strategic goals and objectives, and to realize anticipated benefits.

Corporate governance occurs at different decision-making levels of the organization in support of specific goals and objectives. These goals and objectives are defined through the organization’s strategic planning process. This process defines the means of attaining the goals through either operations (recurring business activities) or temporary activities (projects), and also defines how they are governed. Whether managing operations or managing by projects, all governance levels are linked together to ensure that each corporate action is ultimately aligned with corporate strategy. Figure 1-3 illustrates this relationship:

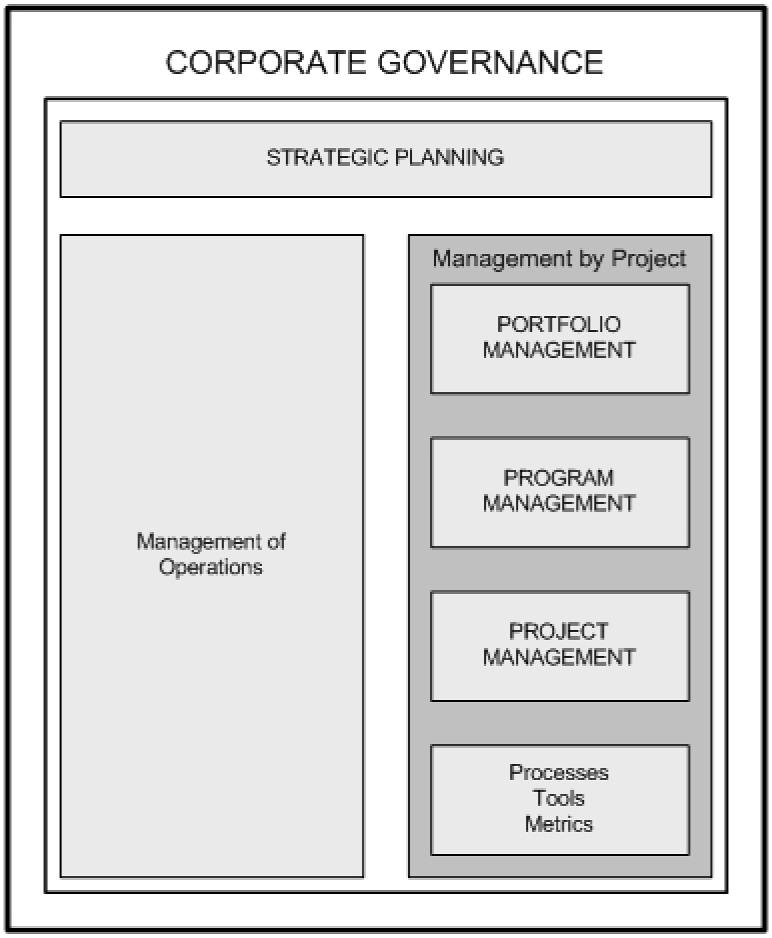

Figure 1-3: Corporate Governance Context

Corporate governance involves controls—such as phase gates, meetings, metrics to monitor progress, etc.—and includes the domains of portfolio, program, and project management. The portfolio management domain of governance is the subject of this standard, and its processes are explained in Chapter 3, Portfolio Management Processes.

There are many corresponding roles and responsibilities among governance entities concerning portfolio management. The areas of executive management, portfolio management, program management, project management, and operations management all play critical, interrelated roles. In smaller organizations, the roles of the executive management and portfolio management may be within the same area of responsibilities. Such relationships are shown in Figure 1-4.

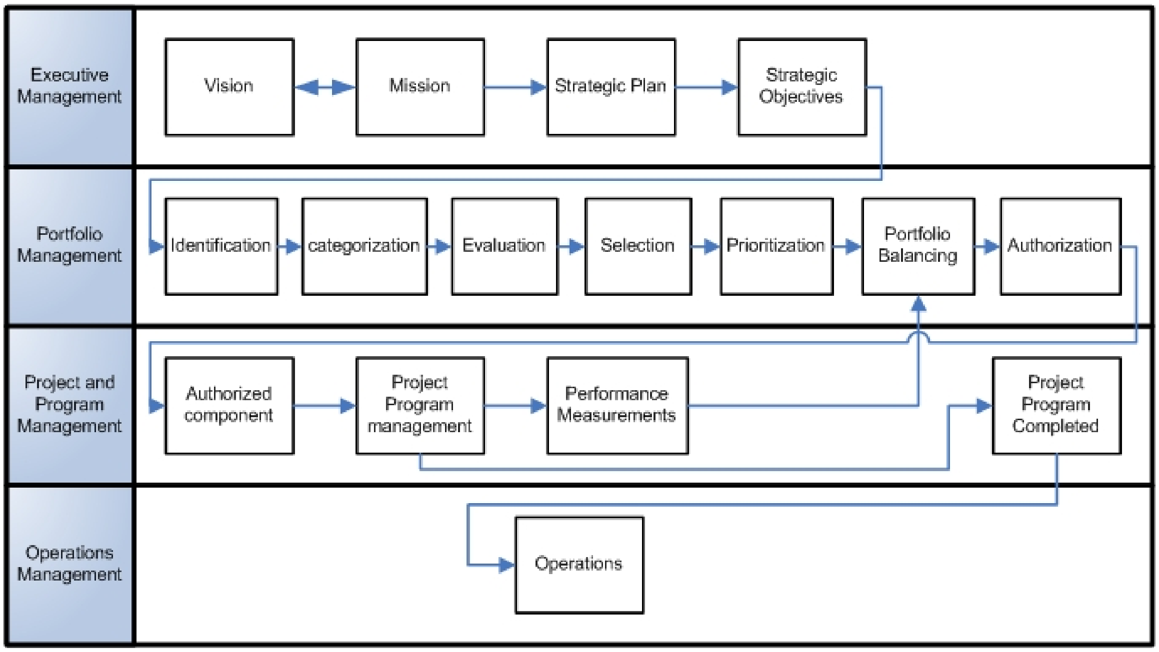

Figure 1-4: Cross-Company Portfolio Management Process Relationships

Figure 1-4 does not show all activities of the three levels, only the relationships to the different organizational activity.

1.6 The Link between Portfolio Management and Operations

Portfolio management reaches into organizational functions. Functional groups can be stakeholders in the portfolio, and can also serve as sponsors of various components. Moreover, an operational budget may be influenced by portfolio management decisions, including allocation of resources to support portfolio components.

"Operations" is a term used to describe day-to-day business activities. This involves processes that are not necessarily project-specific. However, staff engaged in operations focus on following processes that are outcomes of the execution of portfolio components. Component outputs or deliverables often result in ongoing work that is required for the organization to realize the portfolio's planned benefits. Unless this work is managed effectively, the expected value in undertaking a particular component is not achieved. The portfolio management process must take into account operational issues, processes and results throughout its management cycle.

Below are examples of how some operations relate to portfolio management:

1.6.1 Finance

Effectively managing the portfolio requires tangible, timely, and accurate financial information. Financial goals and objectives are considered in the management of a portfolio; therefore, a finance function will monitor portfolio budgets, compare project spending with the allocated budget, and examine benefits realization, ensuring that financial plan adjustments are made and projected savings are accounted for.

1.6.2 Marketing

Market analysis and research play a significant role in the portfolio management process. An organization’s portfolio components are typically driven by a market opportunity. Inputs from the marketing function are key to some of the strategic decisions that dictate criteria to be used in selecting and managing components. For a non-profit organization, a similar analysis of value-for-money will still be needed for component selection and management.

1.6.3 Corporate Communications

Various portfolio events or milestones need to be communicated both inside and outside the organization. This could include achievement of a major objective, elimination of a component, and other matters requiring corporate communications.

1.6.4 Human Resource Management

By looking at the portfolio of components, human resources can identify the skills and qualifications needed for success. These resources are then available “in the pool” for placement onto programs or projects, or for related work. Human resources can also coordinate enterprise resource planning to address organizational and resource impacts of major changes resulting from portfolio components.

1.7 The Links between Portfolio Management and Project Management/Program Management

Project and program management measures actual-to-planned schedule, effort, and budget for individual components, and reports this analysis to portfolio management. This information is used in portfolio reviews to determine required actions. Project and program management may work together with portfolio management to determine “go/no go” criteria for proposed and current components, including “termination criteria.” Project and program management may also combine with portfolio management in capacity planning, by inputting resource requirements (human resources, financial, physical assets).

Portfolios rely on projects and programs in order to achieve their strategic intent. For this reason, they are all interconnected by the sharing and allocation of goals and resources.

Depending on the organizational structure, project management, program management, or portfolio management will dictate resource management to ensure that the appropriate resources are allocated to their assigned, authorized portfolio components.

1.8 Role of the Portfolio Manager

The portfolio manager, typically a senior manager or senior management team, is responsible for monitoring assigned portfolios. Monitoring consists of:

- Playing a key role in project prioritization, making sure there is a balance of components, and that they align with strategic goals
- Providing key stakeholders with timely assessment of portfolio and component performance, as well as early identification of (and intervention into) portfolio-level issues impacting performance
- Measuring the value to the organization through investment instruments, such as return on investment (ROI), net present value (NPV), payback period (PP), etc.

In order to succeed in this role, the portfolio manager should have some level of expertise in all of the following areas:

1.8.1 Benefits Realization

Both fiscal and non-fiscal benefits to the business must be understood. Decisions are made throughout the portfolio management business process to optimize the overall contribution of the components to the organization. To optimize benefits realization, a portfolio manager must have a good understanding of the corporate vision, mission, and strategy to aid in optimization of the corporate portfolio. A portfolio manager must understand how to relate the strategic goals and objectives with the portfolio component plans to achieve the organization's goals.

1.8.2 Program and Project Management Methods and Techniques

The portfolio manager must have an advanced understanding of project and program management. Furthermore, a portfolio manager must be able to understand not only high-level project management reporting to determine the health of a project, but also its details to determine if management approaches are lacking or failing.

1.8.3 Process Development and Continuous Improvement

The portfolio manager must understand process development and continuous improvement to develop the most suitable portfolio management process. The portfolio manager, together with other organizational leaders, will have the ability to develop a sound, structured, and well thought out portfolio management process that best suits the business, and that coordinates well with other processes.

1.8.4 General Management Skills

An effective portfolio manager has good soft skills (e.g., communication skills, team building skills, etc.) and is able to interact with decision-makers. Furthermore, the portfolio manager should have knowledge of relevant markets, customer base, standards, and the regulatory environment. A portfolio manager should also have analytical skills to analyze data and make decisions based on portfolio performance reports and metrics.

1.9 Portfolio Management Metrics

The metrics of portfolio management typically include aggregate measures of resource capability and performance of the portfolio as a whole. Metrics describe the availability and type of resources needed to support the portfolio components as planned and during execution. Metrics describe progress toward established targets, such as financial and milestone achievements. Financial measures, for example, may include aggregate return on investment, net present value, and diversity of financial support among strategic goals. Milestone measures could include such indicators as budgeted monies spent versus planned monies spent, customer satisfaction scores, and product release performance. Metrics describe the value and benefit realization of the portfolio as a whole, as interpreted by the organization. As appropriate, metrics may be made available for individual programs or projects of special interest from a portfolio management perspective.

1.10 Portfolio Management Reporting

Reporting in the portfolio management context refers to several possible forms of measurement pertaining to portfolio content and performance. Such reporting is tightly linked with other types of reporting within the organization that will influence decisions regarding priority, balancing, direction, etc., of the portfolio. Following are the two forms of portfolio reporting:

1.10.1 Enterprise Program/Project Reporting

Many organizations place responsibility for reporting effectiveness of a program or project in an enterprise program (or project) management office (PMO). Among other things, the PMO can provide summaries, as well as details of the total investment made in a component, to serve as an input for measuring the component's value.

1.10.2 Enterprise Financial Reporting

Financial data and perceived value are important criteria used in selecting components to be included in the portfolio. They will be key indicators that determine the balance and content of the portfolio.

Chapter 2

Portfolio Management Business Process and Organization

Portfolio management is a business process that helps senior management meet organizational needs. Portfolio management enhances transparent and efficient decision-making concerning projects and programs. Portfolio management is carried out in an environment broader than the portfolio itself, through its roles and processes that relate across the organization. This chapter describes the key components of the portfolio management context in the following sections:

2.1 The Portfolio Management Business Process Overview
2.2 Portfolio Stakeholder Roles and Responsibilities
2.3 Organizational Influences

2.1 The Portfolio Management Business Process Overview

2.1.1 Links with Strategy

Portfolio management includes processes to collect, identify, categorize, evaluate, select, prioritize, balance, authorize, and review components within the portfolio to evaluate how well they are performing compared to the key indicators and the strategic plan. During a typical business cycle, components will be reviewed and validated in relation to the following:

- Alignment of the components with corporate strategy
- Viability of the components as part of the portfolio, based on key indicators
- Value and relationship to other portfolio components
- Available resources and portfolio priorities
- Additions and deletions of portfolio components.

The organization’s overall strategy is determined at the executive level and drives the definitions of the strategic goals and objectives. These goals are passed to the portfolio management function to ensure that components are aligned to achieve the organization’s goals. Based on this, portfolio management will select, prioritize, and approve proposed portfolio components. Portfolio management must also review the portfolio for balance (short-term versus long-term return, risk to benefit) and negotiate agreement with relevant strategic stakeholders (e.g., executive management, operations and/or program management).

Once a portfolio component is approved, it becomes the responsibility of program/project management to incorporate the component and apply the correct management processes to ensure the work is done effectively and efficiently. The responsible project/program managers will monitor planned-to-actual performance (relating to time, budget, resources, quality, and scope) and will communicate consolidated information to portfolio management. Portfolio management should establish criteria for determining governance actions, such as deciding when projects/programs should be terminated or suspended prior to originally planned completion dates.

Portfolio management also requires updates from the strategic planning process regarding strategic changes, to ensure that components no longer related to the current goals are discontinued. For example, if strategic planning determines that a goal is no longer valid for the organization, portfolio management should review the portfolio and report on any components that are in place to achieve a now obsolete goal.

In addition, portfolio management must report portfolio performance as it relates to achieving the organization's planned strategy.

2.1.2 Characteristics of the Portfolio Business Process Cycle

A portfolio reflects a continuous business process marked by phases, or stages, with defining processes and activities. As a governance method, the portfolio life cycle continually renews as often as deemed appropriate by the organization. This, for example, can be part of annual planning with quarterly or semi-annual updates. However, portfolio horizons for planning purposes might extend many years.

A typical sequence of phases of a portfolio business process cycle is Planning, Authorizing, and Monitoring and Controlling. Once established, the portfolio business process does not end—except when the organization chooses to abandon the portfolio management approach, or the organization ceases to exist.

2.1.3 Portfolio Business Process Cycle Details

A typical portfolio life cycle starts with the strategic plan introduction or update from which are derived the determining factors. These determining factors include:

- Delineation of which components constitute a particular portfolio (e.g., projects, programs)
- Definition of strategic categories that the components are meant to support
- Identifying key value and risk criteria that will be used to evaluate components
- Determining the organization's resource capacity (i.e., financial, human, and asset) to assist with selection and prioritization of components.

These determining factors are then used as input to the portfolio management process. They are used to establish critical filters and criteria to identify, categorize, evaluate, select and prioritize components and to balance the portfolio. They will also be useful during the review process. Portfolio management must feed information back into the strategic planning process to report on the total value of the portfolio and to report on alignment (or lack of alignment) with strategic goals.

In a similar manner, any change to the strategy of the organization—normally decided at the senior executive level—may trigger a review of the entire portfolio. Figure 2-1 illustrates a typical portfolio business process cycle.

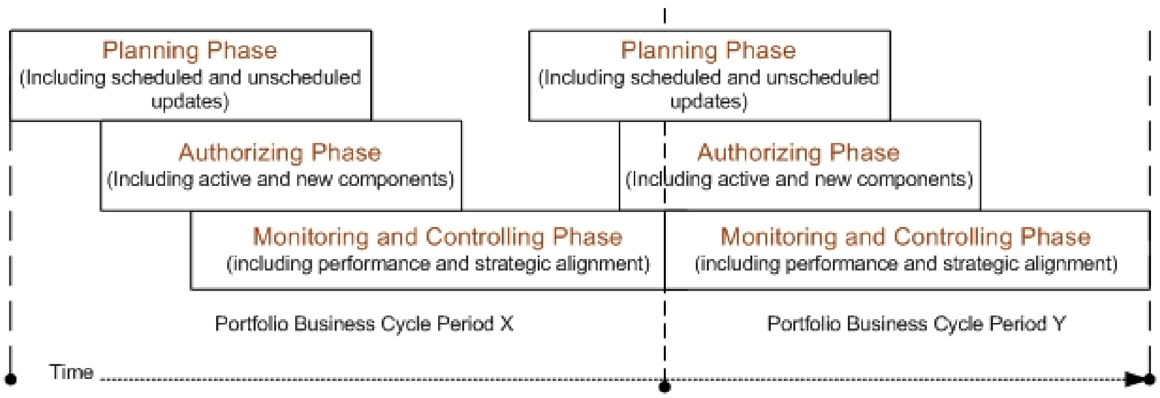

Figure 2-1: Typical Phases of Portfolio On-going Business Process Cycle

Typical activities associated with the portfolio business process cycle include, among others:

- Establishing current corporate portfolio rules and protocols
- Component prioritization
- Decisions on funding
- Resource planning
- Constraint management
- What-if analysis
- Risk analysis
- Capacity optimization
- Balancing the portfolio to ensure a viable component mix
- Status reporting and forecasting
- Re-ranking, postponing, or canceling components
- Monitoring of benefits realization.

2.2 Portfolio Stakeholder Roles and Responsibilities

Portfolio stakeholders are individuals and organizations that are actively involved with the portfolio, or those whose interests may be positively or negatively affected because of portfolio management. They may also exert influence over the portfolio, its components, processes, and decisions. The levels of involvement by stakeholders may vary from organization to organization, or from portfolio to portfolio within an organization.

The roles and responsibilities of stakeholders are described in the following sections.

2.2.1 Portfolio Review Board

A Portfolio Review Board, when used, dictates the framework, rules and procedures for making portfolio decisions. The board comprises those individuals with the requisite knowledge and experience to discern the degree of alignment of strategy and organizational goals with portfolio components. The board is granted the authority to evaluate the portfolio performance and to make important decisions when needed or requested.

2.2.2 Customers

Customers, both internal and external, benefit from successful implementation and delivery of portfolio components. Customer satisfaction may be one of the strategic objectives that determine the mix and priority of the components within the portfolio.

2.2.3 Sponsors

Sponsors champion the funding approval of their components (projects, programs, portfolios, and other work). To ensure approval, a sponsor must aid in supplying a viable business case to the Portfolio Review Board, or other oversight team. Once the component is approved, the sponsor must help ensure that it performs according to plan and achieves its strategic goals.

2.2.4 Executive Managers

Executive managers convey the strategic goals to portfolio management. Portfolio management must be able to report to senior management on the achievement of the goals through the performance of the portfolio. In smaller organizations, executive management may assume all or some of the portfolio management responsibilities, including Review Board decisions.

2.2.5 Operations Management

Operations management is responsible for balancing the needs of ongoing business processes with providing resources to achieve project, program, and portfolio objectives.

2.2.6 Portfolio Managers

Portfolio managers, or portfolio management teams, are responsible for the portfolio management process. The portfolio manager will receive component performance information and convey to the Portfolio Review Board how the components as a whole are aligned with the strategic goals.

2.2.7 Program Managers

Program managers work closely with the sponsors to gain funding approval for their programs. To ensure this, a program manager must aid in supplying a good business case to the portfolio management process. The program manager must help ensure that the components in his or her program perform according to plan, and achieve the strategic goals associated with the program.

2.2.8 Program/Project Management Office

The program or project management office (PMO) coordinates management of those components under its domain. The responsibilities of a PMO can range from providing project management support functions to actually being responsible for the resourcing and direct management of a component or category of components.

2.2.9 Project Managers

Project managers provide project performance indicators to the Portfolio Review Board. The project manager must also provide risk management information, as well as impact analyses in the event of changes to project performance or external conditions. This information will be used with other criteria to determine which projects will be continued.

The project manager may also supply a recovery plan for projects in jeopardy. The project manager will be responsible for the budget and schedule of his/her projects. Additionally, the project manager's peer group of other project managers is a stakeholder group in the portfolio management process. Both the project manager and portfolio management will benefit from formal or informal networks of project managers in the organization. These networks can help to facilitate a balanced distribution of scarce resources through improved communication and sharing of best practices.

2.2.10 Functional Managers

Functional managers ensure that the proper resources are allocated to the portfolio components, and that those resources are performing according to plans.

2.2.11 Finance Managers

Finance managers perform financial analysis on components. They review portfolio budget performance and make recommendations to the appropriate oversight entity.

2.2.12 Project Team Members

Project teams are responsible for completing component deliverables as planned. A project team will focus on its particular project to ensure the project continues to successful completion.

2.3 Organizational Influences

Successful portfolio management means that all management levels must effectively support the effort and communicate clearly the value of portfolio management to the organization.

When making allocation decisions, organizations are driven by a variety of constraints and dynamics brought to bear by the stakeholders. Balancing stakeholders' interests, while staying aligned with strategic goals, is the essence of portfolio management.

The forces influencing portfolio management are identified in the following sections.

2.3.1 Organizational Culture

The organization as a whole must understand the business need for portfolio management and commit the people, processes, and tools to make it successful.

Lack of organizational support for the concept and approach of portfolio management will be a major obstacle to portfolio management success—success that will be directly affected by the level of maturity in the organization.

Another important element is the organization's ability to accept and implement the changes implied by portfolio implementation. Not recognizing and formalizing the organization's ability to handle change could cause failure to achieve the full level of improvement expected from the portfolio. Each component of the portfolio should consistently apply similar techniques to facilitate and handle organizational change.

2.3.2 Economic Pressure

Financial conditions may create an increased dependence on portfolio management to assist in decision-making with regard to failing projects, negative cash flow, time to market, and resource balancing, in hopes that a higher percentage of projects will be successful.

2.3.3 Organizational Impacts

Effective portfolio management can have positive impacts across the organization by facilitating local planning in alignment with strategic goals. Lack of efficient and effective processes and procedures in other functional areas of the organization will have a negative effect on portfolio management outcomes.

Chapter 3

Portfolio Management Processes for a Portfolio

Portfolio management is accomplished through processes, using relevant knowledge, skills, tools, and techniques that receive inputs and generate outputs.

In order to be successful, the portfolio management team must:

- Understand the organization's strategic plan.
- Establish determining factors for managing the portfolio based on the strategic plan. These determining factors will support the beginning of the portfolio process.
- Consider all of the organization's projects, programs, and other portfolio components.
- Follow agreed-upon processes.

This standard documents the processes needed to make decisions about components, and identifies those portfolio management processes that have been recognized as good practices for most project portfolios most of the time. These processes apply globally and across industry groups. Good practice means there is general agreement that the application of these portfolio management processes has been shown to enhance the chances of success over time.

This does not mean that the processes described should always be applied uniformly for all portfolios. The portfolio management team is always responsible for determining what process is appropriate—and the appropriate degree of rigor for each process—for any given portfolio.

Portfolio managers and their teams are advised to consider addressing each process and its constituent inputs and outputs. Portfolio managers and their teams should use this chapter as a high-level guide for those processes that they must consider in managing a portfolio.

Portfolio management is a business process that requires each of the portfolio processes to be interrelated in a continuous sequence to facilitate final decision-making and portfolio balancing.

This standard presents the portfolio management process, but does not intend to explain how to utilize portfolio management in an organization where none exists.

This standard presumes that the organization has a strategic plan, along with customary mission and vision statements, as well as strategic goals and objectives. When reading this document, the reader must assume that in order to implement the portfolio processes presented here, the following conditions exist:

- The organization—including management—embraces the theory of portfolio management
- A number of projects and programs exist
- Appropriately skilled staff are available to manage the portfolio
- Project management processes exist
- The organizational roles and responsibilities are defined
- A communication plan has been developed to communicate business decisions throughout the organization.

Portfolio Management Process Groups

This standard describes portfolio management processes in terms of integration, interactions between them, and the purposes they serve. These processes aggregate into two groups, known as the Portfolio Management Process Groups:

- **Aligning Process Group—**Includes what will be managed in the portfolio, in which categories, and how components will be evaluated and chosen (or not chosen) for inclusion.
- **Monitoring and Controlling Process Group—**Consists of reviewing performance indicators periodically for alignment with strategic objectives.

These groups have clear dependencies and are performed in the management of each portfolio. They are independent of application area or industry focus. Groups and individual constituent processes are often iterated during the portfolio management process. Constituent processes also can interact, both within their particular Process Group and with the other Portfolio Management Process Group. Remember that the portfolio management process is ongoing and updated from time to time at the discretion of the organization. It is important to note how the portfolio management process aligns with the ongoing business process cycle shown earlier in Figure 2-1. The Aligning Process Group entails subprocesses within the business process cycle's Planning and Authorizing Phase. Similarly, the Monitoring and Controlling Process Group entails subprocesses within the business process cycle's Monitoring and Controlling Phase. This relationship ensures a tight linkage of the portfolio management processes within the overall ongoing business process cycle.

The Aligning Process Group ensures that there is current information regarding strategic goals that the portfolio is to support, as well as current operational rules for evaluating components and managing the portfolio. In addition, this Process Group establishes a structured, agreed-upon method for introducing and classifying candidate components.

The Aligning Process Group is most active at the time the organization refreshes its strategic goals and lays out near-term budgets and plans for the organization. Traditionally, this is at the annual budgeting time, although some organizations have refresh cycles that are more frequent. Such occurrences may be scheduled quarterly, for example, or happen because of changes in the business climate.

The Monitoring and Controlling Process Group involves the activities necessary to ensure that the portfolio as a whole is performing to predefined metrics determined by the organization. These metrics, such as total return on investment or net present value thresholds, may be monitored by category and aggregate performance. In some instances, individual components of the portfolio may be tracked.

Figure 3-1 illustrates an overview of the Portfolio Management Process Groups.

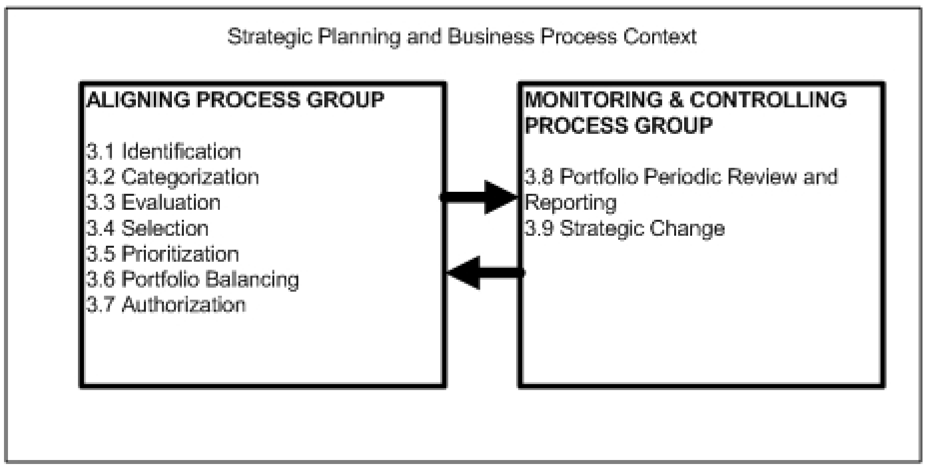

Figure 3-1 Portfolio Management Process Groups

Portfolio Management Process Interactions

Figure 3-2 provides a summary of the portfolio management processes and their interactions with the strategic plan, the determining factors, and the project management processes. The diagram illustrates:

- The organization's strategic plan: It is the decision base for any project portfolio management processes and the base to establish the determining factors that will make each portfolio unique.
- The portfolio management processes: These are a series of interrelated processes, from identifying and authorizing portfolio components to reviewing the progress of each individual component, as well as that of the entire portfolio.

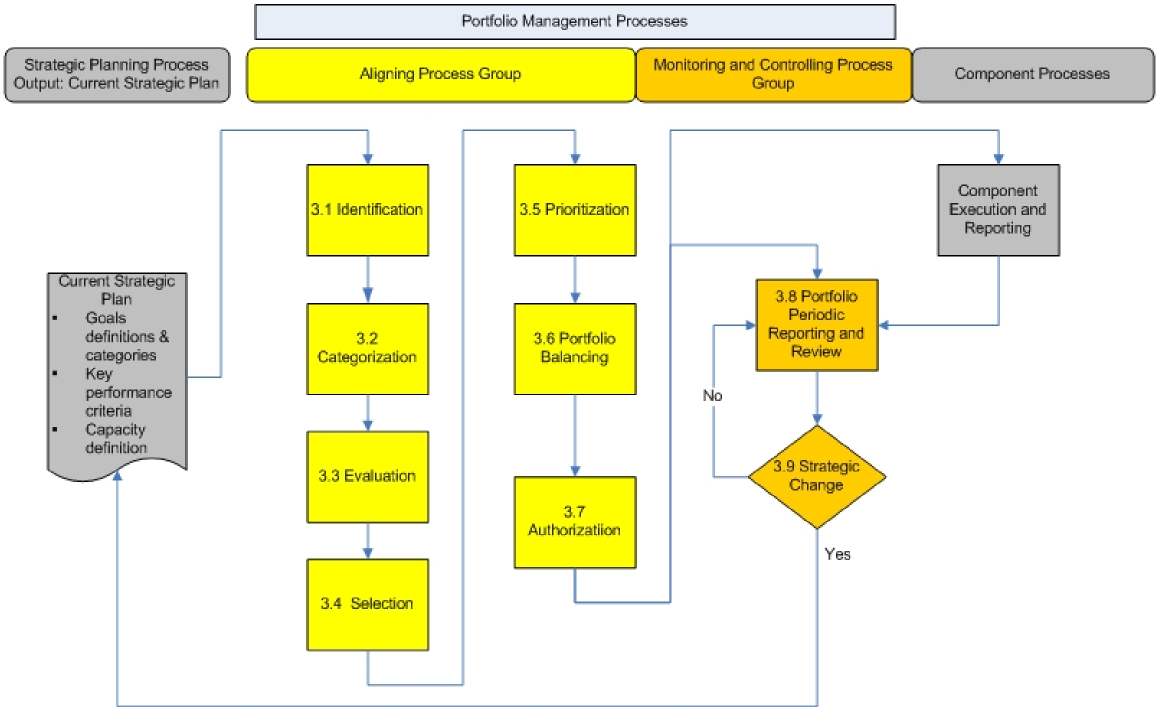

Figure 3-2. Portfolio Management Processes – High Level Illustration

3.1 Identification

The purpose of this process is to create an up-to-date list, with sufficient information, of ongoing and new components that will be managed through portfolio management.

Key activities within this process include:

- Comparing ongoing components and new component proposals with a predetermined component definition and related key descriptors
- Rejecting components that do not fit with the predetermined definition
- Classifying identified components into predefined classes of components, such as project, program, portfolio, and other works.

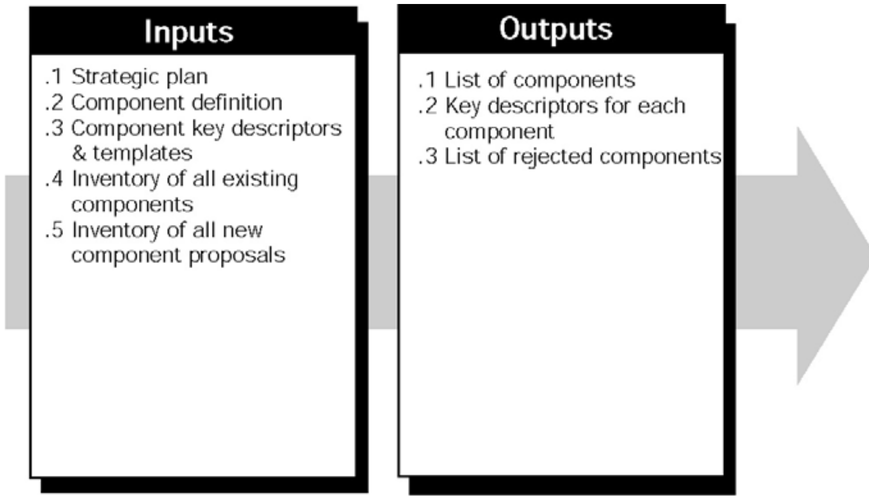

Figure 3-3: Identification: Inputs and Outputs

3.1.1 Identification: Inputs

.1 Strategic Plan

A document used by an organization to align its organization and budget structure with organizational priorities, missions, and objectives. A strategic plan should include a vision and a mission statement, a description of the organization's long-term goals, objectives, and means the organization plans to use to achieve these general goals and objectives. The strategic plan may also identify external factors that could affect achievement of long-term goals. Strategic planning is a process used by an organization to anticipate and adapt to expected changes.

.2 Component Definition

The component definition is based on the strategic plan’s goals and objectives. The component definition will be useful to make a first screening on the list of components. For example, to be part of the portfolio, a component should be of greater than a predetermined minimum size and be in line with the basic strategic objectives.

.3 Component Key Descriptors and Templates

The component key descriptors are used for categorizing, evaluating, and selecting components through the portfolio management process. Each descriptor is defined and the corresponding acceptance levels are predetermined. Key descriptors may include, but are not limited to:

- Component number
- Component description
- Class of component
  - Project
  - Program
  - Business case
  - Subportfolio
  - Other work.
- High level plan

- Strategic objectives supported
- Quantitative benefits
  - New revenues
  - Cost reduction
  - Return on investment
  - Internal rate of return
  - Net present value
  - Reduced cycle time
  - Quality improvement.
- Qualitative benefits
  - Strategic alignment
  - Risk reduction
  - Legislative requirements
  - Platform development
  - Business opportunity.
- Component customer
- Component sponsor
- Key stakeholders
- Resources required
- Timescale
- Project dependencies
- Key deliverables
- Budget estimates
- Business unit
- Market.

.4 Inventory of All Existing Components
The inventory of all ongoing components is a list of components that have previously been authorized and are being executed through the project or program management process, or that have been put on a waiting list at the end of the latest portfolio cycle.

.5 Inventory of All New Component Proposals
The inventory of all new component proposals is a list of components that have been proposed since the latest portfolio cycle.

3.1.2 Identification: Outputs

.1 List of Components
The list of components comprises all the qualifying components meeting the definition and proper documentation of said component.

.2 Key Descriptors for Each Component
The key descriptors for each component represent the complete documentation for each qualifying component presented on proper templates.

.3 List of Rejected Components
The list of rejected components comprises all components that do not meet the component definition or that are not correctly and completely documented. These component proposals may be eliminated, rewritten, or regrouped to be resubmitted to the portfolio (or to another) process.

3.2 Categorization

The purpose of this process is to group identified components into relevant business groups to which a common set of decision filters and criteria can be applied for evaluation, selection, prioritization, and balancing. The categories are defined on the basis of the strategic plan. The components in a given group have a common goal and can be measured on the same basis, regardless of their origin in the organization. The categorization of the components allows the organization to eventually balance its investment and its risks between all strategic categories and strategic goals.

Key activities within this process include:

- Identifying strategic categories based on the strategic plan
- Comparing identified components to the categorization criteria
- Grouping each component into only one category.

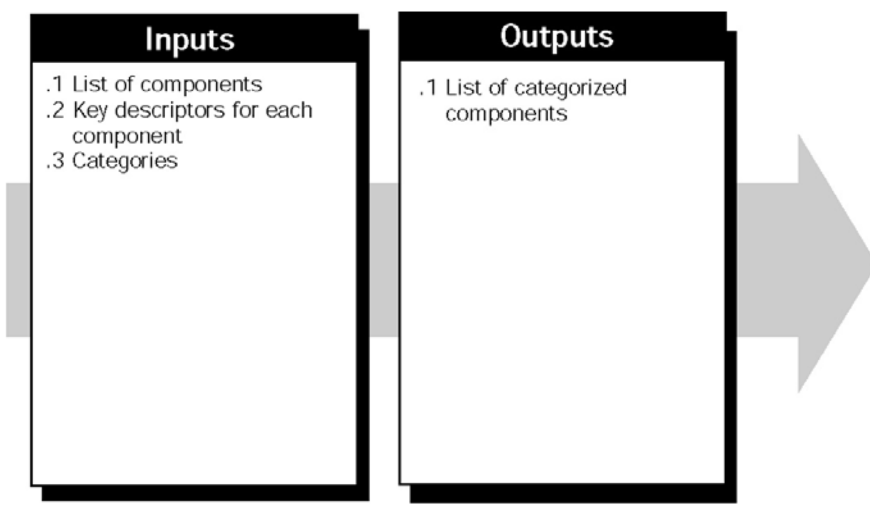

Figure 3-4: Categorization: Inputs and Outputs

3.2.1 Categorization: Inputs

.1 List of Components
Described in Section 3.1.2.1

.2 Key Descriptors for Each Component
Described in Section 3.1.2.2

.3 Categories

The categories are based on the strategic plan. They are used to group and compare components having a common strategic goal and common measuring criteria. The organization executives and portfolio management team establish the categories through consensus. The categories need to be defined and widely understood throughout the organization. The categories may change or evolve if the strategic plan changes or evolves. A category may include components originating from various departments or business units of the organization. The number of categories is usually limited and may include:

- Revenue increase
- Risk reduction
- Efficiency improvement
- Legal obligation
- Market share increase
- Process improvement
- Continuous improvement.

Each category may also include subcategories to generate comparative tables, graphs, or charts such as:

- Size (e.g., effort, budget)
- Duration
- Classification (e.g., projects, programs, other work)
- Phase.

3.2.2 Categorization: Outputs

.1 List of Categorized Components

The result is a list of components grouped by category, comprising all identified components divided within all the strategic categories. When a component cannot be categorized, it is up to the portfolio management group to decide if they keep it on the list for further evaluation and selection.

3.3 Evaluation

This is the process necessary for gathering all pertinent information to evaluate components, with the purpose of comparing them to facilitate the selection process. Information is gathered and summarized for each component of the portfolio. The information can be qualitative or quantitative, and comes from a variety of sources across the organization. The data collection is iterated several times, until reaching the required level of accuracy. Graphs, charts, documents, and recommendations are produced to support the selection process.

Key activities within this process include:

- Evaluating components with a scoring model comprising weighted key criteria
- Producing graphical representations to facilitate decision-making in the selection process
- Making recommendations for the selection process.

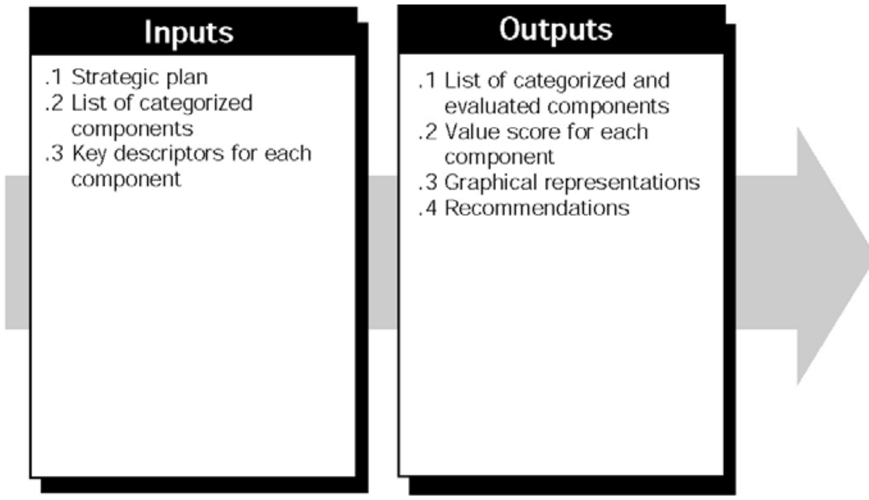

Figure 3-5: Evaluation: Inputs and Outputs

3.3.1 Evaluation: Inputs

.1 Strategic Plan
Described in Section 3.1.1.1

.2 List of Categorized Components
Described in Section 3.2.2.1

.3 Key Descriptors for Each Component
Described in Section 3.1.2.2

3.3.2 Evaluation: Outputs

.1 List of Categorized and Evaluated Components
A list of evaluated components is produced and approved for each category. Components can be compared by category or for the entire portfolio.

.2 Value Score for Each Component
A total value score is calculated with the scoring model for each component.

.3 Graphical Representations
A number of graphical representations (e.g., scoring matrices and bubble charts) are produced to support decision-making.

.4 Recommendations
Recommendations are made at the end of the evaluation process. The recommendations can be made for a component, a category, or the entire portfolio, based on the value of each component or a group of components.

3.4 Selection

This is the process necessary to produce a short list of components based on the evaluation process recommendations and the organization resource capacities. The evaluation determines the value of each component, and the organization resource capacities determine the number of components that the organization can eventually authorize. Organizational resources may include internal or external human resources, financial resources, equipment, and other assets. This process will produce a list of components that represent the best value for the organization based on the available capacities.

Key activities within this process include:

- Selecting components based on the evaluation results and the capacity of the organization
- Defining the human resource, financial, and asset capacity of the organization
- Making recommendations for the prioritization process

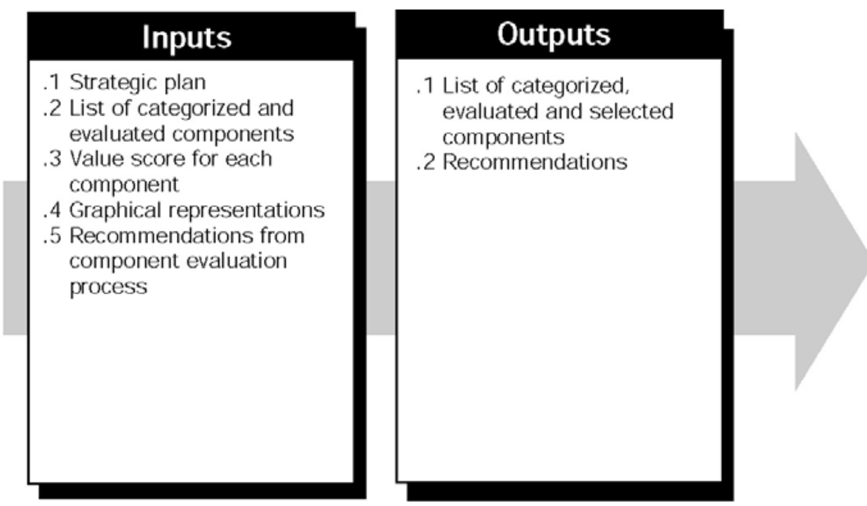

Figure 3-6: Selection: Inputs and Outputs

3.4.1 Selection: Inputs

.1 Strategic Plan

Described in Section 3.1.1.1

.2 List of Categorized and Evaluated Components

Described in Section 3.3.2.1

.3 Value Score for Each Component

Described in Section 3.3.2.2

.4 Graphical Representations

Described in Section 3.3.2.3

.5 Recommendations from Component Evaluation Process
Described in Section 3.3.2.4

3.4.2 Selection: Outputs

.1 List of Categorized, Evaluated, and Selected Components
A list of evaluated and selected components is produced and approved for each category. Components can be compared by category or for the entire portfolio.

.2 Recommendations
Recommendations are made at the end of the selection process. The recommendations can be made for a component, a category, or the entire portfolio. These recommendations can include prioritization, component segmentation, acceptance, or rejection of a component.

3.5 Prioritization

The purpose of this process is to rank components within each strategic or funding category (e.g., innovation, cost savings, growth, maintenance, and operations), investment time frame (e.g., short, medium, and long-term), risk versus return profile, and organizational focus (e.g., customer, supplier, and internal) according to established criteria. This step ranks the components to support subsequent analysis required to validate and balance the portfolio.

Key activities within this process include:

- Confirming the classification of components in accordance with predetermined strategic categories
- Assigning scoring or weighting criteria for ranking components
- Determining which components should receive highest priority within the portfolio.

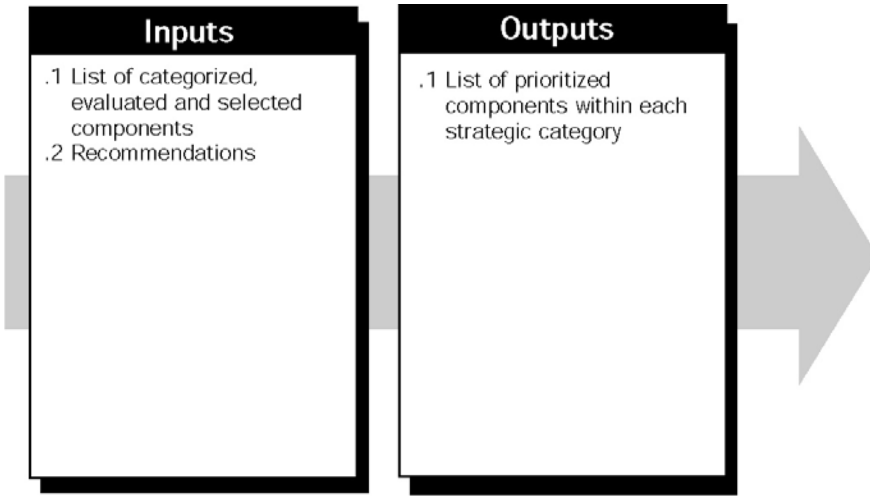

Figure 3-7: Prioritization: Inputs and Outputs

3.5.1 Prioritization: Inputs

.1 List of Categorized, Evaluated, and Selected Components
Described in Section 3.4.2.1

.2 Recommendations
Described in Section 3.4.2.2

3.5.2 Prioritization: Outputs

.1 List of Prioritized Components within Each Strategic Category
The prioritized list of components for portfolio balancing.

3.6 Portfolio Balancing

The purpose of this process is to include the portfolio component mix with the greatest potential, to collectively support the organization's strategic initiatives and achieve strategic objectives. Portfolio balancing supports the primary benefits of portfolio management—the ability to plan and allocate resources (i.e., financial, physical assets, and human resources) according to strategic direction, and the ability to maximize portfolio return within the organization's predefined desired risk profile.

Balancing of activities involves reviewing selected and prioritized portfolio components. The portfolio is then balanced to support established strategic objectives using predefined portfolio management criteria, the organization's desired risk profile, portfolio performance metrics, and capacity constraints. A recommendation for either maintaining the portfolio "as is" or adjusting the portfolio is issued at completion of the balancing activities. In essence, this process includes:

- Adding new components that have been selected and prioritized for authorization

- Identifying components that are not authorized based on the review process
- Eliminating components to be suspended, reprioritized, or terminated based on the review process.

Selecting the right mix of components for the portfolio to achieve a desired return (without violating the organization's risk profile) should also consider similarities and synergies that exist between components. This could include dependency relationships with existing portfolio components. Enhancing these interconnections fully leverages all aspects of the portfolio to generate the greatest return with a minimum of investment.

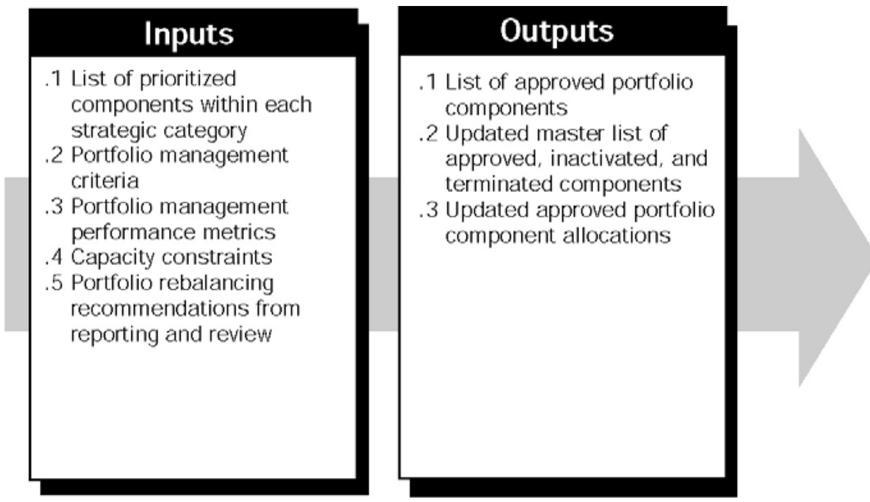

Figure 3-8: Balancing: Inputs and Outputs

3.6.1 Portfolio Balancing: Inputs

.1 List of Prioritized Components within Each Strategic Category
The prioritized list of components for portfolio balancing.

.2 Portfolio Management Criteria
Specific objectives, constraints, and/or guidelines for use by the portfolio manager when creating and managing the portfolio. Examples may include investment diversification objectives, risk tolerance thresholds, and financial return.

.3 Portfolio Management Performance Metrics
Metrics and performance goals established by the organization to measure performance of the portfolio, and to determine whether the portfolio is performing as planned or if portfolio adjustments are needed. Examples of metrics include portfolio return, risk, diversification, etc.

.4 Capacity Constraints
The organization's financial, physical asset, and human resource constraints by category.

.5 Portfolio Rebalancing Recommendations from Reporting and Review

Periodically, an output of the review process may be a recommendation to cull or realign existing portfolio components. Consequently, the reporting and review process would return to portfolio balancing to ensure that any changes to the portfolio increase support of—and improve the probability of achieving—strategic goals and objectives.

3.6.2 Portfolio Balancing: Outputs

.1 List of Approved Portfolio Components
The complete list of components that have been approved for execution as planned, or after developing a business case to confirm their feasibility.

.2 Updated Master List of Approved, Inactivated, and Terminated Components
The updated component master list of all components and appropriate status for each. Rationale for the decision to remove a component from the portfolio, or not include a component within, must be added to the master list.

.3 Updated Approved Portfolio Component Allocations
Component budget and resource approvals or exceptions should be updated on the master list.

3.7 Authorization

The purpose of this process is to formally communicate portfolio-balancing decisions, and formally allocate financial and human resources required to either develop business cases or execute selected components.

Activities within this process include:

- Communicating portfolio balancing decisions to key stakeholders, both for components included and those not included in the portfolio
- Authorizing selected components and inactivating or terminating components of the portfolio
- Reallocating budget and resources for inactive and terminated components
- Allocating financial and human resources to execute selected portfolio components.
- Communicating expected results (e.g., review cycles, timeline performance metrics, and required deliverables) for each selected component.

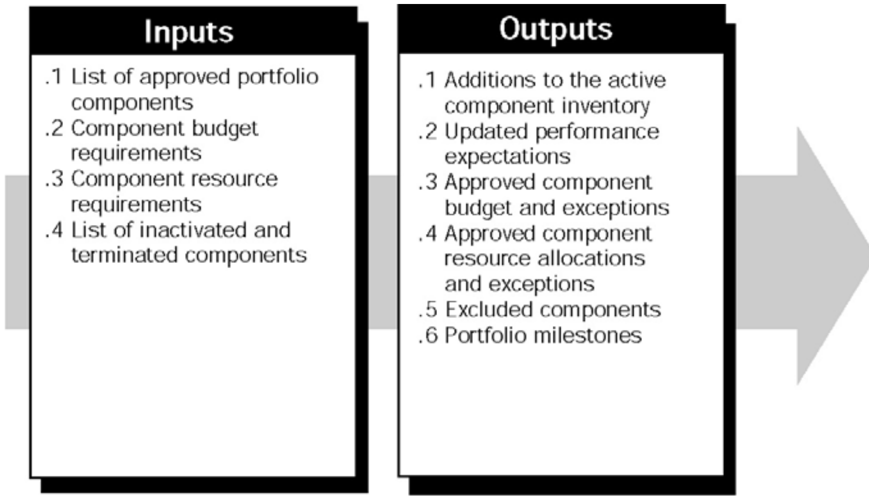

Figure 3-9: Authorization: Inputs and Outputs

3.7.1 Authorization: Inputs

.1 List of Approved Portfolio Components
The complete list of components that have been approved for execution as planned, or after developing a business case to confirm their feasibility.

.2 Component Budget Requirements
Budget requirement information is provided within either the component plan or business case.

.3 Component Resource Requirements
Resource requirement information is provided within either the component plan or business case.

.4 List of Inactivated and Terminated Components
The list of components that have been either inactivated or terminated in favor of pursuing higher priority and/or higher value components.

3.7.2 Authorization: Outputs

.1 Additions to the Active Component Inventory
The list of all active components included in the portfolio. The list is updated with any changes linked to new component authorizations.

.2 Updated Performance Expectations
Any changes to the performance expectations and required deliverables associated with the total set of components.

.3 Approved Component Budget and Exceptions
Component budget approvals or exceptions must be updated in response to changes in the set of active components.

.4 Approved Component Resource Allocations and Exceptions
Any changes to the component resource approvals or exceptions are described, and the corresponding documents are updated and circulated according to a communications plan to key component stakeholders and other component support functions (e.g., finance).

.5 Excluded Components
Decisions to either remove components from the portfolio, or not include specific components within, are documented with the rationale for the decisions.

.6 Portfolio Milestones
The list of all components' key deliverables and decision points are consolidated to show the outcomes expected by the portfolio over time.

3.8 Portfolio Periodic Reporting and Review

The purpose of this process is to gather performance indicators, provide periodic reporting on them, and review the portfolio at an appropriate predetermined frequency, to ensure both alignment with the business strategy and effective resource utilization. The review cycle examines all components and is executed on a timeline that is specified by the organization. Each cycle may contain several reviews with a different focus and depth of analysis applied in each. The key performance indicators also vary for each since the purpose of each review varies. Figure 3-10 illustrates the relationships between strategic planning, portfolio management, operations, and project/program management, and the flow of reporting data.

Ultimately, the purpose of the reviews is to ensure that the portfolio contains only components that support achievement of the strategic goals. To ensure this, components must be periodically added, realigned, or extracted, based on their performance and ongoing alignment with the defined strategy, in order to ensure effective management of the portfolio.

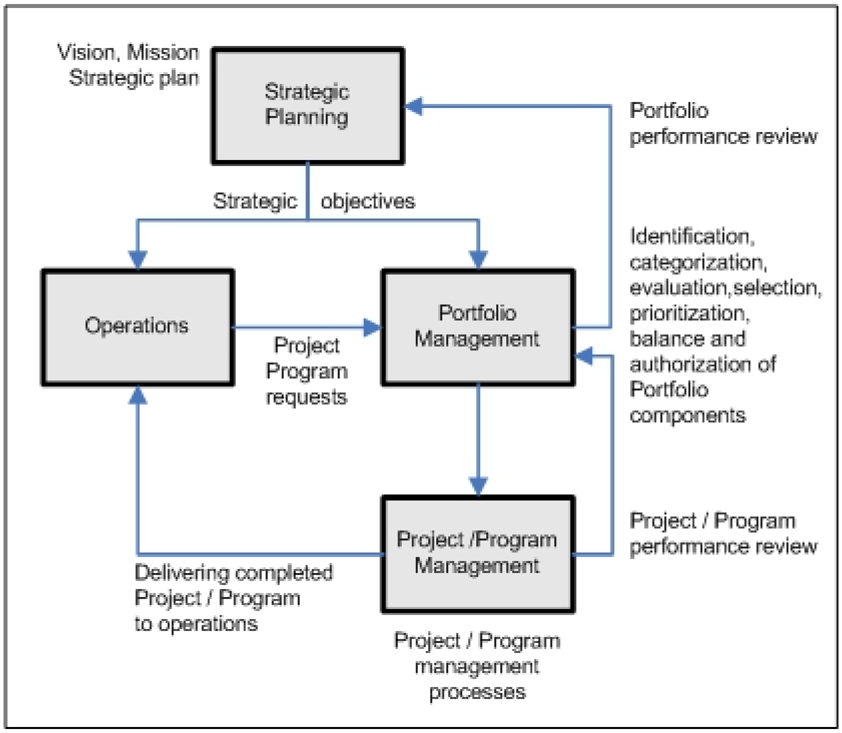

Figure 3-10: Reporting & Review Process Summary

Activities in this process include:

- Reviewing component sponsorship, accountability, and other ownership criteria against organizational governance standards
- Reviewing component priority, dependencies, scope, expected return, risks, and financial performance against portfolio control criteria and organizational perceived value and investment criteria
- Reviewing expected impact of business forecasts, resource utilization, and capacity constraints on portfolio performance
- Determining whether to continue with, add to, or terminate specific components, or to reprioritize and realign them with strategic goals
- Making recommendations and/or providing direction to component management
- Proposing changes to how the portfolio is managed (as needed).

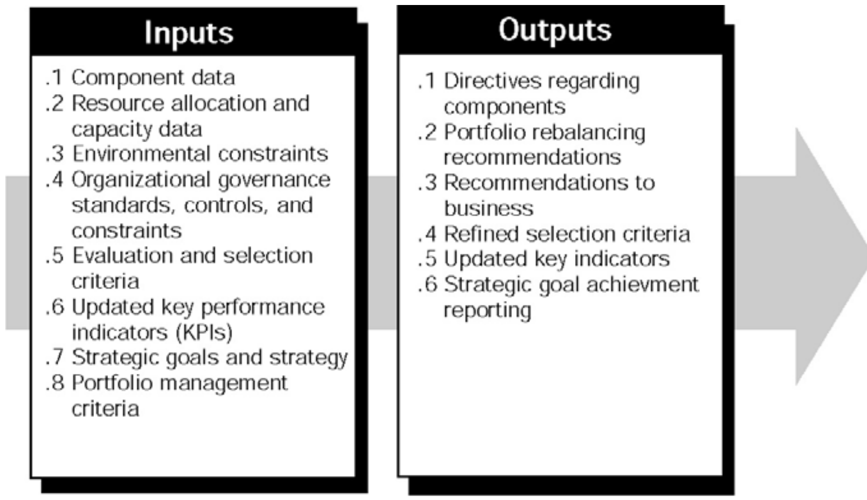

Figure 3-11: Portfolio Periodic Reporting and Review: Inputs and Outputs

3.8.1 Portfolio Periodic Reporting and Review: Inputs

.1 Component Data
Data related to the components are updated regularly during their life cycles, and provided to management for assessment. The information includes, but is not limited to: progress against plan, budget, expected return, priority, etc.

.2 Resource Allocation and Capacity Data
Resources in this context include, for example, financial capacity, human resources, and production capacity. Capacity for all resource classes is examined so that managers can make prioritization and allocation decisions when selecting and evaluating components.

.3 Environmental Constraints
External constraints are imposed as either a directive or an influence beyond the control of the organization. Portfolio managers generally have no control over environmental constraints, and have limited influence at best. Examples of environmental constraints include government regulations, interest rates, and seasonal weather.

.4 Organizational Governance Standards, Controls, and Constraints
Governance standards are the organizational rules applied to managing portfolios and making decisions, such as human resource policies or the organization's strategy. Controls are checkpoints in the normal course of business, such as financial controls or the budgeting and allocation process. Constraints may include the organizational structure. Portfolio managers generally cannot control organizational constraints, but they may be able to exert influence upon them.

.5 Evaluation and Selection Criteria
Portfolio reviews use the evaluation and selection criteria to determine whether a particular component should remain part of the portfolio or be replaced by a component more likely to move the organization toward its goals.

.6 Updated Key Performance Indicators (KPIs)
KPIs are the metrics used to determine whether a component is progressing as expected and whether the results are in line with what the organization expected.

.7 Strategic Goals and Strategy
Ultimately, every component should be aligned to the organization's strategic goals. Without such alignment, management should question why scarce resources are being allocated and why the component is being funded. Strategy is so fundamental to constructing the portfolio that any change in strategy will trigger an ad hoc review to ensure that all components continue to be aligned. When a major change occurs, such as results from an acquisition or market reorganization, the organization may also review its selection criteria and priorities, along with the full set of components.

.8 Portfolio Management Criteria
These are specific objectives, constraints, and/or guidelines for use by the portfolio manager when managing the portfolio. Examples may include: investment diversification objectives and risk tolerance thresholds.

3.8.2 Portfolio Periodic Reporting and Review: Outputs

.1 Directives Regarding Components
Based on the review, the portfolio management team provides direction to the owners of the affected components. This may take the form of continuation, realignment of priorities or dependencies, resource reallocation, suspension, or termination.

.**2 Portfolio Rebalancing Recommendations**
The purpose of reviews is to ensure that the organization continues to invest in only those portfolio components that support stated strategic goals and objectives, and to verify that those investments remain on-track to achieve stated strategic goals and objectives. Periodically, an output of the review process may be a recommendation to realign or discontinue funding of existing portfolio components. When the portfolio management team recommends that portfolio rebalancing may be necessary, these recommendations are input to the Strategic Change process. The Strategic Change process then determines if a significant change in strategy has occurred, or if the recommended portfolio rebalancing described above is the extent of needed portfolio rebalancing.

.3 Recommendations to Business
Whereas directives to components flow downward in the organization, recommendations to business flow upward. Based on feedback from the components and insights gained from review, the portfolio management team may recognize new or altered dynamics that deserve attention from senior leadership. These recommendations may include changes to the strategic plan, to the component selection criteria, or to the portfolio review process itself.

.4 Refined Selection Criteria

Selection criteria change as the organization evolves, and the portfolio review process is where selection criteria effectiveness is evaluated. If the chosen criteria lead to components that do not generate desired outcomes, the organization should refine the component selection criteria so that the portfolio management process allocates resources more effectively.

.5 Updated Key Indicators

As with the component selection criteria, the organization must determine whether it is using the correct metrics to make decisions. As appropriate, the portfolio management team must determine whether component results are being driven by the selected metrics, and apply new or refined measurements when needed.

.6 Strategic Goal Achievement Reporting

The portfolio management team reports periodically, or as needed, on achievement of corporate goals by the portfolio.

3.9 Strategic Change

The purpose of this process is to enable the portfolio management process to respond to changes in strategy. Small changes to the strategic plan often do not require changes to the portfolio. However, significant strategy changes often result in a new strategic direction, thereby impacting the portfolio. A change in strategic direction impacts component categorization, which requires the portfolio to be rebalanced.

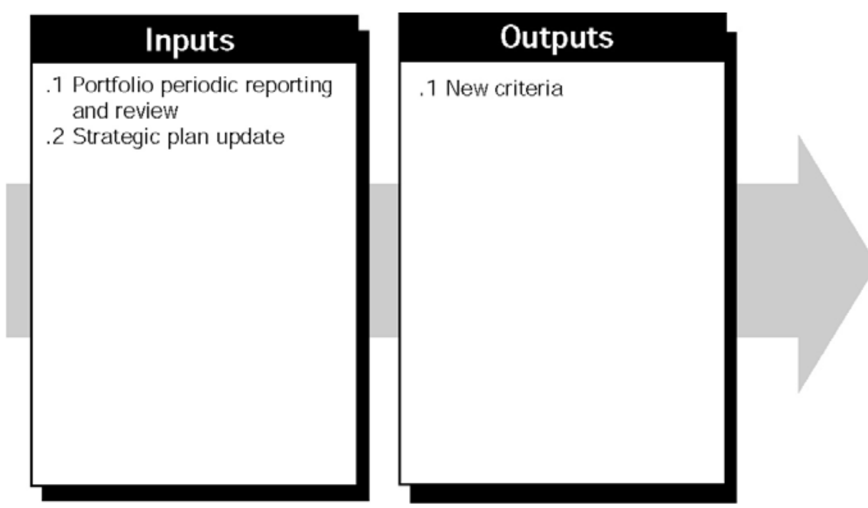

Figure 3-12: Strategic Change: Inputs and Outputs

3.9.1 Strategic Change: Inputs

.1 Portfolio Periodic Reporting and Review

Information about portfolio and component performance, as well as recommendations to the business, etc., is provided by outputs from the Portfolio Periodic Reporting and Review process.

.2 Strategic Plan Update
(Described in Section 3.1.1.1)

3.9.2 Strategic Change: Outputs

.1 New Criteria
As environments inside and outside the organization change, so too may criteria for determining the composition and direction of the portfolio. New leadership may want to adjust strategy according to different goals. Market maturation may require different financial profit thresholds. When the need for new criteria becomes evident, the portfolio management team will examine criteria in the current strategic plan and move ahead with appropriate changes, usually focusing first on Section 3.2: Categorization. If strategic change is not occurring, then there is default to Section 3.6: Portfolio Balancing.

Glossary

Authorization. The process of approving, funding and communicating the authorization for project management activities on components included in the “balanced portfolio.”

Business case. A documented feasibility study that confirms or not the benefits of a selected component lacking sufficient definition and that is used as a basis for the authorization of further project management activities.

Capacity. The resources (human resources, financial, physical assets) an organization puts at the disposal of portfolio management to select, fund, and execute its components.

Categorization. The process of grouping potential components into categories to facilitate further decision-making.

Category. A predetermined key description used to group potential and authorized components to facilitate further decision-making. Categories usually link their components with a common set of strategic goals.

Class. A key descriptor telling if a (potential) component is a business case, a project, a program, a portfolio or other work.

Component (portfolio). An activity or set of activities managed using the project portfolio management process, namely a business case, a project, a program, a portfolio, or other work that fits into the “component definition” used by an organization.

Corporate governance. A process that establishes the limits of power, rules of conduct, and protocols of work that can effectively be used to advance strategic goals and objectives of the organization and realize their anticipated benefits.

Determining factors. Key components of the portfolio such as component definition, category definition, key criteria definition, and resources capacity to support the portfolio management process. The determining factors are agreed upon by the executive group and are based on the organization strategic plan.

Evaluation. The process of scoring specific potential components using key indicators and their related weighted criteria for comparison purpose for further decision-making.

Filter. Criteria used to evaluate and select a potential component or decide whether a component meets the “go/no go” conditions.

Governance. The act of creating and using a framework to align, organize, and execute activities in a collectively coherent and intelligible manner in order to meet goals.

Identification. The process of documenting and assembling, for further decision-making, the inventory of ongoing and proposed new components as potential components for categorization.

Inventory. A set of components, comprising all ongoing components as well as proposals for new components, properly documented using key descriptors, use as a basis for portfolio management decision-making.

Key criteria. Predetermined criteria used in a scoring model to measure alignment with strategic goals.

Key descriptors. A set of components used to categorize and document a component for further decision-making. It might include among others, specifics about scope, schedule, budget, actual performance (using key performance indicators), class, category, evaluation scores, priority, and approval status.

Key indicators. A set of parameters that permits visibility into how a component measures up to a given criterion.

Key performance indicators. A set of parameters that permits measurement and reporting on the portfolio or one of its components performance for further decision-making.

New component. A component that is being added to an existing project portfolio.

Other work. Anything that fits into the "component definition" used by an organization and that cannot be classified as a business case, a project, a program, or a portfolio

Portfolio. A collection of projects or programs or other work grouped together to facilitate effective management of work to meet strategic business objectives. The projects or programs of the portfolio may not necessarily be interdependent or directly related.

Portfolio Balancing. The process of arranging the prioritized components into a component mix that has the greater potential to collectively support and achieve strategic goals.

Portfolio management. The centralized management of one or more portfolios, which includes identifying, prioritizing, authorizing, managing, and controlling projects, programs, and other related work, to achieve specific strategic business objectives.

Portfolio management communication plan. A plan defining all communication needs, establishing communication requirements, specifying frequency and identifying recipients for information associated with the portfolio management process.

Portfolio management life cycle. A life cycle of processes used to collect, identify, categorize, evaluate, select, prioritize, balance, authorize, and review components within the project portfolio to ensure that they are performing compared to the key indicators and the strategic plan.

Portfolio Periodic Reporting and Review. The process of reporting on the portfolio components as a whole using key indicators and review the performance of the component mix by comparing actual with anticipated evolution, value, risk level, spending and strategic alignment.

Potential component. A component that fits the predetermined "component definition," but has not yet been selected to be part of the project portfolio.

Prioritization. The process of ranking the selected components based on their evaluation scored and other senior management considerations.

Program. A group of related projects managed in a coordinated way to obtain benefits and control not available from managing them individually. Programs may include components of related work outside the scope of the discrete projects in the program.

Program management. The centralized coordinated management of a program to achieve the program's strategic objectives and benefits.

Program management office. The centralized management of a particular program or programs such that corporate benefit is realized by the sharing of resources, methodologies, tools, and techniques, and related high-level project management focus.

Project. A temporary endeavor undertaken to create a unique product, service, or result.

Project management. The application of knowledge, skills, tools, and techniques to project activities to meet the project requirements.

Scoring model. A set of weighted criteria and corresponding key indicators to measure and score specific (and potential) components for comparison and prioritization purposes.

Selection. The process of choosing the potential components based on their evaluation scores and includes them in the portfolio for prioritization.

Strategic change. Any change in the strategic intentions and plans of the organization that can impact the contents of component definition, categories, filters, key indicators, and other decision-making parameters used for portfolio management.

Strategic goals. A set of usually measurable objectives that are used to select portfolio components and measure their alignment with corporate strategy.

Strategic plan. A high-level document that explains the organization's vision and mission, what corporate strategy will be used to meet this mission and vision, including specific goals and objectives to achieve during the period covered by the document.

Subportfolio. A collection of components which includes programs, projects, portfolios, and other work grouped together within a larger portfolio.

Weight. A multiplication factor used to convey the relative importance of key criteria used in a scoring model.