

Project Management Institute

***The Standard for
Portfolio Management***

The Standard for Portfolio Management
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Four Campus Boulevard
Newtown Square, Pennsylvania 19073-3299 USA.
Phone: + 610-356-4600
Fax: + 610-356-4647
E-mail: pmihq@pmi.org
Internet: www.pmi.org

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Foreword

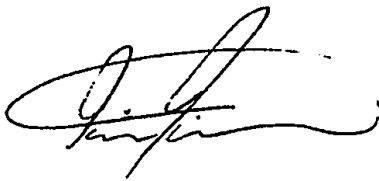
On behalf of the Project Management Institute (PMI®) Board of Directors, I am pleased to present PMI's *Standard for Portfolio Management*.

Project management is one of those terms with multiple meanings. For a long time it was associated only with projects, but some twenty years ago that began to change, and today it is understood to include portfolio management and program management as well.

Today the *PMBOK® Guide* continues to be the *de facto* global standard for the project management of single projects, as well as an American National Standard. This new standard is an important step in PMI's continuing commitment to define the body of knowledge supporting the project management profession, and to develop standards for its application. The *Standard for Portfolio Management* describes a documented set of processes that represent generally recognized good practices in portfolio management. Further, it details the linkage between consistent, predictable and successful project outcomes, which accomplish or further an organization's strategic goals.

I would like to sincerely thank the globally diverse project team that worked so diligently to bring this standard to fruition. The team, which consisted of a group of 416 PMI volunteers representing 36 countries, was led by project manager David W. Ross, PMP, and assisted by deputy project manager Paul E. Shaltry, PMP. Dedicated and competent volunteers continue to be the backbone of PMI's success, and this publication is yet another example.

I trust that each of you will find this latest addition to the PMI library of standards beneficial to yourself as well as to your organization.



Iain Fraser, Fellow PMINZ, PMP
2006 Chair – PMI Board of Directors

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Preface

The Standard for Portfolio Management addresses the need for a documented set of processes that represent generally recognized good practices in the discipline of portfolio management. The target audience for this standard includes: senior executives, management staff in charge of organizational strategy, portfolio managers, members of a strategic and/or portfolio management office, managers of program managers and project managers, customers and other stakeholders, functional managers and process owners with resources in a portfolio, educators, consultants, trainers and researchers. It will also be of use to program managers, project managers and other project team members, and members of a project or program management offices. The standard is a companion for *A Guide to the Project Management Body of Knowledge (PMBOK® Guide)* – Third Edition and builds on work postulated in the *Organizational Project Management Maturity Model (OPM3®)*, and provides a foundational reference for anyone interested in portfolio management of projects and programs. While project and program management have traditionally focused on “doing work right,” portfolio management is concerned with “doing the right work.”

Topics in this standard include:

- Streamlining operations through portfolio management;
- How portfolio management can improve the implementation and maintenance of corporate governance initiatives;
- Portfolio management’s role within organizational structure and its relationship to the organization’s strategy;
- Designing and implementing metrics to demonstrate and improve return on investment; and
- Portfolio management reporting and how it can help make the most of an organization’s programs and projects.

The Standard for Portfolio Management is organized as follows:

Chapter 1 – Introduction to Portfolio Management: Defines key terms associated with portfolio management and provides an overview of the rest of *The Standard for Portfolio Management*.

Chapter 2 – Portfolio Management Process and Organization: The key components of the portfolio management context.

Chapter 3 – Portfolio Management Processes: Identifies those Portfolio Management Processes that have been recognized as generally accepted practices for most project portfolios most of the time.

Appendices A – D—Provides background information on the PMI Standards Program and *The Standard for Portfolio Management* project.

Glossary – Provides clarification of key terms used in developing *The Standard for Portfolio Management*.

Index – Gives alphabetical listings and page numbers of key topics covered in *The Standard for Portfolio Management*.

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Section I

The Portfolio Management Framework

Chapter 1 Introduction to Portfolio Management

Chapter 2 Portfolio Management Process and Organization

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Chapter 1

Introduction to Portfolio Management

The Standard for Portfolio Management addresses a gap in the management-by-projects field across all types of organizations (i.e., profit, nonprofit, and government)—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 diverse organizations; therefore, the term has come to represent different meanings. It is recognized 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” management. It will be referred to simply as “portfolio” management.

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

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