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# 1 Introduction

## 1.1 PURPOSE OF THIS CHAPTER

This chapter summarizes the purpose of this guidance, the main areas covered in the subsequent chapters and the target audience.

## 1.2 PURPOSE OF THIS GUIDANCE

The purpose of this guidance is to provide practitioners with universally applicable principles and practices that will enable individuals and organizations (large or small) to successfully introduce or re-energize portfolio management approaches. Specifically, this guidance provides:

- An overview of portfolio management – what it is, the case for doing it, how it fits with other related organizational activities, how to get started and sustain progress.
- Descriptions of the principles and practices upon which successful approaches to portfolio management are built.
- Examples of portfolio management that illustrate how the principles and practices can be adapted to suit local circumstances.

The portfolio management principles and practices discussed in this guide are presented in such a way that should an organization choose to implement them, it can expect to see real benefits in the short term. Indeed, many organizations have reported that just having an overview of all initiatives, their costs and benefits has provided a basis for making decisions that have enabled more to be delivered from less. Where an organization is already fairly mature in its use of portfolio management (as assessed via a suitable maturity framework such as P3M3® or the health check assessment from the accompanying executive guide that is reproduced in Appendix A), this guidance will assist with the attainment of even more effective and efficient practices.

## 1.3 STRUCTURE OF THE GUIDANCE

This guide firstly introduces the definition of portfolio management and an overview of the strategic and organizational contexts within which it operates. Following this, the portfolio management principles and practices are discussed in detail. The appendices contain additional useful information. Table 1.1 provides a brief summary of each chapter.

Throughout the guide you will notice the use of ‘important notes’ (as shown below) and ‘keys to success’ tables.

### Important note

This is used to emphasize a point or to ensure the understanding of a specific element of the discussion.

## 1.4 TARGET AUDIENCE

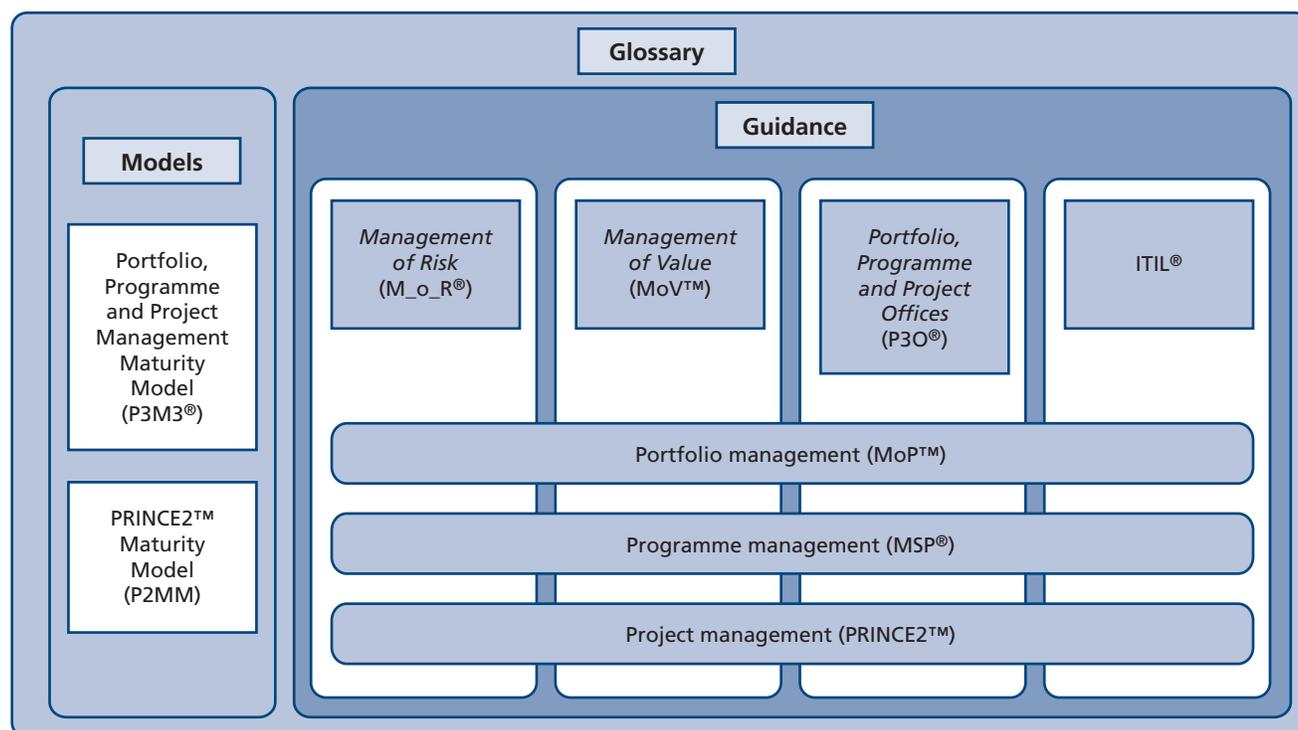
The portfolio management principles, cycles and practices described in this guidance are applicable to most organizations irrespective of sector, size (aside from the smallest operations and those with small change portfolios), market or geographical location. Anyone with an interest and/or role in delivering programmes and projects, and organizational strategy from inception to delivery, will benefit from reading this guidance (as shown in Table 1.2). This includes members of management boards and directors of change; senior responsible owners (SROs); portfolio, programme, project, business change and benefits managers; business case writers and project appraisers; and teams from functions including but not limited to finance, information technology (IT), procurement, human relations (HR), strategic planning and performance management.

**Table 1.1 Chapter summary**

| Chapter           | Name   | Summary   |
|-------------------|--|---|
| 1                 | Introduction                                 | Introduces the purpose of the guide, the areas covered and the target audience.   |
| 2                 | What is portfolio management?                | Introduces the principles, practices and benefits of portfolio management.  |
| 3                 | The strategic and organizational context     | Identifies how portfolio management links to business as usual; strategic/business planning; budgeting and resource allocation; project and programme management; performance management; corporate governance; and other functions with a role in relation to achieving strategic objectives.      |
| 4                 | Portfolio management principles              | Discusses the five portfolio management principles: senior management commitment; alignment with the organization's governance structure; alignment with the organization's strategic objectives; the use of a portfolio office (real or virtual); and an energized change culture.                 |
| 5                 | Portfolio management cycles                  | Introduction to the two portfolio management cycles: portfolio definition and portfolio delivery; approaches to the implementation of portfolio management; and how to sustain progress.  |
| 6                 | Portfolio definition cycle: practices 1–5    | Describes in more detail the five practices within the portfolio definition cycle and examples of how they have been applied in real-life situations: understand, categorize, prioritize, balance and plan.   |
| 7                 | Portfolio delivery cycle: practices 6–12     | Outlines in more detail the seven practices within the portfolio delivery cycle and how they have been applied in real-life situations: management control, benefits management, financial management, risk management, stakeholder engagement, organizational governance, and resource management. |
| <b>Appendices</b> |  |   |
| A                 | Portfolio management health check assessment | A questionnaire to help assess current maturity and identify areas where improvement is required.   |
| B                 | Role descriptions                            | Descriptions of key portfolio management roles.   |
| C                 | Programme and project information template   | A template illustrating key data that can be collected as part of the 'understand' practice.  |
| D                 | Benefits management – an example             | An example of how benefits management can be applied at a portfolio level.  |
| E                 | Portfolio-level documentation                | An illustration of the purpose and contents of the key portfolio-level documentation.   |
| F                 | Assessing the impact of portfolio management | Advice on assessing portfolio performance and the impact of portfolio management.   |
|                   | Glossary                                     | Definitions of key terms.   |

**Table 1.2 Summary of the target audience and the value they can expect from this guide**

| Target audience   | Value   |
|---|---|
| Board members, senior management, departmental heads                                    | The executive summary and the <i>Executive Guide to Portfolio management</i> that accompanies this guidance provide a rapid overview of what to expect from portfolio management and the key questions to ask. This guide can then be used to gain a more detailed understanding of areas of particular interest. |
| Portfolio directors, portfolio office and strategic planning teams                      | An understanding of the portfolio management principles and practices and how they can contribute to more effective and efficient delivery and achievement of strategic objectives.   |
| SROs, programme managers, programme office teams, business change and benefits managers | An understanding of the relationship between portfolio management and programme management, how programme functions (including management of dependencies, benefits and risks) fit into the wider portfolio framework, and how change initiatives and business as usual (BAU) are linked.                         |
| Project managers and project teams  | An understanding of the relationship between portfolio management and project delivery and the links to operations and BAU.   |
| Business case writers and project appraisers  | How business case writers and project appraisers can be assisted by taking a portfolio-level view, considering both risk/achievability and return/attractiveness, in the context of the organization's existing portfolio of change initiatives.  |
| Operational management  | An understanding of the relationship between BAU and change initiatives – and how portfolio management can help achieve organizational objectives and minimize operational disruption during implementation.  |

**Figure 1.1 MoP's relationship with other Best Management Practice guides**

### Important note

This guidance is not a 'one size fits all' solution. The principles and practices discussed should be adapted to reflect the specific local conditions including:

- The organizational culture
- Governance structure
- Strategic objectives
- Scale of investment in programmes and projects
- Maturity in programme and project management
- Organizational track record in terms of successful delivery and benefits realization
- Existing strategic planning, financial and risk management processes.

This guidance is a part of, and supports, the OGC's existing selection of Best Management Practice guidance including PRINCE2™, MSP®, P3O® and P3M3. The place of *Management of Portfolios* (MoP)™ within this Best Management Practice guidance is illustrated in Figure 1.1.