



Management of Portfolios



Written by Craig Kilford, Mentor at Cansoti.com, Author of Think P30 and Co-Author of Management of Portfolios (MoP™). The purpose of this brochure is to provide an overview of the Management of Portfolios (MoP).

The MoP range of publications includes:

- MoP Guidance
- MoP Executive Guide, a quick reference guide for senior managers considering the use of MoP in their organization.

The MoP publications are available in a range of formats to suit users' needs:

- **Hard Copy**
- **PDF Single User:** offers you immediate access
- **Handheld eBook:** downloadable to most handheld devices for easy access on the go
- **Online Annual Subscription:** provides access to the latest authoritative text with a wealth of functionality.

Introducing MoP

Individuals and organizations are much more cautious with their investments these days. Can we afford this? Can we take the risk? Should we be doing this? Are all questions being asked of change initiatives (projects and programmes)? As such, the days of projects being funded without having a clear understanding of the full costs, benefits and risk are well and truly over, and rightly so!

The time has come for Management of Portfolios (MoP). MoP helps organizations answer a fundamental question 'Are we

sure this investment is right for us and how will it contribute to our strategic objectives?'. Investment is the keyword because portfolio management is about investing in the right change initiatives and implementing them correctly. MoP achieves this by ensuring that:

- The programmes and projects undertaken are prioritized in terms of their contribution to the organization's strategic objectives and overall level of risk
- Programmes and projects are managed consistently to ensure efficient and effective delivery
- Benefits realization is maximized to provide the greatest return (in terms of strategic contribution and efficiency savings) from the investment made.

Official Definitions

A **Portfolio** is the totality of an organizations' investment (or segment thereof) in the changes required to achieve its strategic objectives.

Portfolio Management is a coordinated collection of strategic processes and decisions that together enable the most effective balance of organizational change and 'business as usual'.

MoP Structure

MoP is structured around five flexible principles within which the two cycles and the 12 portfolio management practices exist. Unlike most methods, all portfolio management principles, cycles and practices are used at the same time albeit

at varying levels of intensity, depending on the organization and the environment in which it works.

The MoP guidance walks you through each principle, cycle and practice explaining the theory in detail at the same time as backing theory up with real world examples and useful 'keys to success'.

While portfolio management will be more effective where robust programme and project management (PPM) exists, this is not a prerequisite for its successful implementation. The right time to question the validity of investments is always now, so whatever your organization's current level of PPM maturity, this guide will provide advice and insights that will help you design an appropriate portfolio management roadmap; that will be suitable for your organization and one that you will get immediate value from in the form of:

- More of the 'right' programmes and projects being undertaken
- Removal of redundant, duplicate and poorly performing programmes and projects
- More effective implementation of programmes and projects via consistent approaches and improved dependency management
- More efficient resource utilization
- Better management of risk at a collective level
- Greater benefits realization and return on investment
- Enhanced transparency, accountability and corporate governance

- Improved engagement and communication between senior management and staff.

What are the components of MoP?

The portfolio management model highlights how the portfolio management principles provide the context within which the portfolio definition and portfolio delivery cycles, and their constituent practices, operate.

You will notice that Organizational Energy sits at the very heart of the Portfolio Management model. This is because ultimately it is the energy and effort of the people within the organization that will create success.

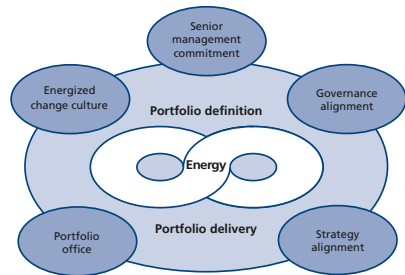


Figure 1 *The portfolio management model*

Five Portfolio Management Principles

The portfolio management principles represent the foundations upon which effective portfolio management is built; they provide the organizational environment in which the portfolio definition and delivery practices can operate effectively.

1. Senior Management Commitment

Senior Management must publicly champion and positively communicate the value of portfolio management whilst participating actively in the processes.

2. Governance Alignment

A clearly defined escalation and decision making structure must exist that integrates with the existing corporate decision making processes.

3. Strategy Alignment

The portfolio must contain investments that contribute towards the achievement of the organizations strategic objectives.

4. Portfolio Office

Reporting to Board Level, a Portfolio Office function must exist containing PPM professionals that provide standards, analysis and enhanced collaborative working across departments such as finance and operations.

5. Energized Change Culture

The organization has created a culture where people are motivated and striving to do things better, they believe in the organization's goals and feel part of one team.

The Portfolio Management Cycles

Portfolio management does not have a mandated start point, middle or end, rather all practices are found within two continuous portfolio management cycles: the portfolio definition cycle and portfolio delivery cycle.

Portfolio Definition Cycle

Focuses on 'doing the right things' by collating key information that will provide clarity to senior management and the wider audience with regards to the collection of change initiatives and how these initiatives will deliver the greatest contribution to the strategic objectives.

Practices within the portfolio definition cycle include:

1. Understand

An initial understanding off the portfolio scope including the change initiatives exists or needs to exist.

2. Categorize

Organize change initiatives into groups, segments or sub-portfolios based on the strategic objectives or other groupings as required.

3. Prioritize

Rank the change initiatives within the portfolio (or portfolio segment) based on one or more agreed measures.

4. Balance

Ensure that the portfolio is balanced in terms of timing; contribution to strategic objectives; business impact, risk and resource.

5. Plan

Collate information from the portfolio definition cycle and create a portfolio strategy and delivery plan that can be agreed and published widely.

Portfolio Delivery Cycle

Focuses on 'doing those things right', ensuring the successful implementation of the planned change initiatives as

agreed in the portfolio strategy and delivery plan, whilst also ensuring that the portfolio adapts to changes in the strategic objectives, project and programme delivery, and lessons learned.

Practices within the portfolio delivery cycle include:

1. Management Control

Both individual and portfolio level decisions are made regarding progress against the portfolio delivery strategy and plan.

2. Benefits Management

Clearly identify and manage the benefits being realized from the portfolio, the contribution to operational performance and strategic objectives.

3. Financial Management

Ensure that the portfolio management processes and decisions are aligned to the financial management cycle and that financial considerations form a key element in all decisions.

4. Risk Management

Ensure consistent and effective management of the portfolio's exposure to risk at both individual and collective level.

5. Stakeholder Engagement

Ensure the needs of the portfolio's customers (both internal and external stakeholders) are identified and managed appropriately.

6. Organizational Governance

Ensure portfolio management governance is aligned with the wider organizational governance structure enabling clear understanding of all decisions.

7. Resource Management

Put in place mechanisms to understand and manage the amount of resources required to deliver the changes.

Why was the guide developed?

Programmes and projects have been the focus of organizations' efforts to manage change for many years. More recently, portfolio management has come to the fore as organizations have become increasingly aware that delivery is only half the battle. Just as important is whether or not the change initiatives are the 'right' ones and whether the potential return on investment is achieved.

Reports from the UK Government's capability reviews, as well as from the National Audit Office, have highlighted the importance of improved prioritization of our investment in change.

This is not a challenge facing the public sector alone – ensuring successful delivery and realizing the full benefits, in terms of efficiency savings and contribution to strategic objectives are of relevance across all sectors of the economy and in all jurisdictions.

What does the guide offer?

Understanding which change initiatives contribute most to your strategy is both complex and difficult; furthermore making informed decisions about their overall status, prioritization, risk and benefits is even more difficult.

MoP provides a solution to such difficulties. It does not mandate specifically how your organization should use portfolio management, it would be futile to do so because every organization is so different.

However, it provides you with a picture of success and defines the principles and practices that have been used by organizations to achieve that success. You will gain a good understanding of those principles and practices and, combined with the knowledge of your own organization, be able to adopt them suitably.

The appendices include a health check that can be used by Senior Management to help understand the current situation and start to develop an action plan. Also included are role descriptions for key people and groups, which again can be adapted to suit your own organizational situation.

MoP, fit for purpose

In order to ensure that MoP was fit for purpose it went through a number of quality assurance processes including a free public consultation draft in 2008 and formal quality reviews:

Quality reviews – MoP went through six review stages, involving over 40 individuals, drawn from experts in portfolio management, authors of other Best Practice guides, end users from public and private organizations, educational institutes and accredited training organizations. These people read and reviewed the guidance to ensure it was fit for purpose and met with the MoP mandate.

Train the trainer – over 70 representatives from Accredited Training Organizations attended a training event based on foundation level training material and subsequently took a sample foundation exam. This is the highest attended train the trainer event to date and is a clear indicator of the importance of MoP within the marketplace.

Alignment with other best practice guides

MoP complements the suite of related PPM guidance developed by Best Management Practice to help organizations and individuals to use Best Practice to manage projects, programmes and services consistently and effectively.

MoP focuses on strategic investment decision-making and integrates seamlessly with all other best practice methodologies. It is highlighted throughout MoP that whilst portfolio management will be more effective where robust programme and project management (PPM) exists, this is not a prerequisite. There is, however one exception; the need for some form of P3O or Portfolio Office model (either physical or virtual) that provides portfolio information to senior management is mandated.

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