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Project, programme and portfolio management — Guidance on portfolio management

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Foreword

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The committee responsible for this document is Technical Committee ISO/TC 258, *Project, programme and portfolio management*.

Introduction

This International Standard provides guidance on the principles of project and programme portfolio management. Typically, management of a project and programme portfolio supports the organization's strategies to deliver organizational value.

This International Standard is intended to be used by:

a) executives and senior managers responsible for setting and implementing organizational strategy and business planning;

b) decision makers responsible for selecting, authorizing and governing projects, programmes and portfolios;

c) teams and individuals responsible for implementing and managing the project and programme portfolios;

d) project and programme managers and other stakeholders.

Project, programme and portfolio management — Guidance on portfolio management

1 Scope

This International Standard provides guidance on the principles of project and programme portfolio management. This International Standard is relevant to any type of organization including public or private and any size organization or sector.

The guidance presented in this International Standard is intended to be adapted to suit the specific environment of the project and programme portfolio.

This International Standard does not provide guidance on project management, programme management, or general business portfolio management (e.g. financial portfolio management).

2 Terms and definitions

For the purposes of this document, the following terms and definitions apply. For ease of readability, the term “portfolio” is used throughout this document to mean “project and programme portfolio”.

2.1
portfolio
collection of portfolio components grouped together to facilitate their management to meet, in whole or in part, an organization’s strategic objectives

2.2
portfolio component
project, programme, portfolio, or other related work

2.3
portfolio manager
person or organization responsible for applying portfolio management to a portfolio who may be supported by a portfolio management team

2.4
strategic alignment
result of selecting and adjusting portfolio components to contribute to accomplishing an organization’s strategic objectives

3 Principles of portfolio management

3.1 Context and need for portfolio management

An organization’s strategic objectives, as well as other organizational considerations such as market or financial, guide the decision to implement portfolio management. When deciding whether to adopt portfolio management, each organization’s context will depend on considerations such as:

a) an evaluation of the impact of introducing portfolio management into the organization, including the organization’s capability to absorb changes in terms of structure, responsibilities and culture;

b) an assessment of the threats and opportunities associated with the implementation of portfolio management.

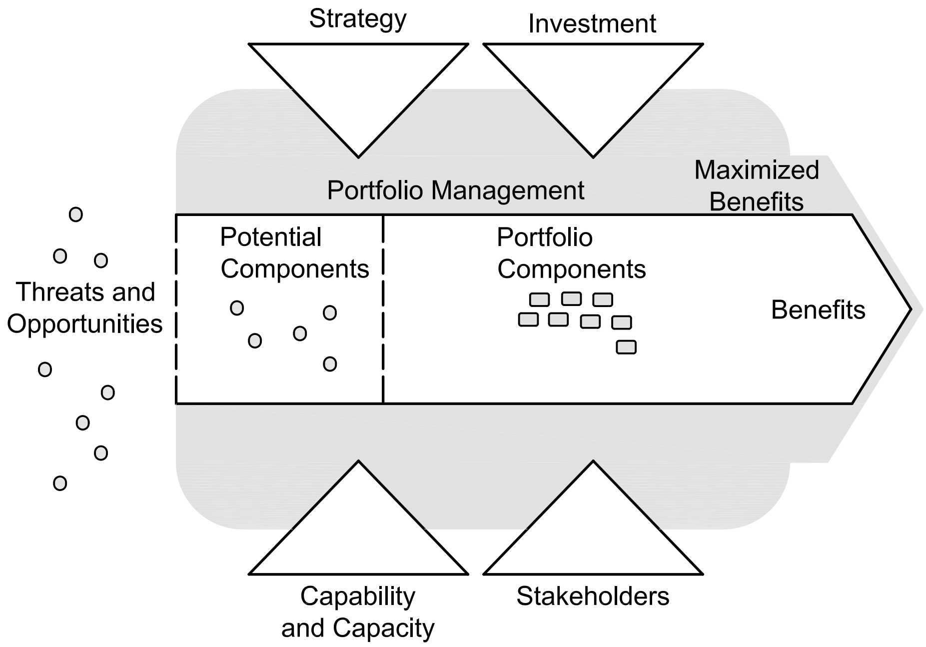

Figure 1 — A view of portfolio management in context

As Figure 1 illustrates, portfolio management addresses the need for a consistent approach to manage strategically aligned projects, programmes, portfolios and other related work within an organizational environment of varying complexity and uncertainty so as to:

1) enable investment in portfolio components to be aligned with the organization's strategy;

2) optimize organizational capability and capacity;

3) maximize benefits from investment;

4) identify and manage stakeholders' expectations;

5) provide visibility of portfolio component activity and status.

The principles described should be applied regardless of the organizational environment. In addition, for portfolio management to maximize benefits aligned to the organization's strategy there are prerequisites that should be in place to support portfolio management.

3.2 Overview of portfolio management

3.2.1 Portfolio management

Portfolio management should include a set of interrelated organizational processes and methods by which an organization allocates resources to implement its strategic objectives.

Portfolio management aligns the portfolio components with an organization's strategic objectives, stakeholder priorities, and values such as sustainable practices and ethical principles. As shown in Figure 2, portfolio management may also be described as a continuous decision-making process, whereby an organization's list of portfolio components is subject to periodic review for alignment with the organization's strategy. In this approach, new opportunities or threats are evaluated, selected, prioritized and authorized. Portfolio components may be modified, accelerated, postponed or terminated.

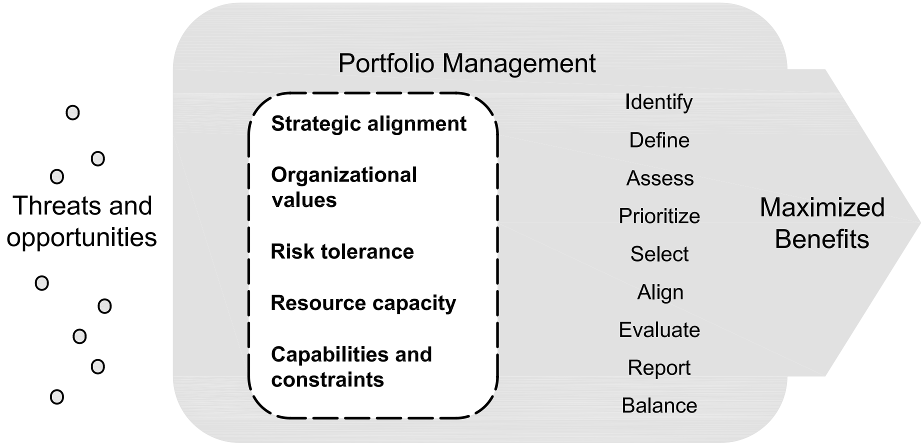

Figure 2 — A view of portfolio management

3.2.2 Portfolio structure

A portfolio may be structured as a hierarchy in which higher-level portfolio components are made up of several lower-level portfolio components, as illustrated in Figure 3. There are other relationships not illustrated in Figure 3, such as regarding resources, technology and communication. The portfolio structure represents a 'snapshot' of portfolio components and is reflective of the strategic objectives of the organization to which it is aligned.

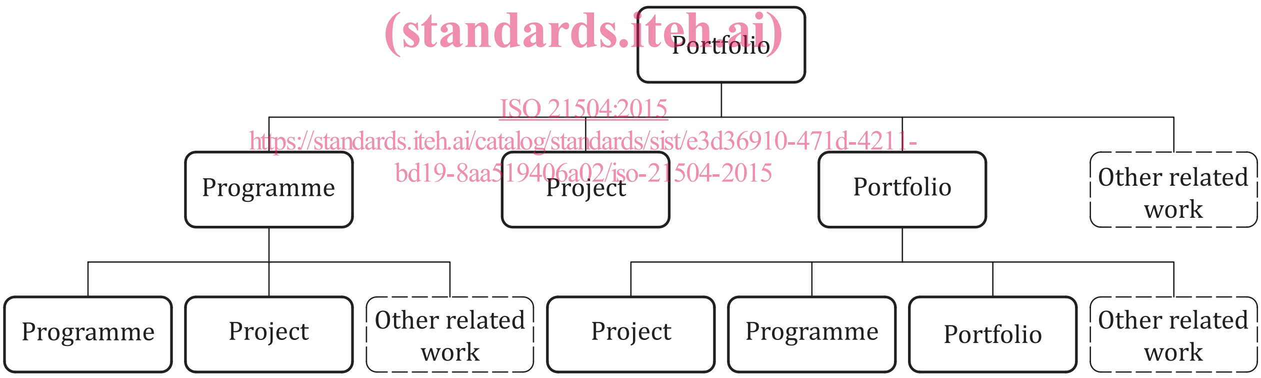

Figure 3 — Example of a portfolio structure

The structure within the portfolio may include a minimum of two portfolio components.

3.2.3 Capabilities and constraints

Portfolio capability is the ability of the organization to apply resources to achieve strategic objectives.

Decision makers should determine if the work within the portfolio can be accomplished. An organization should provide and maintain the capabilities it needs to run the organization in its current state and to implement the necessary changes to move it towards its strategic objectives.

A portfolio constraint may keep the portfolio from achieving the envisioned strategic objectives or cause the strategic objective to be modified or reprioritized. Constraints can originate from internal or external sources. The organization should have direct control over internal constraints, however the organization may only be able to influence, comply with or react to external constraints. Constraints may include factors such as governance, resources, social responsibility, culture, risk tolerance, sustainability and legal or regulatory requirements.

3.2.4 Opportunities and threats

Opportunities and threats can come from the strategy, customer requests, evolution of offerings, or internal improvements. In some cases the identification of opportunities and threats may be part of portfolio management. The response to opportunities or threats may lead to one or more new portfolio components or may modify one or more existing portfolio components.

An organization should define the boundaries between strategy and portfolio management, so that it is clear how they influence each other. The strategic objectives should determine what opportunities and threats should be addressed and prioritized. Opportunities or threats may redefine the strategy.

3.3 Roles and responsibilities

3.3.1 General principles

Decision makers should be assigned their authority, accountability and responsibility to take actions by the owners or legal entity controlling the organization. Such authority should be assigned for specific actions and decisions and is limited to the portfolio and its components. Other roles and responsibilities should be defined together with the limits of any assigned authorities. Portfolio management requires competent individuals applying their knowledge and experience. Executives and senior management should demonstrate leadership and commitment with respect to portfolio management.

3.3.2 Defining decision rights for portfolio content

Roles, responsibilities, authorities and accountabilities should be assigned to enable consistent decision-making across the organization to support effective portfolio management. Decision rights should be defined for:

a) executives and senior managers responsible for setting and evaluating organizational strategy and business planning;

b) decision makers who authorize changes to a portfolio;

c) managers who direct the day to day activities of the portfolio, within agreed limits;

d) stakeholders who support decision-making.

3.4 Stakeholder engagement and management

Stakeholder engagement and management should be performed. Stakeholders may include those involved in strategic and business planning, project and programme management and project or programme management offices. Other stakeholders should be identified through an agreed stakeholder identification and analysis process.

4 Prerequisites for portfolio management

4.1 Overview

This clause addresses the prerequisites that an organization should meet in order to set up and maintain portfolio management. Addressing these prerequisites should involve:

a) consideration of positive and negative benefits for the organization;

b) assessment of positive or negative impact on the organization, both internally and externally;

c) set up and readiness for implementation.

4.2 Justification for portfolio management

Portfolio management requires an investment of resources. There should be a justification of this investment. This justification should address the need, the benefits and the cost of the investment, as well as the alignment to one or more strategic objectives. The degree of formality for presenting this justification may vary from organization to organization.

4.3 Portfolio management framework

The portfolio management framework could define the means by which the organization would determine and decide which components should be prioritized and included in the portfolio or removed. The framework should also define how resources will be allocated to those components.

4.4 Types of portfolio components

The organization should determine the types of work that will be included or excluded as portfolio components, as well as criteria that should be used to identify them. These should include:

a) types of projects;

b) types of programmes;

c) other portfolios;

d) other related work.

4.5 Criteria for selecting and prioritizing portfolio components

Criteria for selection and prioritization of portfolio components should be defined and verifiable. These criteria should reflect defined portfolio objectives that should align with the organizational strategy. The criteria should also reflect the values, principles, other organizational policies and targeted benefits.

The definition and documentation of such criteria should reflect that:

a) selected portfolio components support the organization in achieving its strategic objectives and realizing specific benefits;

b) a method is available to evaluate to what extent the portfolio is in alignment with the tolerated risk exposure;

c) a balanced portfolio is maintained;

d) a structured and consistent method is followed for evaluating and aligning the mix of portfolio components;

e) comparability exists among portfolio components of different types.

4.6 Alignment with organizational processes and systems

Portfolio management processes and systems should be aligned with the following organizational processes and systems:

a) performance reporting processes and systems;

b) resource management processes and systems;

c) risk management processes and systems;

d) financial management processes and systems;

e) project and programme management processes and systems;