



THE STANDARD FOR PORTFOLIO MANAGEMENT

FOURTH EDITION

The Standard for PORTFOLIO MANAGEMENT

Fourth Edition

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14 Campus Boulevard
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Phone: +610 356 4600
Fax: +610 356 4647
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INTRODUCTION

This section covers the purpose, context, and principles of portfolio management, including the definition of several key terms, and provides an overview of *The Standard for Portfolio Management* – Fourth Edition. The following major sections are addressed:

- 1.1 Purpose of *The Standard for Portfolio Management***
- 1.2 Audience for *The Standard for Portfolio Management***
- 1.3 What Is a Portfolio?**
- 1.4 Relationships Among Portfolios, Programs, Projects, and Operations**
- 1.5 What Is Portfolio Management?**
- 1.6 Relationships Among Portfolio Management, Program Management, and Project Management**
- 1.7 Principles of Portfolio Management**
- 1.8 Relationships Among Portfolio Management, Organizational Strategy, Strategic Business Execution, and Organizational Project Management**
- 1.9 Portfolio Components and Their Interrelationships**
- 1.10 Role of the Portfolio Manager**
- 1.11 Other Roles in Portfolio Management**

1.1 PURPOSE OF *THE STANDARD FOR PORTFOLIO MANAGEMENT*

The Standard for Portfolio Management – Fourth Edition identifies project portfolio management principles and performance management domains that are generally recognized as good practices for organizations that have business needs to effectively manage complex and intense program and project investments. “Generally recognized” means that the principles and performance management domains described are applicable to most portfolios most of the time, and that there is widespread consensus about their value and usefulness. “Good practice” means there is general agreement that the application of these principles and performance management activities can enhance the chances of success and are proven to work over a wide range of portfolios. Good practice does not mean the management activities described should be applied uniformly to portfolios; the organization’s governance and the portfolio manager are responsible for determining what is appropriate for any portfolio given its environment, and in the context of the organization’s project and program management framework.

The Standard for Portfolio Management – Fourth Edition includes a common, unified vocabulary for use among the portfolio management profession for promoting, discussing, researching, writing, applying, and continuously improving portfolio management concepts. By using a single lexicon that is understandable by practitioners regardless of geographical location, culture, industry, or educational background, portfolio management practitioners are able to communicate and facilitate the management of portfolios and execution of strategies.

Portfolio management of programs, projects, and related operations is intended for all types of organizations.

This standard is a companion to information already provided in *A Guide to the Project Management Body of Knowledge (PMBOK® Guide)* – Sixth Edition [1],¹ and *The Standard for Program Management* – Fourth Edition [2]. As a foundational reference, this standard is not intended to be comprehensive or all-inclusive. It is a guide rather than a methodology. One can use various methods and tools to implement the principles and practices described herein.

In addition to the standards that establish guidelines for project management principles, processes, tools, and techniques, the *PMI Code of Ethics and Professional Conduct* [3] describes the expectations that practitioners should have for themselves and others. It is specific about the basic obligations of responsibility, respect, fairness, and honesty. It requires that practitioners demonstrate a commitment to ethical and professional conduct. It carries the obligation to comply with laws, regulations, and organizational and professional policies. Because practitioners come from diverse backgrounds and cultures, the *Code of Ethics* applies globally. When dealing with any stakeholder, practitioners should be committed to honest and fair practices and respectful dealings. Acceptance and adherence to the *Code of Ethics* is a requirement to achieve and maintain the Portfolio Management Professional (PfMP)[®] credential and other PMI certifications.

1.2 AUDIENCE FOR *THE STANDARD FOR PORTFOLIO MANAGEMENT*

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

- ◆ Senior executives and governance boards who make decisions regarding organizational strategy;
- ◆ Management staff responsible for developing organizational strategy or those making recommendations to senior executives;
- ◆ Portfolio, program, and project management practitioners, particularly portfolio managers;
- ◆ Researchers analyzing portfolio management;
- ◆ Members of a portfolio, program, or project management office;
- ◆ Consultants and other specialists in portfolio, program, or project management and related disciplines;
- ◆ Business and technical professionals such as auditors, trainers, engineers, and others who are increasingly asked to manage a portfolio of programs, projects, and operational activities;
- ◆ Operations managers, organization unit managers, civil engineers, construction managers and constructors of large/megaprojects, and process owners who have financial, human, marketing, material resources, or supply chain considerations in a portfolio;

¹ The numbers in brackets refer to the list of references at the end of this standard.