Acknowledgements

Author
Craig Kilford, Cansoti.com.

Further Contributions
To ensure that the Portfolio Management Guide reflects current Best Practice in this emerging field, the OGC has consulted widely among key stakeholders and experts during the authoring process. The OGC would like to thank the individuals and their organisations set out below for their contributions to the new guide.

Editorial Review Group
Andrew Honeywood, OGC; Chris Thirkell, Cabinet Office; Felicity Pickering, Cabinet Office; Fiona Moore, OGC; Michael Acaster, OGC; Stephen Jenner, Ministry of Justice (on secondment to the Cabinet Office – Transformational Government Group); Sue Vowler, Project Angels Ltd.

Sean Redmond, for copy-editing and proofreading.

Primary Review Group
Alan Ferguson, AFA; Andrew Hudson, ChangeDirector UK Ltd; Anthony Close, SMS Management and Technology; Arumza Rashid, CHMA; Bruce McNaughton, Process Aide; Charles Cross, Department of Health; Chris French, SERCO Consulting; Darren Hughes, HM Prison Service; Helen Goulding, Audit Commission; James Butler, Program Framework; John Sherwood, Highways Agency; John Kenyon, OGC; Kaye Law, Serious Organised Crime Agency; Kevin Hardy, Astellas Pharma; Liz Underhill, Government Olympic Executive; Mark Fensome, Department for Children, Schools and Families; Martin Crumpton, Department for Transport; Nicky Bloomer, ACPO (TAM); Nick Walker, Department for Children, Schools and Families; Paul Hurren, Audit Commission; Paul Rayner, Logica and ProgM; Philip Cooper, OGC; Rod Sowden, Aspire Europe Ltd; and representatives from the Ministry of Defence.
Executive Summary

Introduction

Programmes and Projects have dominated the headlines in recent years, becoming the focus of an organisation’s ability to manage change. But how can organisations really be sure that the Programmes and Projects they are delivering are the right ones? Can Senior Management be sure that customer needs will be met, that the Strategic Objectives will be delivered? Can government departments be certain that their visions and targets will be achieved?

In times of rapid change, budgetary constraints and high risk, it is shocking that some organisations continue to waste effort and resources by delivering the wrong Programmes and Projects.

This is where Portfolio Management will help. Portfolio Management is critically important because it ensures that the ‘right’ Programmes and Projects are started and the ‘wrong’ ones are not (or are stopped if already underway). The right Programmes and Projects are those that collectively make the greatest contribution to an organisation’s strategic objectives and targets.

This Portfolio Management guidance provides flexible principles, including Senior Management commitment, alignment of the Organisational Governance and Organisational Strategy together with the use of a Portfolio Office Model working within a culture that is energised and motivated to change. The Portfolio Management Practices are grouped within two cycles: the Portfolio Definition Cycle and the Portfolio Delivery Cycle. When the Practices are used to complement existing organisational structures they will help to facilitate key Portfolio Management activities, such as prioritisation, balancing, planning and controlled delivery, at both an organisational and unit level.

Importantly, the guidance highlights that Portfolio Management is most effective when done ‘top-down’ across an organisation as a whole, although some improvements will be seen wherever it is applied within an organisation. Equally, while Portfolio Management will be more effective where robust Programme and Project Management structures exist, this is not a prerequisite. Portfolio Management will be effective whenever it is used, Irrespective of an organisation’s Programme and Project Management maturity.

Adopting Portfolio Management is a big step for everyone involved, particularly the Senior Management Board, who must be the Portfolio Management champions, and in today’s economic climate must recognise that using Portfolio Management is absolutely non-negotiable.

Portfolio Management: what is it?

Portfolio Management is a co-ordinated collection of strategic processes and decisions that together enable the most effective balance of organisational change and business as usual.

Portfolio Management: why bother?

The most recent Cabinet Office research¹ identified that organisations who adopt a Portfolio Management approach realise benefits through the following factors.

- More of the ‘right’ Programmes and Projects being undertaken.
- Removal of redundant and duplicated Projects.
- More effective implementation of Programmes and Projects.
- More efficient resource utilisation.
- Greater benefits realisation.
- Improved transparency, accountability and Organisational Governance.
- Improved engagement and communication between senior management.

¹ Benchmarking Reliable Delivery, June 2008.
Portfolio Management Cycles

At the top level all Portfolio Management activities can be grouped into two cycles: Portfolio Definition and Portfolio Delivery. Both of these have to be constant due to the ever-changing environment in which the organisation operates. This model (illustrated in Figure S1.0) encapsulates the cyclical and constant activities of Portfolio Definition and Portfolio Delivery.

Figure S1.0. Portfolio Management Cycles.

What Portfolio Management is not

There are a number of misconceptions that can cause confusion and detract from the successful implementation of Portfolio Management.

- **Easy to implement.** Implementing Portfolio Management will bring about Changes to Management Board decision making and Organisational Governance processes. Therefore, it is critical that the person or team leading the development of Portfolio Management has the necessary skills and experience.

- **A group of ‘Project people’ that sit in isolation and produce a plan every year.** Portfolio Management must integrate seamlessly within the Organisational Governance decision-making and Strategic Planning process.

- **Programme or Project Management on a bigger scale.** Programmes and Projects focus on implementing Change in the ‘right’ way; Portfolio Management is about choosing the right Change in order to realise the agreed Strategic Objectives.

What could Portfolio Management be for you?

In practice, Portfolio Management can be used at many different levels within the organisation. For example, while this guidance focuses at the organisational level of Business Change Management (the totality of an organisation’s Change), there is no reason why Portfolio Management cannot be used at directorate level, within specific business units and even within individual Programmes.
A process that the Management Board can pay lip service to. Portfolio Management creates a transparent evidence-based environment that will provide the mechanism to inform Management Board decisions.

A rigid, bureaucratic or individual process. Portfolio Management is a collection of flexible processes (existing and new) which, when used collaboratively, enable effective decision making.

A list of all existing Projects or Programmes. The Portfolio contains current and future Changes that have been prioritised, scheduled, endorsed by the Management Board and aligned to the Strategic Objectives with benefits, resources and dependencies identified.

A bureaucratic process that prevents or stops Programmes or Projects for no reason. Portfolio Management will clearly highlight which Programmes or Projects are not adding value to Strategic Objectives.

How do Changes link to strategy?
In almost every case, an organisation’s Strategic Objectives identify some form of improvement.

Linking Changes to the Strategic Objectives can only be achieved via benefits – i.e. the benefits realised by implementing the Change. In order to successfully realise benefits from the Portfolio, the following two critical prerequisites must be satisfied:

- A strategy must exist, containing well-defined and agreed Strategic Objectives with associated targets and measures.
- Every Change must have a justifiable Business Case clearly defining the benefits in sufficient detail to enable alignment to one or more Strategic Objectives.

Portfolio Management links Business as Usual and strategy

In Figure S2.0 this relationship is represented in a simple concept: ‘Run the business, change the business’. This describes how Portfolio Management and Business as Usual can collaboratively realise Strategic Objectives.

Portfolio Management controls the Changes to Business as Usual. When Changes are successfully implemented, Business as Usual improves and benefits are then realised. The benefits realised from Business as Usual are managed by Portfolio Management. It is this cyclical relationship between Portfolio Management and Business as Usual that achieves the Strategic Objectives.

Portfolio Management ensures that decisions are made collaboratively, in the context of the whole organisation, and by the appropriate people at the appropriate level.

![Figure S2.0 'Run the business, change the business'](image-url)
1.0 Introduction to Portfolio Management

1.1 Purpose of the guidance

The purpose of this guidance is to provide universally applicable principles and practices that will enable individuals and all organisations (large or small) to successfully introduce or re-energise Portfolio Management structures.

Specifically, this guidance provides:

- A baseline definition of Portfolio Management, together with easy-to-understand descriptions of the Portfolio Management Principles and Practices.
- Real-life examples of Portfolio Management that can be adopted by any organisation and will add immediate benefits.

The Portfolio Management Principles and Practices discussed in this guidance are simplified in such a way that, should an organisation choose to implement them, they can expect to see real benefits in a short time. If your organisation is already fairly mature in its use of Portfolio Management, this guidance will be a useful crosscheck.

1.2 Portfolio Management: why bother?

Most organisations operate in a complex environment, with many Changes being implemented at any one time. New Changes will be started and delivered in these environments so there will always be inevitable challenges, including (but not limited to) conflicting priorities for scarce resources, understanding the sheer complexity of all the Changes as well as the interdependencies between Changes.

The most recent Cabinet Office research identified that organisations who adopt a Portfolio Management approach realise benefits through the following factors:

- More of the ‘right’ Programmes and Projects being undertaken in terms of greater financial benefits and contribution to Strategic Targets, business priorities and fewer ‘wrong’ ones started or more killed off earlier via active management of the Project Portfolio.
- Removal of redundant and duplicated Projects.
- More effective implementation of Programmes and Projects via management of the Project pipeline, Project dependencies, interdependencies and constraints (including resources, skills, infrastructure, change appetite, etc.) and redirecting resources when Projects do not deliver or are no longer strategically aligned.
- More efficient resource utilisation.
- Greater benefits realisation via active approaches to exploitation of the capacity and capability created.
- Improved transparency, accountability and Organizational Governance.
- Improved engagement and communication between Senior Management in understanding and meeting organisational needs and expectations.

1.3 Structure of the guidance

This guidance first introduces the definition of Portfolio Management, the key terminology and an overview of the strategic context. Following this, the Portfolio Management Principles and Practices are discussed in detail.

The appendices contain additional useful information, including governance terms of reference and a Portfolio Management Briefing specifically created for Management Board Members.

Table 1.1 gives a brief summary of each chapter.
Table 1.1. Chapter summary.

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Name</th>
<th>Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Introduction to Portfolio Management</td>
<td>Introduces the key terminology, purpose and target audience.</td>
</tr>
<tr>
<td>2</td>
<td>What is Portfolio Management?</td>
<td>Introduces the Portfolio Management Principles and Practices. Highlights what Portfolio Management can be for you, what is it not and answers the question ‘Why bother with Portfolio Management?’.</td>
</tr>
<tr>
<td>3</td>
<td>The Strategic Context</td>
<td>Identifies how Portfolio Management links to Business as Usual, the organisational strategy and other teams.</td>
</tr>
<tr>
<td>4</td>
<td>Portfolio Management Principles</td>
<td>Discusses the Portfolio Management Principles, including Senior Management Commitment, Organisational Governance and Organisational Strategy alignment, the use of P3O® and an energised Change culture.</td>
</tr>
<tr>
<td>5</td>
<td>Portfolio Management Cycles</td>
<td>Discusses the two Portfolio Management Cycles, Portfolio Definition and Portfolio Delivery.</td>
</tr>
</tbody>
</table>

Throughout the guidance you will notice the use of Important Notes and Keys to Success boxes, as in Figure 1.2.

**Important Notes** are sometimes needed to emphasise a point or to ensure understanding of a specific element of the discussion.

**Keys to Success**

**Key**

These are re-emphasised points and real-life lessons learned which aim to help you become more successful in implementing Portfolio Management.

Figure 1.2. Examples of Important Notes and Keys to Success.
1.4 Target audience

This guidance has been written specifically for use within the UK Government and, as such, references other UK Best Practice, including Managing Successful Programmes (MSP™) and PRINCE2®. However, the Portfolio Management Principles, Cycles and Practices are applicable to any organisation irrespective of type, size, market or geographical location.

Portfolio Management touches all elements of an organisation. Therefore, most people with an interest in Business Change Management and/or organisational strategy would benefit from reading this guidance (as shown in Table 1.3), particularly: Directors of Change; Portfolio, Programme, Project and Business Change Managers; and teams from departments, including (but not limited to) Finance, IT, Procurement, Strategic Planning and Performance.

A key thought to bear in mind as you read is that no organisation is the same as another, no two organisations are managed in the same way and, given the relative immaturity of Portfolio Management, many organisations and people have differing needs and views concerning its application.

<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board Members, Senior Management, Departmental Heads</td>
<td>An overall understanding of Portfolio Management and how it links with Strategic Management and delivery of Programmes and Projects. Use the Senior Managers Portfolio Management Briefing (see end of Appendix 6) to get a quick overview of what to expect from Portfolio Management.</td>
</tr>
<tr>
<td>SROs, Portfolio Office and Strategic Planning Teams</td>
<td>Understand the Portfolio Management Principles and Practices and how this aligns with your current working practices.</td>
</tr>
<tr>
<td>Programme Managers, Programme Office Management Teams, Business Change Managers</td>
<td>Understand the relationships between Portfolio Management and Programme and Project Management, how your Programmes fit into the wider Portfolio mechanism, Benefits Realisation Management, Risk Management and how Change and Business as Usual are linked.</td>
</tr>
<tr>
<td>Project Managers, Project Teams, Operational Management and Teams</td>
<td>Understand the alignment to Project delivery and the links to operations and Business as Usual from a strategic perspective.</td>
</tr>
</tbody>
</table>

Table 1.3. Summary of key stakeholders and the value they can expect to get from reading this guidance.
1.5 Key terminology

Before you continue reading, it is important to understand some key terminology and acronyms, as these are referred to throughout this guidance. For a fuller glossary of terms, see Appendix 7.

**Portfolio Management (PfM):** From this point on, Portfolio Management will be referred to as ‘PfM’.

**Programmes and Projects:** For ease of reading, from this point on Programmes and Projects will be referred to as ‘Change’ (unless it is critically important to an understanding of the specific section). This is because, irrespective of the size and complexity, Programmes and Projects implement Changes to the organisation.

**PPM:** This refers to the use of Programme and Project Management Best Practice processes.

**P3O:** This refers to the OGC guidance for Portfolio, Programme and Project Offices.

**OGC Gateway:** The OGC Gateway Process examines Programmes and Projects at key decision points in their lifecycle (Gateway Reviews). It looks ahead to provide assurance that they can progress successfully to the next stage.

**Business Change Lifecycle:** Many organisations develop some form of organisational process or framework which helps to guide the delivery of Programmes and Projects using a collection of repeatable processes and decision points/stage gates. Some call it the Business Change Roadmap, Programme and Project Delivery Framework, or Business Change Lifecycle. For the benefit of this guidance, the term ‘Business Change Lifecycle’ will be used to refer to any such process. Appendix 1 contains an example of such a process called the Project Control Framework, which has been implemented within the Highways Agency.

**Management Board:** The top-level senior Management Board that consists of the Chief Executive (or equivalent) and other Board of Directors.

**Business as Usual:** Includes all the activities and processes that the organisation undertakes in order to run its business on a day-to-day basis.

**P3M3™ Maturity Model:** The OGC’s P3M3 Maturity Model enables organisations to measure themselves against a set of standard processes and to create Performance Improvement Plans to enable focused and continuous improvement in Portfolio, Programme and Project Management.

---

**Important Note:** It is critical that you do not view this guidance as a cookbook for implementing Portfolio Management; rather you should read, acknowledging and understanding the discussions, principles and practices, taking the time to pause occasionally and reflect on how the content relates to your own organisation. No doubt, you have some elements of Portfolio Management already in place and whilst they probably will not have the same names, as long as they are adding the value discussed in this guidance there may be no need to modify your approach.
2.0 What is Portfolio Management?

2.1 Purpose of this chapter
This chapter provides definitions of Portfolio, Programme and Project Management. The chapter then leads on to discuss the differences between the three and introduces, in summary, the PfM Model, Principles, Cycles and Practices (discussed in detail in later chapters). Finally this chapter highlights what PfM could be for you and what it is not.

2.2 Background
The success of Programmes and Projects has historically been gauged by the extent to which the implementation has delivered on time, within the budget and to customer quality expectations. However, organisations are realising that true success is only possible if the Project or Programme was the correct Change to implement in the first place.

With this in mind, Senior Management require answers to the following questions and in doing so enter the world of Portfolio Management.

- Are all the Changes to the organisation that are being delivered at the moment (and those in the pipeline) bringing us closer to our organisation’s Strategic Objectives?
- Are these the best Changes to get us there?
- Are we allocating our precious resources in the right areas?

Today, depending on the field of work you are involved in, the term Portfolio Management can mean different things. It can be used to describe the management of investments in housing, or, in finance, it can be used to co-ordinate hedge fund investments or prioritise a range of IT Projects.

Whilst these examples are similar in terms of the concept of investment, risk and benefits, this guidance is specifically written to focus on organisation-level Business Change Management. This aligns to the OGC’s existing selection of Best Practice guidance relating to Programme Management, Project Management and Risk Management.

2.3 PfM: the definitions (PfM, Programme, Project, P3O)
When implementing PfM, an area where confusion can arise is the differences between Portfolios, Programmes and Projects and how Business as Usual fits in. It is important that each is defined to ensure a collective understanding by all stakeholders. The following are the OGC definitions\(^3\) for Portfolio, Programme and Project Management. Links to Business as Usual are described in detail in Chapter 3.

**Portfolio:** The totality of an organisation's investment (or segment thereof) in the Changes required to achieve its Strategic Objectives.

**Portfolio Management:** Portfolio Management is a co-ordinated collection of strategic processes and decisions that together enable the most effective balance of organisational Change and Business As Usual.

PfM achieves this by ensuring the following.

- Changes to Business as Usual are agreed at the appropriate management level and contribute to at least one strategic objective.
- Strategic decisions are made based on a clear understanding of cost, risk, impact on Business as Usual and the strategic benefits to be realised.

---

\(^3\) Portfolio Management definitions developed in collaboration with The Cabinet Office and OGC in 2008.
• Resources and Changes are prioritised in line with the current environment, existing Changes, resource capacity and capability.
• All Changes are reviewed frequently in terms of progress, cost, risk, priority, benefits and strategic alignment.

**Programme Management:** OGC’s related guidance, Managing Successful Programmes (MSP) defines Programme Management as the action of carrying out the co-ordinated organisation, direction and implementation of a dossier of Projects and transformation activities (i.e. the Programme) to achieve outcomes and realise benefits that are of strategic importance to the business.

A Programme is defined as a temporary, flexible organisation created to co-ordinate, direct and oversee the implementation of a set of related Projects and activities in order to deliver outcomes and benefits related to the organisation’s Strategic Objectives.

**Project Management:** A Project is also a temporary organisation, usually existing for a much shorter time, which will deliver one or more outputs in accordance with a specific Business Case.

A particular Project may or may not be part of a Programme. OGC’s related guidance, PRINCE2, should be referred to for the management of Projects.

**P3O:** This provides a decision-enabling/delivery-support model for all Business Change within an organisation. This may be provided through a single permanent office, which may exist under several different names – e.g. Portfolio Office (strategy/organisation or business unit focused), Strategy or Business Planning Unit, Centre of Excellence, Enterprise or Organisational Programme Office – or be provided through a linked set of offices (Portfolio Office, Programme Offices, Project Offices), both permanent and temporary, providing a mix of central and localised services.

The role of P3O and the Portfolio Office is discussed in detail in Chapter 4.

The key differences between Portfolios, Programmes and Projects are outlined in Table 2.1.

**Important Note: Wording in this Guidance:**

When you see the word ‘Portfolio’, we are referring to the Portfolio of organisational change and not a personal Portfolio of responsibilities, the total investment Portfolio or the IT Portfolio. However, elements of this guidance can be applied to those situations and add considerable value.

When the term ‘P3O Model’ is used, it refers to the totality of a Portfolio Office, a Programme Office and a Project Office structure. When more specific explanations are required, they will be discussed from the perspective of the Portfolio Office and not a Programme or Project Office.

<table>
<thead>
<tr>
<th>Portfolio</th>
<th>Programme</th>
<th>Project</th>
</tr>
</thead>
<tbody>
<tr>
<td>An organisation’s total investment (or a segment thereof) in the Changes to meet the Strategic Objectives</td>
<td>A single vision of Change leading to specific outcomes aligned to one or more strategic objective/benefits</td>
<td>A focused delivery of a single output or multiple outputs contributing to a Programme vision or directly to a strategic benefit</td>
</tr>
<tr>
<td>Permanent (continually changing and aligned to the Strategic Planning process)</td>
<td>Temporary (can last for many years)</td>
<td>Temporary (relatively short-term in comparison)</td>
</tr>
<tr>
<td>Ongoing process of prioritising and aligning the Portfolio to meet Strategic Objectives</td>
<td>High Level Plans supported by detailed Plans</td>
<td>Project Level Plans with focus on detailed delivery using Stage Plans</td>
</tr>
</tbody>
</table>
2.4 The PfM Model: Principles, Cycles and Practices

2.4.1 PfM Model and PfM Principles

Programmes and Projects have a start, they have a middle and they will end at some point because they have delivered the Changes they were set up to deliver. To ensure focus, methodologies such as PRINCE2 and Managing Successful Programmes (MSP) contain a number of sequential processes that are used to help deliver successfully, i.e. Identify a Programme, Define a Programme, Deliver the Capability, Realise the Benefits and Close the Programme. This contrasts with the reality of PfM because there is no defined start, middle or end, which means that linear, sequential processes do not sit comfortably.

At the top level, all PfM activities can be grouped into two areas: Portfolio Definition and Portfolio Delivery, both of which have to be constant due to the ever-changing environment in which the organisation is operating.

The PfM Model in Figure 2.2 highlights how the PfM Principles encapsulate the cyclical and constant activities of Portfolio Definition and Portfolio Delivery. Both are introduced here in summary to help give you an early understanding ahead of a more detailed discussion in Chapters 4 to 7.

This contrasts with the reality of PfM because there is no defined start, middle or end, which means that linear, sequential processes do not sit comfortably.

At the top level, all PfM activities can be grouped into two areas: Portfolio Definition and Portfolio Delivery, both of which have to be constant due to the ever-changing environment in which the organisation is operating.

The PfM Model in Figure 2.2 highlights how the PfM Principles encapsulate the cyclical and constant activities of Portfolio Definition and Portfolio Delivery. Both are introduced here in summary to help give you an early understanding ahead of a more detailed discussion in Chapters 4 to 7.

---

Table 2.1. Key difference between Portfolios, Programmes and Projects.

<table>
<thead>
<tr>
<th>Description</th>
<th>Portfolio</th>
<th>Programme</th>
<th>Project</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall strategic perspective of the whole organisation</td>
<td>Wide scope that changes over time as requirements and solutions are clarified</td>
<td>Narrow defined scope with (ideally) no change</td>
<td></td>
</tr>
<tr>
<td>Programmes and Projects have a start, they have a middle and they will end at some point because they have delivered the Changes they were set up to deliver.</td>
<td>Office should sit in a Business Change Department, strategy or finance, reporting directly to Management Board</td>
<td>Office should sit in business area affected or in corporate services</td>
<td>Office should sit in business area affected</td>
</tr>
</tbody>
</table>

---

Figure 2.2. The Portfolio Management (PfM) Model.
2.4.2 PfM Cycles and Practices

PfM activities focus on either defining a Portfolio or delivering a Portfolio. Therefore, Portfolio Definition and Portfolio Delivery are represented in the centre of the PfM Model (Figure 2.2) as perpetually rotating Cycles containing all PfM Practices.

Chapters 6 and 7 discuss the PfM Practices found in each Cycle in more detail. However, for now it is important to introduce the PfM Cycles (Figure 2.3) and note a few points before you continue through the guidance.

- Both Cycles must continuously rotate because planning and delivery are constant activities in PfM.
- Both Cycles contain the totality of all PfM Practices.
- All PfM Practices are continuously used (albeit at different times they may attract more emphasis).
- The Cycles can only rotate successfully when the collective energy of the people within the organisation is directed and managed in effectively.
- Organisational Energy represents the collective effort, motivation, teamwork, management and leadership that is critical in order to keep the PfM Cycles rotating.
- The rotation speed of the Cycles will vary for each organisation. Some organisations work in highly volatile markets and energy will transfer between the two Cycles regularly, which will cause a change in rotation speed. However, for organisations operating in less volatile environments (and with longer Strategic Planning Cycles) the energy transfer between the two Cycles is less and therefore the rotation speed does not change as much.
2.5 PfM: What it can be and what it is not

The implementation and interpretation of PfM varies between organisations, and it is assumed that your existing PfM processes may be slightly different in name and practice. This does not mean that what you are doing is wrong, as long as your PfM structures are aligned to the PfM Principles and PfM Practices providing the target value highlighted in this guidance.

2.5.1 What could PfM be for you?

In practice, PfM can be used at many different levels within the organisation. For example, while this guidance focuses at the organisational level of Business Change Management (the totality of an organisation’s Change), there is no reason why PfM cannot be used at directorate level, within specific business units and even within individual Programmes.

2.5.2 What PfM is not

As well as defining PfM, it is also useful to highlight what it is not, as there are a number of misconceptions that can cause confusion and detract from the successful implementation of PfM.

PfM is not:

- **Easy to implement.** Implementing PfM will bring about changes to Management Board decision making and Organisational Governance processes. Therefore, it is critical that the person or team leading the development of PfM has the necessary skills and experience. A person seconded from another department without a combination of experience in Portfolio, Programme and Project Management together with Strategic Management experience will create a high risk of failure.

- **A group of ‘Project people’ that sit in isolation and produce a plan every year.** PfM must integrate seamlessly within the Organisational Governance decision-making process, align to the Strategic Planning process and ensure the engagement with many departments, including IT, HR, Finance, Performance and Commercial.

**Important Note: PfM will not make decisions regarding the content of the Portfolio, changes to be included or changes to be stopped; it will, however, make such recommendations whilst ensuring the responsibility for making the decision remains with the Management Board.**

- **Programme or Project Management on a bigger scale.** Programmes and Projects focus on implementing Change in the ‘right’ way; Portfolio Management is about choosing the right Change in order to realise the agreed Strategic Objectives. However, PfM does have some similarities with elements of MSP and PRINCE2. This is because both already provide Best Practice processes for planning and delivering Change. Elements of that Best Practice are transferable to any situation that requires planning and delivery, not just PfM. It is for this reason that using elements of MSP and PRINCE2 during both PfM Cycles – e.g. Vision, Plan, Blueprint, Programme Definition and Business Case – will add significant value if used appropriately.

- **A process that the Management Board can pay lip service to.** PfM creates an evidence-based environment that will provide the mechanism to inform Management Board decisions. This transparency also makes it clear when decisions are not made.

---

5 Only use selected PfM content within programmes to complement an existing use of Managing Successful Programmes (MSP).
• A rigid, bureaucratic or individual process. PfM is a collection of flexible processes (existing and new) which, when used collaboratively, enable decision making relating to an organisation’s ability to change

• A list of all existing Projects or Programmes. rigid, bureaucratic or individual process. The Portfolio contains current and future Changes that have been prioritised, scheduled, endorsed by the Management Board and aligned to the Strategic Objectives with benefits, resources and dependencies identified. Simply creating a shopping list of Projects does not constitute PfM.

• A bureaucratic process that prevents or stops Programmes or Projects for no reason. PfM will clearly highlight which Programmes or Projects are not adding value to Strategic Objectives. PfM will make clear recommendations to the Management Board, who are the owners of all start and stop decisions. PfM will also ensure the effective use of the Business Change Lifecycle, which provides a review and viability mechanism/stage gates during the life of the Change being implemented.
3.0 The Strategic Context

3.1 Purpose of this chapter
At this point, you should have a good understanding of what PfM is and an overall picture of how the PfM Principles, Cycles and Practices fit together. Chapter 3 is all about understanding the context of PfM, which includes discussions about the links with Business as Usual, organisational strategy and other key teams within the organisation.

3.2 PfM links to Business as Usual
The relationship between PfM, Business as Usual and Change is a discussion that takes place in most organisations when implementing PfM. In Figure 3.1 this relationship is represented in a simple concept: ‘Run the business, change the business’. This describes how PfM and Business as Usual can collaboratively realise Strategic Objectives.

![Figure 3.1. ‘Run the business, change the business’.](image)

PfM controls the Changes to Business as Usual. When Changes are successfully implemented, Business as Usual improves and benefits are then realised. The benefits realised from Business as Usual are managed by PfM. It is this cyclical relationship between PfM and Business as Usual that achieves the Strategic Objectives.

PfM ensures that decisions are made collaboratively, in the context of the whole organisation, and by the appropriate people at the appropriate level.

3.3 How do Changes link to strategy?
In almost every case, an organisation’s Strategic Objectives identify some form of improvement. It is extremely rare that an organisation’s Strategic Objectives are to stay the same.

Linking Changes to the Strategic Objectives can only be achieved via benefits – i.e. the benefits realised by implementing the Change. In order to successfully realise benefits from the Portfolio, the following two critical prerequisites must be satisfied.

- A strategy must exist, containing well-defined and agreed Strategic Objectives with associated targets and measures.
- Every Change must have a justifiable Business Case clearly defining the benefits in sufficient detail to enable alignment to one or more Strategic Objectives.

**Important Note:** A prerequisite of effective PfM is the existence of an Organisational Strategy that contains well-defined and agreed Strategic Objectives with associated targets and measures (or, if you are implementing PfM at a department or team level, departmental or team objectives).

**Why?** PfM focuses on delivering the right changes in order to realise the Strategic Objectives. If the Strategic Objectives have no targets or measures it will be impossible to understand which changes contribute most and which ones should not be invested in.

---

6 All Business Cases should follow the Green Book guidance published by HM Treasury. In addition, MSP and PRINCE2 provide detailed guidance for the development of a Business Case.
Figure 3.2 contains a simplified example of the how benefits from Changes align to Strategic Objectives. This type of modelling can form the basis of more detailed Benefits Modelling techniques, which define each step of the progression from the Change output to the strategic objective. See Managing Successful Programmes (MSP) for more detailed examples of benefits and outcome relationship modelling.

**Important Note:** Creating valuable Benefits Models is a very challenging task. It is usually best achieved via the use of team workshops, ensuring the right mix of operational and change people. The person leading on creation of the Benefits Models will require a good understanding of the business, Changes and the Strategic Objectives.
### 3.4 Links to other key teams

The collaborative working brought about with effective PfM is critical to overall success. There are a number of key teams with whom the Portfolio Team should engage with continuously, sharing information, tools, techniques and processes.

Table 3.3 contains a selection of key points taken from conversations with teams working in various PfM environments, all of which have described how their work links to other departments and people within their organisation.

| Management Board | The Portfolio Office needed to engage with the members of the Management Board, both individually and as a team. The Management Board’s involvement was critical as it ensured that the new ways of working were supported from the very top of the organisation, which led to departments understanding that PfM was a serious change. It was important to ensure that the Management Board understood how they were going to be involved with PfM before it was implemented. Once they were satisfied that the Portfolio Office ensured they were presented with the correct information, they were involved in the Portfolio definition and were happy to be key decision makers throughout. They were also critically involved and supportive of the communications that were published to the organisation. |
| Finance | When PfM was first being implemented, the Portfolio Office did not have expert financial skills, so collaborative working with the Finance Department was critical. This was particularly relevant with detailed financial planning aspects of Business Cases and defining and realising financial benefits from the Changes. Finally, the finance team were key players in helping with the overall Portfolio reporting and ongoing links to the organisational financial decision making. |
| IT | A key challenge for the Portfolio is to ensure that technology-enabled Changes are resourced appropriately. This was only achieved because we worked closely with the IT Programme Office to ensure that resources were being prioritised in line with the Organisational Portfolio priorities and that the mechanism to initiate technology Changes within the organisation was aligned to the Portfolio Office’s Business Change Lifecycle. As well as the development aspects of IT implementation, the IT Programme Office also helped to ensure that all service management elements were in place. |
| Procurement/Commercial | A significant proportion of Changes in the organisation require procurement and commercial advice in order to follow defined procurement processes. An Investment Board existed and was aligned with the PfM Governance. This ensured that key personnel, such as the Commercial Director, had early sight of proposed new Changes in addition to increased exposure to Business Cases and planning, which proved critical to ensure that plans realistically incorporated procurement and commercial timescales. |
During the process of creating the organisational strategy, the Strategic Planning Team were working extremely closely with the Portfolio Office, primarily because the Portfolio Office has the most up-to-date information on all Changes and understands how those Changes are contributing to the Strategic Objectives.

The Strategic Planning Team produced the Annual Plan, which contains a snapshot of information on the Portfolio and, as such, it was critical that the two teams were aligned, particularly during reviews and creation of the Annual Plan and the Organisational Strategy.

Without the expertise of the Performance Management Team the Portfolio Office would have struggled to identify how each of the Changes adds value to the overall organisational performance measures. The Performance Team also benefited from working with the Portfolio Office because they were able to integrate the information from the Portfolio into the organisational Balanced Scorecard mechanism; they were involved at the start of Changes and could begin planning the overall organisational performance.

The Performance Team also provides performance-related support to Changes via the Portfolio Office. Historically, people did not think about the impact on the performance before starting a Programme or Project, but the introduction of PfM ensured that performance was included during the planning stages of every Change.

Working closely with the Programme and Project Management community is key. The Portfolio Office provided the standards for delivering Programmes and Projects, provided assistance with planning and helped managers’ work through the steps to start up. Building a strong relationship with the Programme and Project Managers was critical, particularly when the monthly progress reporting mechanism was introduced. The relationship was the key reason why the reporting mechanism was successfully implemented, because the Programme and Projects knew that the Portfolio Office would get feedback and support on big issues directly from the Management Board, whereas historically there was nowhere to escalate to and everything was a battle.

Changes will almost always impact the structures and working practices of people. The Portfolio Office engages early on with the HR team so they have an early view of Changes coming over the horizon, and have input into them. Importantly, training is something that used to be overlooked and the lack of training skills has caused a few Projects to be delayed in the past. However, since the Portfolio Office made sure that HR were involved during the planning and prioritisation, the training department knew how to align resources to priorities which pleased everyone.
The Business Architecture Team (sometimes called Design Authority and situated in Strategic Planning, Finance or IT Departments) manage the overall organisational Blueprint (sometimes referred to as the Future Operating Model). This defines the current and the future organisational design in terms of working practices and processes, information requirements and the technology that supports its operations. Because each of the Programmes created a Blueprint during the start, it was possible to align it to the Organisational Blueprint. The Business Architecture Team were involved in creating Programme Blueprints, aligning them at the start, and assisted with the analysis of any proposed modifications via the Change Control process.

The Centre of Excellence (COE) formed part of the Portfolio Office, which was important because this was a key Knowledge Management area. The COE was involved in the implementation of the Business Change Lifecycle and assisted the Portfolio Office in the assurance of consistency of information. The COE was involved in the resource capacity planning due to its focus on training across the full Portfolio.

The optimal real estate flexes with the shape and functions of the organisation. Major changes to staff numbers (up or down) or to working practices required various changes to property. Equally, there were additional opportunities in terms of relocation to other areas, which helped maximise the use and availability of staff and other resources.

<table>
<thead>
<tr>
<th>Business Architecture Planning</th>
<th>Centre of Excellence</th>
<th>Real Estate and Property Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Business Architecture Team (sometimes called Design Authority and situated in Strategic Planning, Finance or IT Departments) manage the overall organisational Blueprint (sometimes referred to as the Future Operating Model). This defines the current and the future organisational design in terms of working practices and processes, information requirements and the technology that supports its operations. Because each of the Programmes created a Blueprint during the start, it was possible to align it to the Organisational Blueprint. The Business Architecture Team were involved in creating Programme Blueprints, aligning them at the start, and assisted with the analysis of any proposed modifications via the Change Control process.</td>
<td>The Centre of Excellence (COE) formed part of the Portfolio Office, which was important because this was a key Knowledge Management area. The COE was involved in the implementation of the Business Change Lifecycle and assisted the Portfolio Office in the assurance of consistency of information. The COE was involved in the resource capacity planning due to its focus on training across the full Portfolio.</td>
<td>The optimal real estate flexes with the shape and functions of the organisation. Major changes to staff numbers (up or down) or to working practices required various changes to property. Equally, there were additional opportunities in terms of relocation to other areas, which helped maximise the use and availability of staff and other resources.</td>
</tr>
</tbody>
</table>

Table 3.3. Description of collaborative working between Portfolio Office and key departments.
4.0 PfM Principles

4.1 Purpose of this chapter
Chapter 2 introduced the PfM definitions and Chapter 3 provided the PfM Strategic Context. This chapter is where we start to get into the detail of how the PfM Model works, by first describing the PfM Principles.

4.2 Introducing the PfM Principles
The PfM Principles must be considered continually during the Portfolio Definition and Portfolio Delivery Cycles. The PfM Principles are flexible and they will mean different things to different organisations. They will be interpreted differently and, as such, will take various forms when implemented.

With this in mind, rather than creating an unrealistic 'to-do list' for each PfM principle, this chapter describes a Target Situation for each. The Target Situations have been written from the perspective of the organisation that has experience of implementing elements of the PfM Principle.

From each Target Situation it is possible to extract the keys to success; these can be used as a quick checklist for your own use.

The PfM Model is shown again in Figure 4.1 to refresh your memory.

**Important Note:** The Target Situations described in this chapter are examples of real-life situations from a number of public and private sector organisations.

The Target Situations are included here as examples only – whilst they will be useful in helping help you to understand how PfM works, they are not mandated for every organisation.

The Target Situations should be used as inspiration for PfM enhancements and not a prescription for enhancements to your organisation.
4.3 Senior Management commitment

The Target Situation

The commitment from our Management Board was critical in the adoption of PfM within the organisation. Once the Management Board received the report that defined the current position of all of the Changes and highlighted the fact that lots of Changes could not be aligned to our strategy, they understood that PfM was needed to ensure that Changes were not only delivered successfully but that the right Changes were implemented. The Management Board recognised there was a strong need for enhanced collaborative working and a standard way to manage change if they were to make informed decisions.

It was the Director of Business Change who ensured that the Management Board mandated the use of a P3O Model in the form of a Portfolio Office. The Management Board subsequently endorsed the use of our own standard Business Change Lifecycle (which every Programme and Project now uses as a standard) and were engaged as the key decision makers in the categorisation and prioritisation of all the Changes within the Portfolio. This prompted some very interesting discussions, one of which led to a Management Board decision to stop three Projects. This had never happened before.

As part of the Business Change Lifecycle, the Management Board make the decision on whether or not new Changes can start. They actually like this involvement because they all have to make the decision that puts them in control. If the starting of a Change is agreed, it is added to the Portfolio reporting and included in the monthly Management Dashboard that provides the Management Board with the key information on Portfolio level progress, strategic risks and issues, dependencies and recommendations for any Management Board decisions.

The Management Dashboard is created by the Portfolio Office, which works closely with all Projects, Programmes and key departments.

This is particularly important regarding communications and the internal communications team are heavily involved with the Portfolio Office, together ensuring that all departmental communication teams are engaged so regular and right messages can be sent out with the Management Board’s support. This helps people to see direct leadership from the top of the organisation.

Furthermore, because of this collaborative working, when a Change attracts a ‘red’ status, it is not viewed as a personal failing any more, but is seen more as an area that requires teamwork and remedial action by the Management Board. When this happens, everyone works together to bring it back on track.
## Senior Management Commitment: Keys to Success

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ownership of PfM</td>
<td>A Management Board member must own the implementation of PfM.</td>
</tr>
<tr>
<td>Understanding now</td>
<td>At the very start, produce a report defining the current status and alignment of Changes (or lack of alignment) to the Strategic Objectives.</td>
</tr>
<tr>
<td>Defined roles</td>
<td>The roles of Management Board members (and the PfM team) are understood and agreed.</td>
</tr>
<tr>
<td>Resources for a Portfolio Office agreed</td>
<td>Management Board agree the resources to implement a Portfolio Office.</td>
</tr>
<tr>
<td>Management Board make decisions</td>
<td>Management Board must make decisions regarding the categorisation and prioritisation of Changes within the Portfolio.</td>
</tr>
<tr>
<td>Business Change Lifecycle</td>
<td>A standard Business Change Lifecycle is used for all Changes, which defines all decision points and accountabilities (including Management Boards).</td>
</tr>
<tr>
<td>Reporting</td>
<td>Management Board receive regular Portfolio Level Management Dashboards containing strategic information on Portfolio progress, risks, issues, dependencies, costs, benefits and decisions required.</td>
</tr>
<tr>
<td>Collaborative working</td>
<td>Collaborative working between Management Board members, Portfolio Office, Project, Programme and departments is critical.</td>
</tr>
<tr>
<td>Complement existing structures</td>
<td>PfM Governance is built into Senior Management existing structures and not an additional overhead.</td>
</tr>
</tbody>
</table>
4.4 Organisational Governance Alignment

The Target Situation

A perception once existed that Project people deal with the Programmes and Projects and the rest of us deal with the real business. This was caused primarily because the Management Board were not provided with a clear description of all the Changes within the organisation (Changes were something that just happened). Furthermore, there was no single Management Board member responsible for managing the organisation’s Change activities, such as a Director of Business Change.

A Director of Business Change was later employed, with the key responsibility to implement PFM across the organisation. A Portfolio Progress Group was set up to oversee the PFM implementation, with the Director of Business Change as the Chair. The Portfolio Progress Group consisted of heads of departments from key departments (such as IT, Procurement and HR) and SROs of the Changes (not Management Board members). Although it was useful for the people to meet and discuss detailed progress, after a while it was clear that the Portfolio Progress Group had the expertise to make recommendations, but key decisions relating to the start-up and recovery actions needed to take place at Management Board level.

With this in mind, and without wanting to set up a new Management Board meeting, the Director of Business Change obtained agreement to add a one-hour agenda item called Portfolio Direction Group to the existing monthly Strategy Day meeting (attended by all Management Board members).

Once the Business Change Lifecycle was agreed, the Management Board became involved at key decision points and ensured that decisions concerning PFM and Business as Usual were not made in isolation. This helped significantly with communications because the Management Board understood their role and became visible key champions of PFM.

The Portfolio Progress Group continued but with a modified remit to review all new Changes and make recommendations to the Portfolio Direction Group, in addition to retaining its key focus on the detailed status of the Portfolio. Members of the Portfolio Direction Group were usually members of other key organisational boards, such as the Finance Board or the IT Board, which enhanced communications and enabled more collaborative working.

To ensure that existing board structures were aligned within the PFM mechanisms, the Portfolio Office made sure that the appropriate processes were in place to support decision making at every level of the Portfolio. The Portfolio Office also set up the PM Forum, which was a monthly meeting where all Programme and Project Managers would attend to discuss progress and key issues. This was a particularly useful communication mechanism for everyone that attended.

Finally, the Portfolio Progress Group meeting was moved to precede the Portfolio Direction Group, which enabled the Portfolio Direction Group to have the most recent information as well as being able to address escalations from the Portfolio Progress Group relatively quickly, which pleased the Programme and Project Managers.

During this agenda item, the Management Board were briefed via the Portfolio Level Management Dashboard. This was received very well because it summarised progress and clearly defined the top issues and risks that needed addressing. This informed their decision making regarding the Changes in the context of Business as Usual and the Strategic Objectives.
Example Governance Structure

Based on the target situation described above, an example PfM Governance structure is discussed in this section.

Figure 4.2 provides a high-level overview of an example PfM Governance structure.

The Portfolio Office must lead on the design and implementation of the governance structure and ensure that the relevant processes are implemented successfully. This will ensure that the right Portfolio information gets to the right stakeholders, enabling them to make effective decisions.

4.5 Other important considerations

4.5.1 Existing Governance structures

There will no doubt be other organisation-level Boards in existence that manage specific elements of the organisation, such as the Performance Management Board, Organisational Risk Management Board and perhaps a Capital Investment Board. It is important that these be considered as part of the PfM Governance design. The relationship between PfM and other boards should be documented and agreed by the relevant parties at the same time as the PfM Governance is agreed.

Important Note: The naming convention of Portfolio Direction Group and Portfolio Progress Group is used for consistency only and organisations should not feel restricted to using this in their own PfM structures. Equally, the PfM Governance structure in Figure 4.2 contains suggested PfM roles – these are not mandated but the logic should be followed, i.e. that a Management Board member champions PfM and that some form of Portfolio Manager role exists to co-ordinate the Portfolio delivery on a day-to-day basis.
4.5.2 Multi-level Portfolios: more than Portfolios, Programmes and Projects?

Some organisations may require more complex Portfolio Governance structures, particularly in the case where the hierarchy of Change has many levels or a number of organisations are working together. For example, some organisations have more than just Portfolios, Programmes and Projects. There could be an organisation-level Portfolio, a Portfolio for each department, work-streams within those Portfolios and Programmes, and Projects within them. In addition some organisations use other terminology, such as ‘Strands’ or ‘Super Programmes’.

While it is important to ensure that people understand the naming conventions for the multiple levels, the critical point is that the structures must be supported by clearly defined processes for escalation, decision making, delegation (which may be aligned to financial sign-off level), planning and reporting.

In all cases, particularly with multi-level Portfolios, an effective P3O Model will be crucial to success.

4.5.3 Should every Change be in the Organisational Portfolio?

In some organisations there will be various levels of strategies which together will align to the organisational strategy. For example, an organisational strategy will exist for the entire organisation and within that it is not uncommon for there to be an IT strategy, HR strategy and Estates strategy (amongst others).

These strategies will identify Changes that need to happen in order to deliver departmental Strategic Objectives. However, some of them will be important enough that they add direct benefits to the organisational strategy. This is where the confusion can start: if a Change is important enough and adds organisation-level benefits, it will usually be included in the Organisational Portfolio, which then triggers questions about ownership, decision making and budgets.

Some organisations choose to mandate that every Change is included within the Organisational Portfolio. This means there is a clear overview of all Changes within the organisation, which can be aligned to the Strategic Objectives. It also a better opportunity to understand the entire Change resource capacity and requirements. However, the value of this will only be realised if the organisation is already good at capacity planning (and most are not).

Organisations that do not put all Changes in the Organisational Portfolio usually group the Changes in some way based on the level of the strategy. For example, Changes that directly benefit the Organisational Strategic Objectives and those that benefit only unit/departmental objectives.

Important Note: The example governance provided in this section is relatively simple. There are other important considerations to be borne in mind when designing a Portfolio Governance structure that will be completely dependent on your organisation’s structure, culture, decision-making abilities and current maturity in terms of delivering change.
### Organisational Governance Alignment: Keys to Success

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Existing management structures</strong></td>
<td>Portfolio decisions are incorporated into existing Management Board meetings where Business as Usual and the Portfolio are discussed. In very large organisations selected decisions may be delegated to an existing formal sub-board (chaired by Management Board members).</td>
</tr>
<tr>
<td><strong>Ownership</strong></td>
<td>A Management Board member must own Portfolio Management.</td>
</tr>
<tr>
<td><strong>Strategic understanding of Changes and progress</strong></td>
<td>The Director of Change (or equivalent) provides clarity of all the Changes and their current status, using the Management Dashboard.</td>
</tr>
<tr>
<td><strong>Escalations and recommendations</strong></td>
<td>Portfolio Progress Group provides escalations and recommendations to Portfolio Direction Group regarding proposed new Changes, prioritisation, top risks and issues.</td>
</tr>
<tr>
<td><strong>Effective processes</strong></td>
<td>The Portfolio Office manages clearly defined processes, ensuring that correct information is provided to relevant decision makers at each level of the Portfolio.</td>
</tr>
<tr>
<td><strong>Communication</strong></td>
<td>Decisions are proactively communicated to the Portfolio in line with the Stakeholder Engagement processes.</td>
</tr>
<tr>
<td><strong>Align meetings where possible</strong></td>
<td>Irrespective of the number of levels in your organisation, try to ensure that key meetings are scheduled as close to each other as possible. This will lead to more effective decisions due to the timely provision of information and recommendations.</td>
</tr>
<tr>
<td><strong>Share knowledge</strong></td>
<td>Provide an environment where Programme and Project Managers can communicate, share knowledge and learn lessons from experiences.</td>
</tr>
</tbody>
</table>
4.6 Organisational Strategy Alignment

The Target Situation

Our organisation has a Strategic Plan containing well-defined and agreed Strategic Objectives, each one also having associated targets and measures, which we review regularly and update as required.

The Portfolio Office works closely with the Performance and Strategic Planning team, who own the Strategic Planning process and are responsible for developing the Organisational Strategy. The Portfolio Office is heavily involved once the Strategic Objectives are defined. This is because they have the skills to take the Management Board through the PfM Practices involved in defining the Portfolio.

The Strategic Planning process is on a three-year cycle incorporating an Annual Plan that defines the strategy in more detail – this includes information on the performance targets and Changes to the organisation for that year. Initially we thought this could be our Portfolio Plan. However, it became clear that the entirety of our Portfolio Plan information was too much, so now we provide a top-level Portfolio delivery diagram each year along with a summary and links to online Portfolio information.

This cycle works well because the Portfolio Direction Group goes through a Portfolio review and prioritisation process every six months.

This ensures that the Portfolio continues to be aligned to the Strategic Objectives (sometimes Strategic Objectives need to be amended due to changes in legislation, an external event or government agenda). So doing this every six months not only ensures alignment but also ensures that the Changes in the Portfolio continue to be correctly prioritised and resources continue to be allocated in the right places. This also keeps people interested in the

Important Note: If an organisation does not have well-defined objectives, the reality is that the Portfolio will not stop. However, you should ensure that this issue is communicated concisely to the right people and included in key Portfolio documentation, such as the Portfolio delivery strategy and Portfolio risks and issues registers.

Changes, because everyone has an interest in how their Change will be prioritised.

Whilst Performance Management was already fully integrated into the Strategic Planning process, during the early days of PfM it was almost impossible to understand how the Changes in the Portfolio would improve performance. This was because there was no single place from which to obtain the information about the Changes – we did not use a Business Change Lifecycle and so most Changes did not have a Business Case (with well-defined benefits). Finally, benefits are usually realised some time after the Change has been implemented and because of this time without a PfM structure in place most people had moved on.

4.7 Collaborative working Portfolio Office and Strategic Planning Team

For the benefit of this guidance, the Strategic Planning process refers to the all-encompassing business planning process that has been summarised into the following two top-level steps (although it is recognised that in reality Strategic Planning is more complex than this).

- Review the existing position, define the Strategic Objectives, performance targets and all other supporting information.
- Identify how those Strategic Objectives will be achieved.
In order to support the first step, the Portfolio Office will be able to provide the most up-to-date information on the current Changes. The Management Board and the Strategy Team (often the owners of the Strategic Planning process) will need this in order to identify where they are before they can discuss where they want to go.

Supporting the second step, the Portfolio Office will lead the work that is required to define the Portfolio and the Changes that need to be included in order to realise the agreed Strategic Objectives. The Practices within the Portfolio Definition Cycle provide the focused support at this time. This ensures that the existing Changes continue to be delivered.

At this time, the functions of particular importance provided by the Portfolio Office will be as follows.

- Analysis of the existing Changes currently being delivered.
- Assessment of those Changes based on the new Strategic Objectives.
- Facilitation of top-level Portfolio planning regarding the proposed new Changes to be included.
- Collation and definition of those Changes into a Portfolio Delivery Strategy that categorises and prioritises the Changes.

Figure 4.3 outlines the Strategic Planning process and the alignment of PfM.
<table>
<thead>
<tr>
<th><strong>Organisational Strategy Alignment: Keys to Success</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strategic objectives exist</strong></td>
</tr>
<tr>
<td><strong>Collaborative working</strong></td>
</tr>
<tr>
<td><strong>Use experts</strong></td>
</tr>
<tr>
<td><strong>Portfolio Office leadership</strong></td>
</tr>
<tr>
<td><strong>Regularly review</strong></td>
</tr>
<tr>
<td><strong>Business Change Lifecycle</strong></td>
</tr>
<tr>
<td><strong>Benefits in Business Cases</strong></td>
</tr>
<tr>
<td><strong>Early involvement improves quality</strong></td>
</tr>
</tbody>
</table>
4.8 P3O

The Target Situation

A P3O Model exists to facilitate the levels of Change within the organisation, including a Portfolio Office, Programme Offices and Project Offices. The Portfolio Office reports to the Director of Change, who is a Management Board member and owner of PfM. Initially, when the Portfolio Office was set up, people thought it would be a bureaucratic overhead. That was until the Portfolio Office Vision and Blueprint was agreed by the Management Board, which enabled everyone to understand what it would mean for them and how things would work in the future.

Since then the Portfolio Office has implemented and managed the Business Change Lifecycle and, very usefully, they published it on the intranet with all the documents and guidance. Initially people didn’t want to invest the time to write a Business Case and a realistic plan, but once they saw that the Management Board actually used the information and advice from the Portfolio Office to agree (and reject) Business Cases, everyone realised that if their Change was agreed it would be included in the Portfolio.

Being in the Portfolio meant that the Change had the Management Board’s full commitment and it would be prioritised and resourced appropriately. Although some were unhappy because their Change was given a lower priority, or was even stopped, ultimately they recognised that the decision was made for the greater good of the organisation as a whole.

The Portfolio Office publishes a Management Dashboard each month, which accurately defines the progress of the Changes within the Portfolio to the Management Board. This means that all of the Programme Managers (and some Project Managers) have to provide standard progress reports. Initially this was an effort, but because people now plan Changes properly and the Portfolio Office uses standard templates it has become far easier; plus managers know that if they raise an issue it will be addressed by the right people much more quickly than it used to be – so it is worth the effort. The Portfolio Office publishes the Management Dashboard on our intranet each month so we can see how our information is used.

The Portfolio Office also does other things that are important to the delivery of the Portfolio. For example, engaging with other key departments to make sure that people work together and have a common understanding of the Portfolio. The Portfolio Office team are experienced with PPM and strategy, so the direct support they provide to the Programme and Project Managers is credible and welcomed, especially with things like planning workshops, Business Case development, benefits identification workshops and helping work though the Business Change Lifecycle.

Communication is a key element to all of this and the Portfolio Office issues short briefings regularly. They are also piloting enterprise Programme Management software, which allows Plans to be centralised for all to see, as well as discussion forums and workflow, which is useful.

4.8.1 The role of the Portfolio Office

The OGC’s P3O guidance provides detailed information on all elements of a Portfolio, Programme and Project Office. P3O highlights that a Portfolio Office provides the means to do the following.

- Assess whether new requirements can be accommodated within existing organisational capability, capacity and maturity.
- Allocate the right resources to the right Programmes and Projects.
- Ensure scrutiny and challenge.

---

7 Detailed examples of a P3O Vision and Blueprint can be found in OGC’s P3O Guidance.
• Identify and manage dependencies between Programmes and Projects.
• Resolve conflicts and contentions for scarce and costly resources (these could be technical or business resources as well as Change resources).
• Assist with identification of threats and opportunities and evaluate the true implications of the aggregate level of Programme and Project risk.
• Monitor progress of Programmes and Projects against key objectives.
• Ensure ongoing successful delivery of Programmes and Projects.
• Adopt Value Management – active management of the Portfolio to optimise value, realise benefits and feed back learning into the investment selection and Portfolio prioritisation process.
• Achieve Value for Money savings and efficiency gains from Programme and Project rationalisation.
• Ensure that the organisation has a balanced Portfolio with consideration given to the ability to absorb Change with the least disruption to Business as Usual.
• Link Change benefits to the Performance Management structure.
• Ensure investment in Research and Development activities for the long-term survival of the organisation.

Figure 4.4. Example P3O Model with key functions.

Figure 4.4 aligns the P3O Model to the Portfolio Governance structure and indicates the key functions at each level, including Portfolio, Programme and Project.

In summary, Portfolio Offices differ from Programme and Project Offices in the following ways.

• Portfolio Offices are primarily concerned with making the right Changes; Programme and Project Offices are primarily concerned with making the Change in the right way.
• Making the right Changes means those Changes that align best to the Strategic Objectives and at that particular time attract acceptable risk, complexity, cost and impact on Business as Usual.
• Portfolio Offices are usually permanent and align with organisational financial governance structures and decisions. Ideally they should have direct contact with the Senior Management Board.
• Programme and Project Offices are temporary structures set up to support a specific Change initiative.
• A Portfolio Office is not simply a bigger Programme and Project Office.
4.9 What is a Management Dashboard?

The P3O is responsible for designing and implementing Management Dashboards at relevant levels of the Portfolio – i.e. the Portfolio Direction Group and Portfolio Progress Group.

The Management Dashboard represents a rolled-up view of larger volumes of detailed reporting information, allowing the Senior Management Board to more effectively determine progress and understand where attention and management intervention may be required.

The key input into the Management Dashboard is information and progress reporting from the Programmes and Projects within the Portfolio. It should be highlighted that this technique will only be valuable if there is confidence in the information, and this is directly related to the quality of the Programme and Project information.

An example of a Management Dashboard from the main P3O guidance is shown in Appendix 3.

**Important Note:** To assist with a number of P3O concepts, an online repository of sample sets of generic tools and techniques has been provided electronically.

To access this, go to [http://www.best-management-practice.com](http://www.best-management-practice.com/) and follow the P3O links. The tools and techniques are provided as a starting point for tailoring and alignment to the organisation’s requirements.

| P3O: Keys to Success |  |
|-----------------------|  |
| Use of P3O is non-negotiable | The use of a P3O Model, including a Portfolio Office, is non-negotiable because PFM cannot be implemented without it. |
| Direct link to Management Board | The Portfolio Office management role must report directly to the Management Board member to ensure ownership of the Portfolio at the highest level. |
| Vision and Blueprint agreed | Management Board agree the Portfolio Office Vision and Blueprint which will support the implementation throughout the organisation. |
| Portfolio Office owns Business Change Lifecycle and processes | The Portfolio Office owns the Business Change Lifecycle and provides expert advice to Programme and Project Managers where required. |
| PPM and strategy skills | The Portfolio Office team is skilled and experienced in both PPM and Strategic Management. |
| Collaborative working | The Portfolio Office focuses on collaborative working with departments – including Performance, Finance, Commercial, IT, HR – and is fully integrated into the governance and decision-making processes at all levels of the organisation. |
| Communicate creatively | Communication is key and creative mechanisms are in place to ensure a common understanding of the Portfolio. |
| Management Dashboards | The P3O designs and implements Management Dashboards that contain timely and accurate information enabling Senior Management to make informed decisions. |
4.10 Energised change culture

The Target Situation

We were launching the five-year strategy and decided to introduce PFM at the same time as the launch. We did this for a number of reasons. First, because we knew that the improvements in the strategy (which formed our Strategic Objectives) were extremely tough and high risk, and that they would only be realised if everyone pushed in the same direction.

Secondly, we were conscious of an internal perception that ‘the strategy is just a document that gets produced and does not really affect me’. Finally, we felt that, while a clear strategy is critical in terms of talking about where you are going and how you are going to get there, we needed a vehicle to actually get us there, so the introduction of PFM was seen as that vehicle.

This presented us with a challenge: we needed to make the team (the whole organisation) feel engaged, inspired and motivated. Someone asked ‘Do we have the energy for all this change?’ and there was a realisation that the organisation as a whole needed to be energised.

Historically the organisational strategy was created by the Management Board alone. However, this time a number of consultation workshops were used before it was published, which enabled people to be engaged and present questions directly to the Management Board.

The Management Board’s communication of the strategy and the Portfolio was designed to be much more informative and compelling, and it translated the strategy into real-life situations in a way that people could instantly relate to. There was a key message that people working in the organisation were viewed as part of one team and not just departments. Everyone was important to the new strategy, everyone had to be engaged and everyone needed to feel ownership. A key part of this was to review people’s objectives (starting with the Management Board) and make sure they were accurate, aligned to the Strategic Objectives and focused on performance. In some cases the actual success of the Portfolio was linked to people’s objectives and bonuses.

An HR Project was also included in the Portfolio, which focused on people’s well-being. We asked people what they wanted and, most importantly, we listened and implemented the ideas where we could. This included better facilities, such as a crèche and gym, flexible working time, more appealing office interior, home working, investment in training and a range of other things which seemed to have an almost instantaneous positive effect.

Communication became a critical aspect when the Changes started to deliver successfully, because historically people did not have the time or the energy to celebrate success. This is not the case now, and we make sure that everyone knows when there has been a success. In return, when things are tough, people work to make it a success.
<table>
<thead>
<tr>
<th><strong>Energised Change Culture: Keys to Success</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Collaborative working</strong></td>
</tr>
<tr>
<td><strong>Proactive communications</strong></td>
</tr>
<tr>
<td><strong>Share information</strong></td>
</tr>
<tr>
<td><strong>Business Change Lifecycle</strong></td>
</tr>
<tr>
<td><strong>Effective processes</strong></td>
</tr>
<tr>
<td><strong>Roles and relationships</strong></td>
</tr>
<tr>
<td><strong>Listen</strong></td>
</tr>
</tbody>
</table>
5.0 PfM Cycles

5.1 Purpose of this chapter
This chapter discusses in detail the two PfM Cycles (Portfolio Definition and Portfolio Delivery), with Chapters 6 and 7 discussing the PfM Practices found within each Cycle.

In these chapters, each of the PfM Cycles and PfM Practices are discussed by answering the following questions.
- What is the purpose?
- What happens if we do this well?
- What happens if we do not do this well?

5.2 PfM Cycles
The PfM Cycles were introduced in Chapter 2, but it is useful to review the diagram again here to refresh your memory (see Figure 5.1).

Why Cycles and not stages or steps?
The PfM Cycles and PfM Practices are both completely interrelated and continuously working at varying speeds. As such, the PfM Model does not have a mandated starting point, middle or end.

Different organisations have different triggers and needs to start using PfM, which could come in the form of a cut in budgets, an external event or a sudden realisation that ‘We can’t keep doing everything’. Similarly, organisations will usually have different starting points, which can be dependent on many things, including their existing Portfolio, Programme and Project Management capability, culture, financial position and leadership.

As long as an organisation is energised to start using any of the PfM Practices, and that energy is maintained, it will begin rotating the Cycles and the interrelated nature of the PfM Practices will automatically instigate the use of other PfM Practices at a pace relative to the amount of effort that is invested.
5.2.1 If you are saying there is no defined start, how do you start to implement PfM?

Most organisations start using PfM by one of two ways, or in some cases using a combination of both. For the benefit of this guidance, the two approaches will be described as Creation and Evolution, described in Table 5.2.

| Creation | Implementing PfM is viewed as a Business Change Project in its own right and is therefore planned in detail with specific targets and outputs and agreed by the Management Board. Although the starting position on the PfM Cycles is not mandated, the optimum position would be by progressing through the Portfolio Definition Cycle starting with the ‘Understand’ PfM Practice whilst the existing Change continues to be delivered. |
| Evolution | Implementing PfM does not have a defined plan; it is more about evolution. As soon as the first PfM Practice becomes useful, its interrelationships with all other PfM Practices means the others begin working too. Provided that the momentum of effort is sustained, the PfM Cycles rotate to a point where effective PfM is being used and the desired PfM maturity is achieved. |

Table 5.2. Creation and Evolution approaches to implementing PfM.

5.2.2 What is the best approach?

Either approach can be suitable for different organisations. However, the optimum way of implementing PfM would be to adopt the Creation approach. The reasons for this are as follows.

- Planning the implementation of Changes is recognised Best Practice.

5.2.3 Why does Organisational Energy link the PfM Cycles?

Organisational Energy will be a new expression to many people (and possibly a reminder of the 1970s to others).

However, the use of the phrase is extremely significant because, similar to PfM itself, it is a relatively new and rapidly evolving reality within management practices. Organisational Energy is defined by the NHS Institute for Innovation and Improvement as ‘the extent to which an organisation has mobilised the full available effort of its people in pursuit of its goals’.

It is not within the scope of this guidance to further develop the field of Organisational Energy. However, it is critical to appreciate that, while PfM will provide principles and practices to enable informed decision making, it is the collective effort of the people (and the effective management of that effort) within the organisation that will be the deciding factor on whether or not the Strategic Objectives are achieved.

Therefore, Organisational Energy, from the perspective of PfM, refers to a collection of critical organisational elements – including leadership, direction, management, motivation, well-being, effective communication, teamwork, skills and experience – all of which must come together in order to release the organisation’s collective energy in the right direction.

5.3 Portfolio Definition

5.3.1 What is the purpose?
The purpose of the Portfolio Definition Cycle is to bring together the key information that will provide clarity to Senior Management (and the wider organisation) of which Changes to Business as Usual will contribute the greatest benefits to Strategic Objectives. The key output of the Portfolio Definition Cycle is the Portfolio Delivery Strategy, which will enable the Management Board to make confident decisions regarding the scope of the Portfolio, the justification for undertaking the Changes and how the Portfolio will be delivered.

5.3.2 What happens if we do this well?
The overriding benefit of the Portfolio Definition Cycle is its focus on providing clarity, which enables the Management Board to make informed PfM decisions.

Defining the Portfolio does not mean that everything in the Portfolio must be planned in detail. Indeed, it is wrong to attempt to do that because that is the role of Programme and Project Management. However, being able to understand a top-level schedule (supported by a description of the Changes), estimated resource requirements, timescales and risk will enable Senior Management to agree the way forward and in so doing enable the whole organisation to understand the Portfolio.

5.3.3 What happens if we do not define the Portfolio?
If the Portfolio Definition Cycle has been excluded or not managed properly, you can guarantee that the Portfolio delivery will not be successful. Yes, one or two of the Changes may well be implemented on time, to budget and to quality, but that will probably be due to luck and shouting the loudest, rather than informed decision making.

Even if one or two Changes are delivered, in the absence of the Portfolio Definition Cycle you cannot be sure that the benefits of that Change actually contributed to the organisation’s strategic objective. The chances are that they did not, and so the Change was not a success at all.

5.4 Portfolio Delivery

5.4.1 What is the purpose?
The purpose of the Portfolio Delivery Cycle is to implement the Changes as agreed in the Portfolio Delivery Strategy, ensuring that the Strategic Objectives are achieved.

5.4.2 What happens if we do this well?
The Portfolio Office will ensure that all governance procedures, processes and standards defined in the Portfolio Delivery Strategy are implemented effectively.

This means there is a much higher chance of collaborative working being maintained, the organisation being energised and Changes being delivered successfully, all of which will drive the realisation of the Strategic Objectives.

5.4.3 What happens if we do not deliver the Portfolio?
The Portfolio delivery is aligned to the longevity of the organisational strategy, which means it will be managed over a number of years (usually three, but it can be up to ten in some organisations). During that time, Changes will occur both externally and internally. If the Portfolio Delivery Cycle is not managed properly, the consequences are very simple: the Changes will not be delivered successfully and the Strategic Objectives of the organisation will not be achieved.

5.5 Symptoms of poorly managed Portfolio Definition and Delivery Cycles

Where the Portfolio Delivery Cycle and Portfolio Definition Cycle are not managed effectively, an organisation will experience some of the symptoms identified in Table 5.3.

Important Note: Without effective PfM, it is very easy to successfully implement the ‘wrong change’ – i.e. one that does not contribute benefits to the organisation’s Strategic Objectives.
<table>
<thead>
<tr>
<th>PfM element</th>
<th>Symptoms of Portfolio Definition and Portfolio Delivery mis-management</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strategic Objectives</strong></td>
<td>No evidence, and therefore limited confidence, that Changes will enhance Business as Usual and achieve Strategic Objectives.</td>
</tr>
<tr>
<td><strong>Resources</strong></td>
<td>Resources are wasted because they are not aligned to priorities. Timescales continually slip and run over budget because resources are not allocated effectively to the most important Changes. On occasions, Changes are implemented and cause operational disruption, triggering further resource issues for recovery.</td>
</tr>
<tr>
<td><strong>Which Change?</strong></td>
<td>There is no consensus view of which Changes need to be delivered, Changes are not prioritised and people have to battle continuously for resources that are quite possibly already working over capacity. New changes appear from nowhere and no one is really sure what they are delivering.</td>
</tr>
<tr>
<td><strong>Existing ‘rogue’ Changes</strong></td>
<td>Changes that do not support the Strategic Objectives, or even Changes that impact negatively on the Strategic Objectives, continue to be delivered. Even though people may know there are ‘rogue’ Changes, there is no mechanism to prove it or make a decision to stop the Change.</td>
</tr>
<tr>
<td><strong>Teamwork</strong></td>
<td>Heightened political intensity and reduced organisational teamwork exists, particularly at Senior Management levels, due to a lack of understanding of the Changes and links to Strategic Objectives. People have to battle for resources and do not have the energy or desire to work collaboratively. People do not feel committed to the organisation and many people may be looking for other jobs.</td>
</tr>
<tr>
<td><strong>Leadership</strong></td>
<td>Senior Management will not have a collective view of the future and therefore cannot lead towards it or communicate the end state and the new organisation. Decision making at the top level is not forthcoming, which causes more confusion within the organisation. People are not motivated to invest time writing Business Cases, planning or implementing Changes using Best Practice because they do not have to.</td>
</tr>
<tr>
<td><strong>Communication</strong></td>
<td>Many people are saying many things and it is hard to understand what is going on. Mixed messages cause continual fire-fighting in order to correct stakeholder perceptions. Key internal and external key stakeholders feel excluded and are not happy.</td>
</tr>
<tr>
<td><strong>Motivation</strong></td>
<td>Teams delivering the Change and teams receiving the Change are not motivated or energised to change due to limited leadership and support from Senior Management.</td>
</tr>
<tr>
<td><strong>Staffing</strong></td>
<td>Lack of PfM process and leadership support creates a de-motivated working environment, which causes key people with key skills to leave the organisation before the Change is implemented.</td>
</tr>
</tbody>
</table>

Table 5.3. The symptoms of not managing the Portfolio Definition and Portfolio Delivery Cycles properly.
6.0 Portfolio Definition Cycle: PfM Practices

6.1 Purpose of this chapter

This chapter provides a detailed discussion of the PfM Practices found within the Portfolio Definition Cycle. For ease of reading, each PfM Practice is described by answering the following two questions.

- What is the purpose?
- What is involved?

**Important Note:** All PfM Practices are discussed by providing examples of how organisations have made use of them. It is critical that you appreciate fully your own existing processes before you implement any of the following within your organisation.

6.2 PfM Practice 1: Understand

6.2.1 What is the purpose?

During the Strategic Planning process, Strategic Objectives will be created. In order to create these, the Management Board will need to understand information relating to the existing Changes within the organisation. During the agreement of the Strategic Objectives the Management Board will discuss existing Changes and proposed new Changes, all of which need to be analysed in more detail as part of the Portfolio Definition Cycle.

6.2.2 What is involved?

During the Strategic Planning process the Portfolio Office will be working closely with the Strategy Team. In order to enhance the Management Board’s setting of Strategic Objectives, the Portfolio Office will provide a collection of information relating to a review of the existing Portfolio (or, if a Portfolio does not yet exist, the Portfolio Office would have undertaken a review of existing Changes).

The Management Board will not create the Strategic Objectives by using only the review of existing Changes; they will also require information from other areas of the organisation, including performance information, budget positions, and SWOT and PESTLE analyses.

Once the Strategic Objectives are defined, the next step is to identify a collection of proposed Changes that will deliver those objectives. This will usually involve another Management Board meeting and it is essential that the Portfolio Office facilitates or attends this particular meeting, because not only can it provide a framework for identifying Changes – i.e. capturing the key information – but during the discussions it can prompt questions such as initial thoughts on priority and resources considerations, which are often forgotten in the freedom of blue sky thinking.

The output of this meeting will be strategic-level proposed Changes that will include a number of existing Changes. This is the point at which you can start to define the proposed Change in more detail and it is this information that will provide the level of understanding required to categorise and prioritise the Portfolio.

The Portfolio Office will clarify the detail of each Change by consulting with the relevant Management Board members (and their teams). Capturing this information can be challenging, particularly if the information does not already exist or if it concerns future Changes which might still be a mere concept. Therefore, working through a standard template (such as a Programme and Project Information Template) will help to capture the correct and standard information for each Change. See Appendix 4 for suggested contents of a Programme and Project Information Template.

**Important Note:** When all of this information is collated and the Portfolio Office has undertaken initial analysis, it is worth drafting an interim report and issuing it to the Management Board for information. At that point, be sure to highlight that initial categorisation and prioritisation is currently being undertaken based on the information.
<table>
<thead>
<tr>
<th>Understand: Keys to Success</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Portfolio Office and Strategic Planning</strong></td>
</tr>
<tr>
<td><strong>Portfolio Office facilitates planning meeting</strong></td>
</tr>
<tr>
<td><strong>Engaging Management Board and teams</strong></td>
</tr>
<tr>
<td><strong>Interim report</strong></td>
</tr>
</tbody>
</table>
6.3 PfM Practice 2: Categorise

6.3.1 What is the purpose?
Categorisation helps to organise the Changes into groups of similar organisational needs based on the Strategic Objectives (or other grouping as required).

6.3.2 What is involved?
Organisations will categorise Changes in different ways. Some might be based on direct Strategic Objective alignment – i.e. the category is the same theme as the objective – and some might be based on the type of technology – i.e. web services, disaster recovery and networks.

For the benefit of this guidance, focus will be on the use of categories that are based directly on the themes of the Strategic Objectives. Sometimes it may be suitable to break down the category into sub-categories. For example, ‘Reducing the fear of crime’ as a category is too broad, so it would be useful to have a number of sub-categories to increase the focus and alignment of each Change.

The information captured in the Programme and Project Information Template can be used to identify which category (or sub-category) the proposed Change should be aligned to. This is achieved by linking the benefits to the category in question.

In mature PfM environments there may be ‘entry criteria’ for a given category – i.e. only Changes that contribute x amount of value to the strategic objective will be included.

Only when you have aligned the proposed Changes to the categories for the first time and undertaken initial analysis will you see early signs as to the balance of the Portfolio.

Figures 6.1 and 6.2 are simplistic, yet powerful, examples of Portfolio categorisation. They highlight Strategic Objectives, their Portfolio categories and how the proposed Changes are aligned.

From this it is possible to see that proposed Change number 6 is not aligned to any strategic objective and should be removed. It is also clear that the ‘partnership working’ category has no Change aligned to it and should either be removed as a category or Changes added if needed.

Once each Change has been aligned to a category, the data can be modified and represented in various formats. It is particularly useful (especially for the Management Board) to review this early balance of the Portfolio in a graphical format, as seen in Figure 6.2.

It is worth highlighting that the relationship of Change to category may not always be a one-to-one relationship, and in such cases you should be particularly careful to ensure that the links from the Changes to the Strategic Objectives are well defined.

Please note that all information is used purely for illustration purposes.

Important Note: At whatever point PfM is implemented, it is highly likely that an organisation already has a number of changes in progress. These must be included when considering the scope of the Portfolio.
Figures 6.1 highlights how the selection of Changes can be aligned to the various Portfolio categories, which in turn are aligned to the Strategic Objectives.

<table>
<thead>
<tr>
<th>Strategic Objectives</th>
<th>Category</th>
<th>Proposed Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improve Response Times</td>
<td>Call Handling</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Radio</td>
<td>✓</td>
</tr>
<tr>
<td>Improve Public Access to Services</td>
<td>Interactive Website</td>
<td>✓ ✓ ✓</td>
</tr>
<tr>
<td></td>
<td>Information</td>
<td>✓ ✓ ✓</td>
</tr>
<tr>
<td></td>
<td>Partnership Working</td>
<td>✓ ✓ ✓ ✓</td>
</tr>
</tbody>
</table>

Figure 6.1. Simplified Portfolio Categorisation Model.

Figure 6.2 is another simple representation of the amount of Change per category. Other information can be added from the Programme and Project Information Template, such as financial investment requirement for each category or total risk.
**Categorise: Keys to Success**

<table>
<thead>
<tr>
<th>Key</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Alignment</td>
<td>Enables a clear understanding of which Changes contribute to the strategic objectives and which ones do not.</td>
</tr>
<tr>
<td>Define Changes</td>
<td>Time spent populating the Programme and Project Information Template pays dividends during categorisation.</td>
</tr>
<tr>
<td>Balance for the first time</td>
<td>Categorisation allows you to see for the first time the balance of all the Changes across the categories.</td>
</tr>
<tr>
<td>Be creative</td>
<td>The use of creative graphical representation helps to understand the contribution of the Changes to the Strategic Objectives.</td>
</tr>
<tr>
<td>Entry criteria</td>
<td>Entry criteria can be applied to each category, which can be based on a range of aspects, for example the amount of financial return or efficiency savings.</td>
</tr>
<tr>
<td>Communicate</td>
<td>Ensure Management Board are kept fully up to date with the work being carried out, be especially clear if the analysis indicates that some existing changes are not aligned to the strategic objectives.</td>
</tr>
</tbody>
</table>

**Important Note:** Getting to this position is an achievement and it is always interesting to see the trends that were not recognised before, such as categories having too much change assigned to them or gaps where no change is assigned. In the example above, failure to go through just this key practice alone would have meant that 33% of the Improve Public Access to Service Strategic Objective would not have been delivered!

**Beware:** During this process you may have identified that some proposed Changes do not contribute to the Strategic Objectives. The communication of these must be managed very carefully as there is a high chance that the Change should be stopped. If this is the case, it would be the first time a change has been rejected, which is a big indication of improvement.
### 6.4 PfM Practice 3: Prioritise

#### 6.4.1 What is the purpose?

Prioritising ranks the Changes within the Portfolio based on one or more agreed measures. It is critical that the strategic measures are tailored to your organisation, some of which can include strategic alignment, reputational risk, contribution to the Organisational Blueprint, complexity, business benefits, attractiveness, achievability, costs and return on investment.

Prioritisation information helps Senior Management answer the following questions.

- Should we do it?
- What are the most important Changes?
- What Changes must be resourced above all others?
- What Changes have the most risk attached?

#### 6.4.2 What is involved?

The above questions can only be answered when the proposed Changes have been prioritised, meaning each of the Changes have been ‘ranked’ based on agreed criteria that suit your organisation.

In mature PfM environments prioritising can be a highly complex and mathematical process. Some organisations use software tools to enable robust and repeatable prioritisation processes, and some include prioritisation of the Strategic Objectives before prioritising the Changes in the Portfolio. However, for the purposes of this guidance the key concepts will be discussed using simplified examples that can be used (and enhanced very easily) to suit any organisation.

#### 6.4.3 Prioritisation criteria

OGC uses a tiered model that allows Changes to be prioritised as Mission Critical, Highly Desirable or Desirable. Some organisations venture deeper and create ranking criteria using weighted scoring techniques. This is a particularly useful exercise, especially in organisations where everything is top priority.

The steps to weighted prioritisation are:

1. Create a prioritisation criterion that represents the things your organisation views as important when considering an investment in Change.
2. Agree the importance of each criterion on the list by assigning a percentage of importance to each criterion (ensure the total percentages of all criteria add up to 100).
3. Agree the evaluation scoring model. A basic example being:
   - 0 = no contribution
   - 5 = some contribution
   - 10 = high contribution.
4. For each Change, use the scoring model for each prioritisation criterion.
5. Collate all prioritisation information and analyse.
### Prioritising Change Criteria

<table>
<thead>
<tr>
<th>Name: PROPOSED CHANGE 1</th>
<th>Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Weight</strong></td>
<td>None</td>
</tr>
<tr>
<td>1</td>
<td>Supports at least one strategic objective</td>
</tr>
<tr>
<td>2</td>
<td>Realises significant benefits in a short time with low risk</td>
</tr>
<tr>
<td>3</td>
<td>Contributes to external targets</td>
</tr>
<tr>
<td>4</td>
<td>Complies with a legislative requirement</td>
</tr>
<tr>
<td>5</td>
<td>Addresses an area of under-performance</td>
</tr>
<tr>
<td>6</td>
<td>Improves efficiency</td>
</tr>
<tr>
<td>7</td>
<td>Mitigates against corporate risk</td>
</tr>
<tr>
<td>8</td>
<td>Honours an existing contractual obligation</td>
</tr>
</tbody>
</table>

Change Priority Score **7.5**

Figure 6.3. Scoring a proposed Change against weighted prioritisation criteria.

#### 6.4.4 Example prioritisation mechanism

This section provides an example of how to prioritise Changes and link decision making to the prioritisation findings.

Figure 6.3 is an example of a proposed Change that has been assessed using the weighted prioritisation score.

When each Change has been scored, the information can be collated into a single chart. Sorting by descending priority order allows you to see immediately which Changes are most important to your organisation. Table 6.4 contains a basic prioritised list of Changes. Also added to this is a simple risk and benefit grading, which can be based on the Business Case (your chart will no doubt contain more detailed information for each Change).

Based on this information it is possible to develop more creative representations of the information. For example, Figure 6.5 illustrates a simple bubble matrix, which shows a combination of important information such as risk-versus-benefit mapping. The size of the bubble represents the relative size of the budget and the organisation’s tolerance to risk, which is defined by the position of the red dotted line.

Immediately it is clear to see that Change 8 is high risk and returns low benefits, despite having the third largest budget. It is therefore likely that this Change should be reviewed.
Table 6.4. Collection of proposed Changes that have undergone prioritisation assessment.

<table>
<thead>
<tr>
<th>Priority</th>
<th>Change Name</th>
<th>Budget</th>
<th>Benefit</th>
<th>Risk</th>
<th>Priority Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Proposed Change 2</td>
<td>£5.1m</td>
<td>H</td>
<td>H</td>
<td>10</td>
</tr>
<tr>
<td>2</td>
<td>Proposed Change 6</td>
<td>£1.6m</td>
<td>H</td>
<td>M</td>
<td>10</td>
</tr>
<tr>
<td>3</td>
<td>Proposed Change 5</td>
<td>£4.1m</td>
<td>H</td>
<td>M</td>
<td>10</td>
</tr>
<tr>
<td>4</td>
<td>Proposed Change 1</td>
<td>£1.1m</td>
<td>M</td>
<td>M</td>
<td>7.5</td>
</tr>
<tr>
<td>5</td>
<td>Proposed Change 8</td>
<td>£550k</td>
<td>M</td>
<td>M</td>
<td>6</td>
</tr>
<tr>
<td>6</td>
<td>Proposed Change 7</td>
<td>£100k</td>
<td>M</td>
<td>L</td>
<td>5</td>
</tr>
<tr>
<td>7</td>
<td>Proposed Change 3</td>
<td>£2.1m</td>
<td>H</td>
<td>H</td>
<td>2</td>
</tr>
<tr>
<td>8</td>
<td>Proposed Change 4</td>
<td>£3.1m</td>
<td>L</td>
<td>H</td>
<td>2</td>
</tr>
</tbody>
</table>

Figure 6.5. Bubble matrix mapping Changes based on benefits and risk.
### Prioritise: Keys to Success

<table>
<thead>
<tr>
<th>Focus minds</th>
<th>The prioritisation practice focuses people’s minds on the most important Changes and clearly identifies the Changes that are least important.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tailored for your organisation</td>
<td>The prioritisation criteria must be suitable for your organisation and can include reputational risk, political need, and a weighted measure for the contribution to the Organisational Blueprint (or Future Operating Model).</td>
</tr>
<tr>
<td>Management Board involvement</td>
<td>Management Board must agree the prioritisation criteria and are the key decision makers regarding the final prioritised Changes.</td>
</tr>
<tr>
<td>Weighted scoring helps</td>
<td>Weighted prioritisation criteria help to rank the Changes.</td>
</tr>
<tr>
<td>Prioritise each Change</td>
<td>Work through the prioritisation criteria for each proposed Change.</td>
</tr>
<tr>
<td>Be creative</td>
<td>Be creative with how you represent the findings. Graphical representation can be particularly useful.</td>
</tr>
</tbody>
</table>
6.5 PfM Practice 4: Balance

6.5.1 What is the purpose?
Balancing a Portfolio means juggling all Portfolio elements in order to find the ideal mix of Changes. For example, the mix that has the greatest potential to collectively achieve the organisation’s Strategic Objectives within the constraints of resources (money, people, facilities, etc.), time and risk.

6.5.2 What is involved?
Whilst some form of balancing occurs throughout the Portfolio Definition Cycle, it is only when the collection of proposed Changes are categorised, prioritised and viewed together with other key organisational information that detailed analysis and balancing decisions can be made.

Balancing is not achieved by the Portfolio Office working on one spreadsheet in isolation; other information is required from various teams within the organisation. This will consist of resource capacity, organisational performance information, asset management and organisational financial information.

It is for this reason that the Portfolio Office must work collaboratively with other departments, ensuring a joined up approach.

While there are many books on the process of balancing a Portfolio, the application to an organisation is perhaps more individual than any other PfM Practice. It can be complex and time consuming. Therefore, it is unrealistic to expect the Management Board to be involved directly. The Portfolio Office must keep the Management Board up to date while they lead on relevant consultations via workshops or individual meetings.

Only after this consultation and analysis can the Portfolio Office present to the Management Board the proposed balanced Portfolio together with supporting recommendations. Bear in mind that many organisations implement far too many Changes at the same time and it is therefore not uncommon for the recommendations to include the closure or one or more Changes.

It is rare that a balanced Portfolio will be agreed from a single meeting, so the Portfolio Office should be prepared to go back and modify the balance to accommodate amendments.

6.5.3 Being creative to support decision making
The value added by the Portfolio Office should include the development of creative and easy-to-understand representations of the balanced Portfolio. Sending one chart with all the information to the Management Board will definitely not suffice in this situation.

The bubble matrix in Figure 6.5 provides a good example of how to graphically represent Changes based on budget, risk and benefit return. In addition to this, you should consider what other elements are important to your organisation’s Portfolio and how they relate to organisational constraints.

The following are examples of information that is useful to graphically represent.

- High-level Portfolio showing indication of resource availability.
- Cost of investment per category.
- Percentage contribution towards Strategic Objectives by category.
- Overall cost profile based on initial schedule.
- Areas of the organisation impacted by the totality of Changes.
- Anticipated performance Changes based on initial Portfolio schedule.
- Risk associated with each category.
- Resource levels and capability.
**Important Note:** Portfolio and Programme Management software packages can be extremely useful when balancing because most packages enable a range of constraints to be added and changed to suit your organisation. Provided that the software has been configured correctly and is populated with the right information, various calculations and balancing analyses can be instantly available.

<table>
<thead>
<tr>
<th>Balance: Keys to Success</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Power in balancing</strong></td>
</tr>
<tr>
<td><strong>Set expectations of Management Board</strong></td>
</tr>
<tr>
<td><strong>Consultation is key</strong></td>
</tr>
<tr>
<td><strong>Present findings creatively</strong></td>
</tr>
<tr>
<td><strong>Evidence findings</strong></td>
</tr>
<tr>
<td><strong>Additional information helps</strong></td>
</tr>
</tbody>
</table>
6.6 PFM Practice 5: Plan

6.6.1 What is the purpose?
The Planning Practice focuses on collating information from the Portfolio Definition Cycle (along with other planning information where required) and creating a Portfolio Delivery Strategy. The objective of the Portfolio Delivery Strategy is to enable all stakeholders to understand the Portfolio and, most importantly, to enable the Management Board to make informed decisions regarding the content and delivery.

6.6.2 What is involved?
Creation of the Portfolio Delivery Strategy is a complex process. It is completely individual to your organisation and extremely challenging. It will undoubtedly vary in both format and name. Depending on your organisation, it could be a single document, a presentation or a collection of new and existing documents. Some organisations may call it a Strategic Delivery Plan, a Portfolio Plan or a Change Strategy.

Irrespective of the name and format in your organisation, fundamentally the Portfolio Delivery Strategy should contain concise and accurate information, so that when presented appropriately it will enable the Management Board to make informed decisions regarding the following.

- Confirmation of the Portfolio scope, categories, prioritisation and schedule of Changes included in the Portfolio.
- Key benefits, impacts on performance, contribution to Strategic Objectives and Public Service Agreement (PSA) Targets.
- The estimated overall resource requirements (including skills and finance) and capacity to change.
- Key risk areas and key issues that need immediate resolution.
- Stakeholder Engagement and Communication.
- Clear illustration of the interdependencies between Changes and their outcomes.

The Portfolio Delivery Strategy should be presented to the Management Board by the Director of Change. While the name of the various sections in the Portfolio Delivery Strategy may vary between organisations, the value realised from them should not.

Appendix 5 contains a description of the key value that should be realised from the Portfolio Delivery Strategy.

Important Note: Some elements of the Portfolio Delivery Strategy have not been described in detail in this guidance. Comprehensive guidance for areas such as Risk Management, Benefits Realisation Management, Blueprint, Communications Planning, Stakeholder Engagement, Business Case development and Portfolio Office set-up are available in other OGC published guidance and online at www.ogc.gov.uk.

6.7 Dependency Management

A critical part of any plan at any level of Business Change – be it Project, Programme or Portfolio – is dependencies. Within a simple Project this is relatively easy, but in a complex Programme and Portfolio environment it is particularly challenging to identify, track and manage dependencies effectively.

The P3O is critical to the success of this because, as part of the planning process, the dependencies should be identified within each Project, Programme and Business Plan. It is also the responsibility of the P3O to work with the Programme and Project Managers to ensure that dependency information is accurately summarised at the Portfolio level within Management Dashboards.

If dependencies are not managed properly there is a high risk that that the Plans at all levels will not be realistic. Furthermore, when Changes occur within the Portfolio it will be very difficult to assess the overall impact.

Some of the key challenges and solutions in Dependency Management are set out in Table 6.6.
Typical Dependency Management Challenges | Possible Solutions
--- | ---
Our Programme and Projects are not planned very well, so how do we get dependency information? | Even if all Plans are of poor quality, as a minimum the P3O team can work with the Programme or Project Managers to investigate what they deem to be the key dependencies in their work. This information can be captured, investigated and reported at a wider Portfolio level. A dependency should be added to the Portfolio schedule, highlighting that Management Board decision making is dependent on quality Plans.

What type of dependencies exist? | A dependency can be anything that will influence the schedule of the Change. Most dependencies come in the form of key decisions (internal or external), linked products, resource capacity, benefits, outcomes and risks.

How do we document dependencies? | There is a wide range of approaches to documenting dependencies. For example, as part of Benefits Realisation Management in MSP, Outcome Relationship Modelling is used. In some organisations a central planning software tool can link all dependencies and aggregate the impact on benefits and provide a report automatically. In others the Portfolio Office has a basic list which is updated each month as part of the reporting process.

The key is to gauge the information available to you and how that should be best represented within your organisation based on your current maturity. The skills of the P3O team are critical.

How do we present this complex information to the Management Board? | The P3O team must clearly highlight the most important dependencies at the Portfolio level, which will usually include external factors. A useful way to represent this is by highlighting key dependencies in the Portfolio schedule. These should be numbered and defined within the Management Dashboard, with clearly defined decisions required. Some organisations link dependencies to the Risks and Issues Log, which can also be incorporated into monthly reporting cycles.

How do we know what the most important dependencies are? | Modify a version of the prioritisation practice to focus on dependencies. The P3O team should work through each dependency and calculate which are the most important.

Table 6.6. Key challenges and solutions for managing dependencies.
6.8 Portfolio capability, capacity and resourcing

An important factor to be taken into account during the PfM Definition Cycle (and also as part of Resource Management during the PfM Delivery Cycle) is the organisation’s ability to deliver its commitments through a suitably skilled resource base.

The key questions to ask are as follows.

- Do we have the right people with the skills and capabilities to deliver the Portfolio? and
- Are those people available in a timely manner to meet the commitments of the Portfolio?

Each Programme and Project within the Portfolio will require one or more people to deliver products and carry out tasks. These people require specific skills and capabilities to carry out their assigned roles. As part of the planning process within the Business Change Lifecycle, each Programme and Project must schedule the required skills and resources, including those required from the Business as Usual functions. All this information will contribute to Resource Plans at Project, Programme and Portfolio level.

In a Portfolio, the Resource Plans of all Programmes and Projects should be amalgamated to enable an understanding of the Portfolio resource requirements – i.e. what resources (people with skills and capability) are required and for what time periods.

A key PfM function is to flex this Portfolio view and negotiate resources with stakeholders to ensure best use across the entire Portfolio, while taking into account the operational needs and requirements.

This should be complemented by a forward-looking capacity plan highlighting commitments and availability (including holidays, courses, etc.). Therefore, the capacity plan can be used in planning new Programmes and Projects to show where spare capacity exists. Capacity planning should be aligned with the risk and issues process, as it is surprisingly common for entire Programmes to stop due to one key person’s absence through illness.

Planning the most effective use of internal resources must be balanced against engaging external resources with appropriate skills and capability. It may be more cost effective to delay a Programme or Project until the appropriately skilled internal resources are available. However, organisational strategy may dictate fixed delivery timescales, in which case external staff will need to be employed. This is an example of how Resource and Capacity Plans can help with forward planning for recruitment and training, whether on a permanent or temporary basis.

Without effective resource and capacity planning, ‘just in time’ recruitment may incur delivery delays or excessive costs, or in some cases both. The P3O main guidance provides more details on capacity planning for Resource Management.

Important Note: While it was highlighted previously that PfM is not just ‘bigger Programme Management’, the Portfolio Delivery Strategy has similarities with the Programme Definition within Managing Successful Programmes (MSP). Therefore, you should ensure familiarity with MSP before creating the Portfolio Delivery Strategy.
<table>
<thead>
<tr>
<th>Plan: Keys to Success</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Portfolio Delivery Strategy is key</strong></td>
</tr>
<tr>
<td><strong>Focus on value</strong></td>
</tr>
<tr>
<td><strong>Management Board endorsement</strong></td>
</tr>
<tr>
<td><strong>Portfolio Office takes the lead</strong></td>
</tr>
<tr>
<td><strong>Keep it simple</strong></td>
</tr>
</tbody>
</table>
7.0 Portfolio Delivery Cycle: PfM Practices

7.1 Purpose of this chapter
This chapter provides a detailed discussion of the PfM Practices found within the Portfolio Delivery Cycle. For ease of reading, each PfM Practice is described by answering the following two questions.

- What is the purpose?
- What is involved?

Important Note: All PfM Practices are discussed by providing examples of how organisations have made use of them. It is critical that you appreciate fully your own existing processes before you implement any of the following within your own organisation.

7.2 PfM Practice 6: Management Control

7.2.1 What is the purpose?
A standard Business Change Lifecycle exists, ensuring that effective decision-making processes are implemented at all levels in the Portfolio and continue to add value as the Portfolio delivers Changes.

7.2.2 What is involved?
The Business Change Lifecycle is used to control the delivery of all Changes in the organisation. This contains definitions of all processes that need to be followed to ensure that decisions are made at the correct times. This will include go/no-go gates, independent assessment points, Portfolio-level reviews, health checks and formal sign-offs.

The use of the Business Change Lifecycle provides standards to be followed by all Changes. This ensures that Business Cases are created for each Change, enabling alignment to the Strategic Objectives. Furthermore, it ensures that each Change is aligned to the organisational Blueprint, thereby allowing clear alignment to the future needs of the organisation.

Using a standard Business Change Lifecycle is the key enabler for the Portfolio reporting mechanism. The Portfolio Office controls the progress reporting from each of the Changes on a regular basis and collates this information for the Management Board in the form of a Management Dashboard.

This contains the top-level progress information, key risks and issues, decisions required and (when required) other more detailed information regarding performance, dependencies and achievement of Strategic Objectives.

The top-level Portfolio Plan is agreed and forms a baseline of what is to be delivered and how it is controlled during the course of the Portfolio. The Portfolio Office will ensure that all processes are in place to enable escalation of risks, issues and decision making at the right level regarding alterations to the Portfolio schedule, priorities, dependencies and resources.

Controlling such processes can be extremely complex and this is why the Portfolio Office provides and facilitates training/awareness on PfM elements, the Business Change Lifecycle and/or software packages where required.

Further information can be found in other OGC guidance.10

Important Note: When designing the PfM reporting process, ensure that you include the stakeholders who will be contributing to the design of the report. Equally, provide the Management Board with an example and note their feedback prior to delivering a finalised version.

---

9 Criminal Justice Information Technology (CJIT) Approach to Investment Appraisal.

10 P3O, MSP and P3M3 Management Control Perspective.
<table>
<thead>
<tr>
<th>Management Control: Keys to Success</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Defined roles and relationships</strong></td>
</tr>
<tr>
<td>Ensure that people are aware of their involvement and that the relationships between the Portfolio Direction Group and Portfolio Progress Group are understood by everyone.</td>
</tr>
<tr>
<td><strong>Visible processes</strong></td>
</tr>
<tr>
<td>Ensure that key PfM processes are defined and understood. Provide direct support to people and help them work through new processes. Particularly important is the Business Change Lifecycle and the reporting process.</td>
</tr>
<tr>
<td><strong>Skills and experience</strong></td>
</tr>
<tr>
<td>Employ people within the Portfolio Office who are experienced, skilled and good communicators. If they do not have these abilities, they will have no credibility and the skilled Programme and Project Managers will not listen to them.</td>
</tr>
<tr>
<td><strong>Pragmatic reporting processes</strong></td>
</tr>
<tr>
<td>Do not make the reporting process too cumbersome. The only way to make reporting work is to make the Programme and Project Managers want to report. Therefore, you must make sure they understand that reporting is a supportive mechanism for them. Clearly identify the escalation processes for risks and issues, the information flows and levels where decision will be made.</td>
</tr>
<tr>
<td><strong>Manage stakeholders</strong></td>
</tr>
<tr>
<td>Ensure that a thorough Stakeholder Analysis has taken place and that people from external groups, the Portfolio team and the teams from within Business as Usual are engaged with appropriately.</td>
</tr>
<tr>
<td><strong>Supportive advice/training</strong></td>
</tr>
<tr>
<td>Provide supportive advice and training to the Programme and Project Management Teams where required.</td>
</tr>
<tr>
<td><strong>Timeliness and accuracy</strong></td>
</tr>
<tr>
<td>Ensure that Programme and Project information is presented in a timely and accurate manner. If the reporting process is not aligned correctly to the governance structure, the information will be out of date by the time it is presented to Senior Management.</td>
</tr>
</tbody>
</table>
7.3 PfM Practice 7: Benefits Management

7.3.1 What is the purpose?
To clearly identify and manage the benefits being realised from the Changes, ensuring that they contribute to performance and Strategic Objectives as defined in the Business Case.

7.3.2 What is involved?
A Benefits Management strategy has been agreed and clearly defines how the benefits will contribute to the realisation of the Strategic Objectives and how they will be managed. To make this a success, collaborative working with key stakeholders – particularly performance, Strategic Planning and representatives from the business – is critical, as this will ensure that benefits are aligned to performance and linked to the Strategic Objectives and the PSA Targets where required.

Benefits are well documented so it is possible to understand the flow from each Change and their contribution to Strategic Objectives. This information is maintained continuously, to reduce the risk of double counting, and is published regularly so that people can maintain an understanding of progress.

Benefits information is included in the Management Dashboard and assists with decision making, particularly where slippage occurs as Senior Management will be interested in the impact on the high-level Benefits Plan and targets.

Appendix 1a contains a useful model used within Criminal Justice Information Technology (CJIT) to represent the relationship between the Portfolio, benefits and performance.

**Important Note:** If a Change does not benefit a Strategic Objective, or enable another Change to benefit Strategic Objectives, it should not be started. Equally, if any existing Change does not align to the Strategic Objectives, it should be challenged and more than likely stopped. The only exceptions to this rule are ‘must do’ Changes, such as regulatory and statutory requirements. They may or may not directly add value to the Strategic Objectives, but a Business Case should still exist and should be included in the prioritisation of the corporate Portfolio.

11 Gartner Report: UK Criminal Justice System Makes Portfolio Management Key to IT Success.
7.4 PfM Practice 8: Financial Management

7.4.1 What is the purpose?

To ensure that the PfM processes and decisions are aligned to the Financial Planning Cycles and that financial considerations form a key element in all decisions regarding the commencement and ongoing viability of every Change.

**Important Note:** Aligning PfM to financial structures can be extremely challenging. It is critical that the Finance Department are fully consulted on this alignment. Not only are they experts in the financial planning process, but they will also have the best understanding on decisions currently being made.

7.4.2 What is involved?

During the early days of PfM implementation, one of the key elements is to understand the relationship of existing processes, governance and decision-making bodies. A key governance structure that will undoubtedly already exist is a Board that makes decisions regarding financial investments in either Business as Usual and/or individual Changes.

The level of difficulty when trying to align PfM to the existing structure is completely dependent on your organisation and where the budgets for Changes sit. This can vary significantly within different organisations. Some organisations have a Directorate of Change, which controls the budgets for all strategic Changes, whereas others choose not to differentiate between Business as Usual and Change and each directorate will receive a lump sum allocation.

In contrast, it could be that the Portfolio is divided based on categorisation, and investment criteria may be added to each category, so that for a Change to be accepted into a categorised Portfolio it must provide x amount of return on investment. Some organisations sit in the middle, allocating a budget to the Portfolio Direction Group and releasing the funding based on priority, and perhaps in stages based on successful progression through the stages of the Business Change Lifecycle.

Irrespective of these structures, any organisation can still align PfM with existing financial processes and integrate, as a minimum, the following rules.

- A Business Change Lifecycle is used proactively for all Change.
- A Financial Plan must be incorporated within every Business Case.
- All new (and proposed) Changes must start via the agreed Business Change Lifecycle.
- Only the Portfolio Direction Group can agree to the inclusion of a new Change in the Portfolio.

Aligning PfM and the organisation’s financial structures is particularly useful because, if there is slippage in the Portfolio, the impact of over/under-spends can be recognised early and managed accordingly.

<table>
<thead>
<tr>
<th>Financial Management: Keys to Success</th>
<th>Financial planning</th>
</tr>
</thead>
<tbody>
<tr>
<td>Involve financial experts</td>
<td>Ensure that a Financial Plan exists for the Portfolio.</td>
</tr>
<tr>
<td>Align Cycles</td>
<td>Ensure that the Portfolio Office and Finance Department work collaboratively. Seconding a strategic finance expert into the Portfolio Office can be a significant advantage.</td>
</tr>
<tr>
<td>Business Cases</td>
<td>Align Strategic Planning, PfM and Financial Cycles for optimum value.</td>
</tr>
<tr>
<td>Incremental funds release</td>
<td>The Business Change Lifecycle ensures that a Business Case and Financial Plan exist for every Change. This is non-negotiable.</td>
</tr>
<tr>
<td>Financial reporting</td>
<td>Incrementally releasing funds in line with the Business Change Lifecycle can improve financial and Change Planning.</td>
</tr>
</tbody>
</table>

Ensure that top-level finance information is incorporated into the Management Dashboard. This will require financial reporting information from all the Changes within the Portfolio.
7.5 PfM Practice 9: Risk Management

7.5.1 What is the purpose?
Effective management of the Portfolio’s exposure to risk is crucial to the successful delivery of the Changes and ultimately to achievement of the Strategic Objectives. Risk Management at the Portfolio level implements standards that are used by all Changes and which align to the Corporate Risk Management Policy. Risks across the Portfolio are continually reviewed and an effective escalation process ensures that the relevant risks are reported to Senior Management.

7.5.2 What is involved?
A Risk Management strategy has been agreed at the Portfolio level and clearly defines the amount of risk that is to be accepted across the Portfolio, how the Risk Management process will work within the Portfolio and how it links to Organisational Risk Management. Collaborative working with the Organisational Risk Management Department ensures compliance with organisational policies and aligns with Strategic Planning.

Risk Management works at all levels within the Portfolio and the Portfolio Office will ensure that Risk Management is embedded into the Business Change Lifecycle, enabling risks to be managed by the correct people at the right level within the Portfolio.
A robust Risk Management environment will ensure the identification and effective management of strategic, delivery and operational risks and opportunities. This requires an effective risk escalation process and consistent analysis of risk in terms of probability, impact and timing. Where required, the production and funding of contingency plans should exist, with an ongoing review by knowledgeable experts, risk owners and Senior Management.

7.5.3 Maintaining focus on risks
Risk Management is usually the first PfM Practice to suffer in business environments, where things that are happening ‘now’ are viewed as the most important. Table 7.1 provides an overview of how to ensure that Risk Management remains in focus.

<table>
<thead>
<tr>
<th>How to Maintain Focus</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Portfolio reporting</strong></td>
</tr>
<tr>
<td><strong>Prioritisation process</strong></td>
</tr>
<tr>
<td><strong>Organisational Risk Management</strong></td>
</tr>
<tr>
<td><strong>Stage Gates in the Business Change Lifecycle</strong></td>
</tr>
</tbody>
</table>
If the organisation is using an enterprise Project Management software tool, an automated centralised Risk Management mechanism that informs owners of their risks can be extremely useful. This will only work in an environment that proactively values the management of risk.

A key purpose of PfM Risk Management is to oversee the overall level of exposure. It is rarely a single risk that will cause major problems, but the combination of a number of risks being realised that requires the attention of the PfM team.

Table 7.1. Maintaining focus on Risk Management.

<table>
<thead>
<tr>
<th>Risk Management: Keys to Success</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk Management Strategy</td>
</tr>
<tr>
<td>Involve experts</td>
</tr>
<tr>
<td>Links to existing Boards</td>
</tr>
<tr>
<td>Incorporate risk into the Business Change Lifecycle</td>
</tr>
</tbody>
</table>
7.6 PfM Practice 10: Stakeholder Engagement

7.6.1 What is the purpose?
The provision of a centralised and co-ordinated approach to Stakeholder Engagement and Communication ensures that the needs of the organisation’s customers (internal and external stakeholders) are identified and managed appropriately. Stakeholder support for the Portfolio is achieved by effective consultation and involvement in relevant decision-making processes relating to delivery of the Portfolio and achievement of the Strategic Objectives.

7.6.2 What is involved?
A centrally managed and consistent approach to Stakeholder Engagement and Communications exists at all levels in the Portfolio. The Corporate Communication Team work closely with the Portfolio Office during the creation of the Stakeholder Engagement and Communication Plan. They also provide ongoing advice and support at central and regional/local levels where required.

The Portfolio Communication Plan, together with the Business Change Lifecycle, ensure that stakeholders’ needs are identified, which is achieved by proactively involving stakeholders in the development and decision-making process where required. The Portfolio Communication Plan identifies all stakeholders, how key messages will be communicated and, while each Change will create and manage its own Communication Plan, it will need to be aligned with the Portfolio Communication Plan.

There is a budget for communications that is agreed as part of the Portfolio Delivery Strategy and is managed by the Portfolio Office. There are processes for different types of messages. However, one of the keys to success is that Management Board members are visibly involved and proactively support various communications to the Portfolio and the wider organisation. This has proved critical in terms of continually focusing on collaborative working, emphasising the need to be one team and ensuring that people have a common understanding of the progress and successes.

Communication and engagement is not one-way traffic from the Portfolio; it is important to ensure that processes facilitate a feedback loop from stakeholders to the Portfolio. This needs to be managed in such a way that stakeholders can see what has been implemented based on their feedback.

<table>
<thead>
<tr>
<th>Stakeholder Engagement: Keys to Success</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Work collaboratively with Corporate Communication Team</strong></td>
</tr>
<tr>
<td><strong>Involve stakeholders</strong></td>
</tr>
<tr>
<td><strong>Align Plans from Changes to overall Portfolio Plan</strong></td>
</tr>
<tr>
<td><strong>Sophistication of approach</strong></td>
</tr>
<tr>
<td><strong>Feedback loop</strong></td>
</tr>
<tr>
<td><strong>Value communication</strong></td>
</tr>
</tbody>
</table>
7.7 PfM Practice 11: Organisational Governance

7.7.1 What is the purpose?
PfM processes and decisions are aligned with the Organisational Governance processes of the organisation. The standards for PfM are agreed and the Management Board are committed to overseeing and making decisions regarding the Portfolio as part of their existing governance responsibilities.

7.7.2 What is involved?
A vision for PfM is agreed and is actively communicated to the organisation by the Management Board. This enables people to understand, at top level, what the Portfolio is doing. At a more detailed level, the Portfolio is defined so that people can understand what is involved and how Changes will add value to the Strategic Objectives.

The Business Change Lifecycle is used to ensure that Changes are evaluated, prioritised and approved based on Strategic Objectives, and Business Cases are continually reviewed for validity and viability. People are confident that tough decisions will need to be made in some cases.

The Portfolio Office ensures that the Organisational Governance structures and PfM Governance are aligned and add value to stakeholders, legislative and regulatory requirements are incorporated into the decision making processes and that performance information is represented in such a way as to reflect the impact that Changes are having on the organisation.

<table>
<thead>
<tr>
<th>Organisational Governance: Keys to Success</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vision of Business Change</td>
</tr>
<tr>
<td>Management Board should agree a vision for PfM in your organisation.</td>
</tr>
<tr>
<td>Business Cases are continually reviewed</td>
</tr>
<tr>
<td>Ensure that decision-making processes regarding the continuation of Changes take place at the right position within the Business Change Lifecycle.</td>
</tr>
<tr>
<td>Organisational hierarchy</td>
</tr>
<tr>
<td>The hierarchy and decision-making processes within the Portfolio must be clearly set out. Standard sets of responsibilities and competencies for the key roles should be set out and monitored for effectiveness.</td>
</tr>
</tbody>
</table>
7.8 PfM Practice 12: Resource Management

7.8.1 What is the purpose?
There is a finite amount of resources available, so putting in place mechanisms to understand and manage the amount of resources available and the amount needed will enable informed decisions to be made concerning the initiation and scheduling of Changes.

7.8.2 What is involved?
During the early days of PfM, the ability to understand resources is solely dependent on the maturity of the organisation to deliver Change. If Changes are not planned professionally, if Business Cases are not agreed, if planning standards are not used, PPM skills are limited and planning software is not used, effective Resource Management decisions will be extremely difficult, if not impossible, to make.

The use of the Business Change Lifecycle enables the resource requirement to be identified early on and the use of the Stage Gates thereafter ensures that the required resources are agreed at appropriate points, based on prioritisation.

The Procurement Department are involved in the planning of Changes and ensure that procurement processes are followed, including relevant frameworks for recruitment of skills where required.

The key resources pools (IT, Training and Business as Usual Teams, etc.) understand the prioritised Changes and assign resources in line with those priorities. Those teams are involved in planning and, as such, resources are assigned and included in the Plans, giving an overall view at Portfolio level.

<table>
<thead>
<tr>
<th>Resource Management: Keys to Success</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Use Business Cases and Project Plans</strong></td>
</tr>
<tr>
<td><strong>Incremental funds release</strong></td>
</tr>
<tr>
<td><strong>Legislative and regulatory changes involved</strong></td>
</tr>
</tbody>
</table>
Appendix 1: Example Business Change Lifecycle
The following example of a Business Change Lifecycle has been successfully rolled out within the Highways Agency. The Highways Agency named it the Project Control Framework. While the Highways Agency uses this for every Project, many organisations have a similar approach (some significantly more complex) that can be used for all Programmes and Projects.
Appendix 1a: Criminal Justice Information Technology (CJIT) Model

CJIT use this model to represent the relationship between the Portfolio, benefits and performance.

Managing the Portfolio, Realising the Benefits

Portfolio Management
Selection Criteria
Investment Appraisal
Portfolio Prioritisation

Doing Things Right – Making Evidence Based Decisions that:
- Are determined by projects’ Attractiveness and Achievability
- Align IT investment with business priorities
- Adjust the composition of the portfolio when appropriate

Performance Management
Delivery Plan
Portfolio Dashboard
Performance Review

Doing Things Right – Managing Delivery By:
- Transparent / clear line of sight reporting
- Continued funding linked to performance including realisation of forecast benefits

Active Benefits Management
Benefits Realisation Planning
Data Validation
Transparent Reporting

Doing Things Right – Ensuring Investment Success Through:
- Validating the scale and quality of benefits
- Benefits realisation management at project and recipient agency level
- Capturing cross-system benefits and wider social value
Appendix 2: Governance and Role Descriptions

<table>
<thead>
<tr>
<th>Role Name</th>
<th>Portfolio Direction Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Role Purpose</td>
<td>The Portfolio Direction Group consists of the Management Board members who are collectively responsible for ensuring that the Portfolio delivers the Changes and benefits identified within Portfolio Delivery Strategy. The Portfolio Direction Group should be prepared to make proactive decisions and provide leadership that energises the teams and the organisation throughout the life of the Portfolio. Meetings may be attended by a number of additional members where required, including the Portfolio Management, Senior Business Change or Programme Management Roles.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Responsibilities</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Overall ownership and direction of the Portfolio Delivery Strategy.</td>
<td></td>
</tr>
<tr>
<td>• Accountable for ensuring that the Portfolio remains on course to deliver the desired strategic benefits and outcomes.</td>
<td></td>
</tr>
<tr>
<td>• Review the status of the Portfolio regularly via a Management Dashboard.</td>
<td></td>
</tr>
<tr>
<td>• Review recommendations from Portfolio Progress Group and make decisions accordingly.</td>
<td></td>
</tr>
<tr>
<td>• Ensure that resources are allocated appropriately.</td>
<td></td>
</tr>
<tr>
<td>• Ensure that any conflicts between the Portfolio delivery and Business As Usual that cannot be resolved by the Progress Group are addressed.</td>
<td></td>
</tr>
<tr>
<td>• Proactively communicate collaborative working throughout respective departments/units.</td>
<td></td>
</tr>
<tr>
<td>• Ensure that Business as Usual and the Portfolio are aligned effectively to deliver the Strategic Objectives.</td>
<td></td>
</tr>
</tbody>
</table>
### Role Name
Portfolio Progress Group

#### Role Purpose
The Portfolio Progress Group is chaired by the Director of Change Role (and closely supported by the Portfolio Management and/or Portfolio Office Management Roles).

Meetings attended by various Senior Management from across the organisation, including representatives from Training, HR, IT, Finance, Commercial, for example. In addition, Business Change Management also attend to ensure that Business as Usual representation is included in the decision-making process.

Progress Group members are collectively responsible for ensuring that the day-to-day delivery of Changes remains on track as per the agreed Portfolio Delivery Strategy.

Ensuring that Best Practice processes are achieved in order to understand progress and effectively address the key Portfolio risks and issues.

Review all proposed new Programmes and Projects and make recommendations to the Portfolio Definition.

#### Responsibilities
- Own the day-to-day delivery of the Portfolio Delivery Strategy.
- Ensure that all Programmes and Projects comply with agreed delivery standards, e.g. use of the Business Change Lifecycle.
- Review progress and resolve key Portfolio-level issues.
- Ensure that Portfolio-level risks are identified and managed appropriately.
- Ensure that agreed resources are maintained within the Portfolio.
- Ensure that implementations into Business as Usual are co-ordinated so as not to cause operational disruption.
- Proactively support the communication of the Portfolio and the Portfolio Delivery Strategy within relevant departments.
- Make recommendations to Portfolio Direction Group regarding key decisions required. Specifically including (but not limited to) the start-up or cessation of Programmes or Projects, management of key risk and issues, and Portfolio communications.
- Review proposals for Changes to the scope of the Portfolio (including Change Control process for existing Programmes and Projects where required) and make recommendations to Portfolio Direction Group where required.
<table>
<thead>
<tr>
<th>Role Name</th>
<th>Business Change Director</th>
</tr>
</thead>
<tbody>
<tr>
<td>Role Purpose</td>
<td>The Business Change Director is the Management Board member who owns the vision for the Portfolio, providing clear leadership and direction through its life. The role requires strong leadership and management skills coupled with authority to champion the delivery of complex implementations, some of which may be owned in various other departments by various SROs. The individual will need to develop and maintain robust relationships with all parts of the business as well as with the Programmes and Projects, to ensure that the Management Board members and their teams are supportive of PfM. The individual will need to understand the organisation’s Strategic Objectives, the business and the Portfolio. They must have credibility within the organisation and be able to influence others. They must be able to develop and maintain effective working relationships with Senior Management, the Programme and Project Teams and any third party service providers.</td>
</tr>
</tbody>
</table>
| Responsibilities        | • Provide overall direction and leadership for the delivery and implementation of the Portfolio, with personal responsibility for its success.  
• Ensure the creation of an energised working culture that is focused on collaborative working and teamwork.  
• To ensure that Best Practices are utilised within the Portfolio.  
• To ensure sound financial management of the Portfolio.  
• Secure the investment to implement PfM (including a Portfolio Office).  
• Provide strategic challenge, overview and scrutiny, ensuring alignment with wider policy and strategic initiatives.  
• Ensure that evolving business needs and issues are addressed effectively. |
Role Name: Portfolio Manager

Role Purpose:
The Portfolio Manager co-ordinates the successful delivery of the Portfolio Delivery Strategy on a day-to-day basis. The Portfolio Manager will lead on implementing all key practices, ensuring that the Portfolio Progress Group and Portfolio Direction Group receive the right information to make informed decisions.

While the role may or may not be directly responsible for all or some of the Changes within the Portfolio, they will lead with the definition and delivery of the Portfolio and be the first point of call for ‘new Changes’. The role will also focus on Stakeholder Engagement and will support the Business Change Director with briefings to Senior Management, which requires heightened communication and Stakeholder Engagement skills.

The individual must have solid experience with strategic, Programme and Project Management, specifically including Business Cases, planning and use of Best Practice processes. The individual should also have a good understanding of performance, organisational change, the organisation and the Strategic Objectives.

Responsibilities:
- Co-ordinate the day-to-day successful delivery of the Portfolio Delivery Strategy.
- Ensure that Business Case data is consistent across the organisation.
- Analyse proposed and current Change Portfolio and identify alignment with Strategic Objectives.
- Prepare Portfolio reporting information for the Portfolio Progress and Direction Groups (and any other key stakeholder groups).
- Conduct ‘What if?’ analysis on the Portfolio in discussion with senior colleagues and provide this information to the Board as reports.
- Understand the core business drivers, environment and organisation.
- Act as an advocate for PfM across the organisation.
- Influence colleagues and Senior Management to work collaboratively with key PfM Practices.
- Identify constraints within the Portfolio and work to overcome them – e.g. resource constraints, funding constraints, etc.
- Ensure that all compliance-related Changes are identified as such within the Portfolio.
# Appendix 3: Example Management Dashboard

## PORTFOLIO MANAGEMENT DASHBOARD

Sample Organisation

<table>
<thead>
<tr>
<th>Division</th>
<th>Total # Projects</th>
<th>Total £ Portfolio</th>
<th>Total Benefit of Portfolio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Division A</td>
<td>76</td>
<td>£18,277,000</td>
<td>£14,069,000</td>
</tr>
<tr>
<td>Division B</td>
<td>9</td>
<td>£3,539,000</td>
<td>£5,268,000</td>
</tr>
<tr>
<td>Division C</td>
<td>22</td>
<td>£11,039,000</td>
<td>£5,109,000</td>
</tr>
<tr>
<td>Division D</td>
<td>36</td>
<td>£3,886,000</td>
<td>£4,201,000</td>
</tr>
<tr>
<td>Division E</td>
<td>4</td>
<td>£102,000</td>
<td>£10,000</td>
</tr>
</tbody>
</table>

[Graphs and data visualizations related to project portfolio investment statistics and divisional breakdowns]
Appendix 4: Programme and Project Information Template

Purpose
The purpose of the Programme and Project Information Template is to capture key information regarding current and proposed Changes within the organisation. Completion of this document forms part of the 'Understand' PIM Practice within the Portfolio Definition Cycle. Using a standard document for all Changes will enable the same information to be captured, which will provide a platform to carry out subsequent Portfolio Definition activities.

Fitness for purpose checklist
Is the information accurate?
Have Senior Management been consulted and have they agreed the information?

Suggested contents
The Programme and Project Information Template should contain the following.

1. ID (completed by the Portfolio Office).
2. SRO/Sponsor name.
3. Objectives.
4. Strategic Objective contribution.
5. Outcomes or Blueprint contribution.
6. Initial start/finish dates and current lifecycle stage.
7. Key quantitative benefits.
8. Key qualitative benefits.
9. Risk level (use of OGC Risk Profile Analysis (RPA)).
10. Budget estimates/resource commitments per year.
13. Key deliverable(s).
14. Key dependencies.
15. Business as Usual area impacted.
17. Initial priority suggestion.
18. Current status/progress so far.
19. Any other information you feel is useful.

Source information
Information can be sourced from consultations with Senior Management and their respective teams and from existing Programme or Project documentation.
# Appendix 5: Portfolio Delivery Strategy: the value

<table>
<thead>
<tr>
<th>Key questions</th>
<th>Key information within Portfolio Delivery Strategy</th>
<th>The value to decision makers</th>
</tr>
</thead>
<tbody>
<tr>
<td>What is our Portfolio?</td>
<td>Portfolio Executive Summary.</td>
<td>High-level, easy-to-read short overview contextualising the current position and key points from the main Portfolio Definition, highlighting how the Strategic Objectives will be realised.</td>
</tr>
<tr>
<td>What Changes are we going to make to the organisation and when? What are the most important Changes?</td>
<td>Portfolio Delivery Schedule.</td>
<td>Ideally, a graphical top-level view of the Portfolio that categorises and prioritises the Changes. Usually over a period of three to ten years. This enables Senior Management and all stakeholders to understand the scope, schedule, key dependencies and the priority of Changes within the Portfolio.</td>
</tr>
<tr>
<td>How will the Changes deliver the Strategic Objectives?</td>
<td>Categorised Changes, Portfolio Benefits and Performance Plan</td>
<td>Defines the planned realisation of benefits at the Portfolio level and the links to performance. Benefits will be grouped and aligned where possible to prove that the Strategic Objectives can be achieved.</td>
</tr>
<tr>
<td>Which Changes are not helping us to realise our Strategic Objectives?</td>
<td>Identification of existing or planned Changes that do not align with the strategic objectives.</td>
<td>Provides clarity to senior decision makers regarding the potential opportunity to stop Changes and redirect resources to more important Changes that will contribute to the Strategic Objectives.</td>
</tr>
<tr>
<td>Do we have enough resources to do this?</td>
<td>Resource and financial strategy.</td>
<td>High-level definition of resource requirements identifying any problem areas within the organisation regarding capacity, capability and funding.</td>
</tr>
<tr>
<td>How much risk do we take, where are the key areas of risk and what are we doing about them?</td>
<td>Risk assessment and management strategy.</td>
<td>Clear understanding of the overall risk exposure, the amount of risk that the Management Board will accept (risk appetite). Relevant owners assigned to individual risks and management actions agreed and defined.</td>
</tr>
<tr>
<td>Question</td>
<td>Description</td>
<td></td>
</tr>
<tr>
<td>------------------------------------------------------------------------</td>
<td>-----------------------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>How will the Changes impact on performance in the short, medium and long term?</td>
<td>Portfolio Performance Strategy. Clear links from Business as Usual enhancements/Benefits Management Strategies to the performance indicators and Strategic Objectives, enabling Senior Management to understand performance. In some cases performance may dip in the short term during the Changes and therefore Senior Managers must be aware of and prepared for this.</td>
<td></td>
</tr>
<tr>
<td>Who are the key stakeholders and how do we communicate to and engage with them?</td>
<td>Stakeholder Communications and Engagement. Clearly defined communication and engagement approach based on key stakeholders defining how the entire organisation will be communicated to and motivated regarding the Portfolio and its future delivery.</td>
<td></td>
</tr>
<tr>
<td>What is the organisation going to look and feel like once we have achieved our strategy?</td>
<td>Organisational Blueprint. A top-level definition of the future state of the organisation enabling people to understand what the new organisation will look like and the way it will work based on the strategic objectives and Portfolio of Changes. This is usually owned by the Organisational Design or Strategy Department (it has similarities with an MSP Programme Blueprint but from an organisation-wide perspective).</td>
<td></td>
</tr>
<tr>
<td>How is the Portfolio going to be managed as we move forward?</td>
<td>Portfolio Governance. Clearly defined management structure and Business Change Lifecycle that aligns existing Organisational Governance meetings and decision making to PfM and the delivery of Changes via Programmes and Projects.</td>
<td></td>
</tr>
<tr>
<td>What processes are going to be put in place?</td>
<td>Portfolio Office Vision Blueprint. The Portfolio Office Vision and Blueprint will enable stakeholders to understand at a high level and a process level exactly what to expect from the Portfolio Office.</td>
<td></td>
</tr>
</tbody>
</table>
Appendix 6: Senior Managers Portfolio
Management Briefing

Although business planning and Performance Management have been around for many years, PfM is relatively new. Not only can it be difficult to understand the key benefits, but it is also challenging to understand how PfM will make your world better.

This section of the PfM guidance provides an overview of the key benefits that you will notice as a Senior Manager when implementing PfM. Also listed are some of the Changes that can incorrectly be interpreted as dis-benefit to you.

Finally, several key questions have been listed. These are questions that you should be asking during the implementation of PfM, although if it is being implemented correctly you should not need to ask them.

Key benefits of PfM

You have a clear picture of Programmes and Projects. You will get to see and understand the overall landscape of Change in the organisation due to cross-functional and collaborative working within departments. You can expect to see a high-level picture that shows all the Programmes and Projects, the timeline, dependencies and how they link to the Strategic Objectives and key risks and issues. If you do not see this, make sure you ask for it!

You are involved in decision making. You will be fully involved in decisions regarding the start-up and ongoing delivery of Programmes and Projects, even if you are not involved with or directly impacted by each one.

You have confidence in delivery. Your involvement in the start-up decision-making process will increase your confidence and belief that the right Programmes and Projects are being implemented and that they will enable realisation of the Strategic Objectives and PSA Targets.

You understand which Programmes and Projects impact you. You will be given the opportunity to identify how other Programmes and Projects will impact on your departments' Business as Usual in terms of resources and process Changes.

You understand overall resources requirements. There will be more visibility of the resource requirements. This means you will be able to identify clearly whether you need additional resources to enable your Programmes and Projects to be delivered.

You know which Programmes and Projects are most important. You will be involved in discussions and decisions regarding Programme and Project prioritisation. This allows you to focus your resources from an organisational perspective. It is important that you bear in mind that Programme and Project prioritisation is a team-based activity that focuses on realising Strategic Objectives. ‘Pet’ and ‘rogue’ projects do not exist in PfM and you may need to be prepared for your Project or Programme to be categorised as less important than someone else’s.

You understand dependencies. You will be able to see where dependencies are within the Portfolio, which will help you plan better and understand the risks to your department and team.

Incorrectly perceived dis-benefits

People’s perception is their reality. Therefore, if you feel that the introduction of PfM is causing any of the following feelings, the chances are that it not being implemented properly or not being described accurately to you.
The following list gives a snapshot of the often perceived dis-benefits and provides reasons as to why they are actually important positive benefits to you.

‘This is just bureaucracy and hoops to jump through.’ Even though you may have started Projects in an ad hoc way before, you will now need to go through a process of creating a Business Case and getting it agreed by the Senior Management team.

**Actual benefit:** Business Case production is a given these days and should be seen as an opportunity for you to prove that the Change should be undertaken. Not only is this your chance to get the right resources but the Change will be prioritised accordingly – all of which increase the chances of success.

‘It takes much longer to start our Changes.’ Historically you may have just started a Programme or Project with no Plan, no Business Case and no Senior Management support. With the introduction of PfM comes a formal start-up process. Not only will this guide you through an effective planning process, but it will also ensure the creation of a Business Case which, if agreed, will be fully supported and prioritised in the context of all the other Changes. Always remember that investment in time at the start-up pays huge dividends during the implementation of the Change.

**Actual benefit:** Once this stage is complete, the implementation has a much greater chance of success because you will have the resources and Senior Management commitment and delivery will be planned.

‘I don’t have control over my own Programmes and Projects now.’ You may feel that because you have to go through a start-up process you have lost control of your own Programmes and Projects.

‘I have to report the status of my Changes to the Management Board – it’s like Big Brother.’ The Portfolio Office will at some point provide the Management Board with a regular status report of the Changes owned by you as a Senior Manager. This is usually monthly but it could be quarterly. Whatever the timescale, it may be that some of your Changes are flagged as ‘red’. This could be because they are slipping, there are serious risks or the Plan and Business Case need reviewing and updating.

**Actual benefit:** Reporting to the Management Board should be viewed as a benefit because you get to highlight the key issues and have them resolved at that level. This will help you obtain the resources you need and ensure that your Change is delivered effectively. Bear in mind that ‘red’ does not mean you are not a good manager; it is effectively the same as putting your hand up and saying ‘Okay guys, we need to look at this’. Also bear in mind that if a Change is ‘red’ it proves that it is being planned and tracked properly. Be wary of Programmes and Projects that continually have a ‘green’ status.
Key probing questions for Senior Management to ask

These are the key questions that should be asked if you sense things are not quite right with the implementation of PfM in your organisation.

1. What are all the Programmes and Projects we are delivering, what are their dependencies on one another and how do their benefits contribute to our Strategic Objectives?

2. Where is the start-up process and who decides which Programmes and Projects are authorised to start?

3. Where are the resourcing risks if we are going to deliver these Programmes and Projects?

4. How can we tell which Programmes and Projects are going to add most value to our Strategic Objectives?

5. Shouldn’t we be receiving some form of Management Dashboard that summarises the progress, key risks and issues for the overall Portfolio?

6. We cannot do all of this at once; how are we going to prioritise all of these Programmes and Projects?

7. How much are all of these Programmes and Projects going to cost us?

8. Do we have enough Programme and Project Management skills to deliver this Portfolio?
Appendix 7: Glossary

Aggregated risk
The overall level of risk to the Programme when all the risks are viewed as a totality rather than individually. This could include the outputs of particular scenarios or risk combinations.

Assurance
All the systematic actions necessary to provide confidence that the target (system, process, organisation, Programme, Project, outcome, benefit, capability, product output, deliverable) is appropriate. Appropriateness might be defined subjectively or objectively in different circumstances. The implication is that assurance will have a level of independence from that which is being assured.

Benefit
The measurable improvement resulting from an outcome perceived as an advantage by one or more stakeholders.

Business Change Lifecycle
A generic name used to represent any organisational process or framework which helps to guide the delivery of Programmes and Projects using a collection of repeatable processes and decision points.

Centre of Excellence (COE)
A co-ordinating function for all or part of P3RM (see below) ensuring that Change is delivered consistently and well, through standard processes and competent staff. It may provide standards, consistency of methods and processes, Knowledge Management, assurance and training. It may also provide strategic oversight, scrutiny and challenge across an organisation’s Portfolio of Programmes and Projects. It may be a function within the wider scope of a P3O or may be the only function of a P3O. This function provides a focal point for driving the implementation of improvements to increase the organisation’s capability and capacity in Programme and Project delivery.

Dashboard
See Management Dashboard

Design Authority
A role or function (permanent, temporary or virtual) that provides expert specialist advice or owns some organisational function, service, standard or strategy that will be affected, or a major Programme outcome or Change that needs to be controlled. This could be an IT or property infrastructure design, or a major service contract; it could also be a business process model or the Programme or Organisational Blueprint. The Design Authority provides expertise and guidance on a specific area to ensure that there is appropriate alignment and control when Changes are being planned and implemented. At a Programme level this role may advise or own the business Blueprint Management on behalf of the Programme Manager. At the enterprise level, this role may manage the enterprise architecture of the organisation.

Dis-benefit
An outcome perceived as negative by one or more stakeholders. Dis-benefits are actual consequences of an activity, whereas a risk has some uncertainty about whether it will materialise.

End Project Report
A report given by the Project Manager to the Project Board that confirms the handover of all products and provides an updated Business Case and an assessment of how well the Project has performed against its Project Initiation Document.
Enterprise Project (or P3RM) Management (EPM)
A term usually referred to by software vendors in relation to software (i.e. EPM tools) that assists an organisation to manage across multiple Projects and Programme delivery using a common resource pool through to strategic analysis of investment through Portfolio Management. This term does not reflect the actual offerings of the tools in that they generally can support at Portfolio, Programme and Project (P3RM) level.

Gated Review
Structured reviews of a Project, Programme or Portfolio as part of formal governance arrangements that are carried out at key decision points in the lifecycle to ensure that the decision to invest as per agreed Business Cases and Plans remains valid.

Governance (Business Change)
Encompasses the structures, accountabilities and policies, standards and process for decision making within an organisation in order for Business Change to answer the key strategic questions: ‘Are we doing the right things?’, ‘Are we doing them the right way?’, ‘Are we getting them done well?’, and ‘Are we getting the benefits?’

Health Check
A health check is a quality tool that provides a snapshot of the status of a Project, Programme or Portfolio. The purpose of a health check is to gain an objective assessment of how well the Project, Programme or Portfolio is performing relative to its objectives and any relevant processes or standards. A health check differs from a Gated Review in that it is a tool used for assurance purposes by the P3O to inform specific actions or capability maturity development plans, whereas a Gated Review is part of formal governance arrangements.

Hub and Spoke
A term to describe a system of organisational design for P3O where there is a centralised office (the hub) connected to a number of smaller decentralised offices (the spokes) with a sub-set of the centralised offices’ business objectives, functions and services. All information and processes (connections) are arranged so that they move along spokes to the hub at the centre. A Hub and Spoke model provides the benefit of scalability for large organisations and supports business ownership by maintaining a level of decentralisation.

Information Hub
Refers to the centralised element of the Hub and Spoke model for P3O in terms of information flows (see Hub and Spoke, above). Supports highlight and exception based reporting for Projects, Programmes and/or Portfolios by amalgamating information with the process and information owned by the central office as the Information Hub.

Information Technology Infrastructure Library (ITIL®)
A set of guides on the management and provision of operational IT services.

Management Board
Generic term used to describe Project Management Boards, Programme Management Boards, Portfolio Management Boards or any combination of these based on the P3O context.

Management Dashboard
A technique to represent vast amounts of decision support information at an amalgamated level using tabular and graphical representation such as graphs and traffic lights.
Managing Successful Programmes (MSP)
An OGC publication/method representing proven Programme Management good practice in successfully delivering transformational Change, drawn from the experiences of both public and private sector organisations.

Organisational Energy
Defined by the NHS Institute for Innovation and Improvement as 'the extent to which an organisation has mobilised the full available effort of its people in pursuit of its goals'.

Organisation Portfolio Office
A type of P3O Model which is designed to centrally manage the investment process, strategic alignment, prioritisation and selection, progress tracking and monitoring, optimisation and benefits achieved by an organisation’s Projects and Programmes on behalf of its Senior Management.

P3M3™
OGC’s Portfolio, Programme and Project Management Maturity Model.

P3O Sponsor
A Senior Manager with appropriate authority who champions the establishment and evolving operation of the P3O. They will ideally be a member of the main Board.

PESTLE Analysis
Acronym for ‘Political, Economic, Social, Technological, Legal and Environmental’. A technique used generally in organisational Change Management to undertake an environmental scan at a strategic level.

Pet Project
A Project that is championed by an executive in an organisation that may be aligned to an individual goal or goals for a specific part of the business, but not aligned to the strategic imperatives of the organisation as a whole.

Portfolio, Programme and Project Office (P3O®)
Describes the decision-enabling and support business model for all Business Change within an organisation. This will be a single or multiple structures – i.e. offices (permanent and/or temporary), whether physical or virtual – providing a mix of central and localised functions and services and integration with governance arrangements and the wider business, such as other organisational support functions.

Portfolio Definition Cycle
One of two continuous Cycles within the PfM Model containing PfM Practices related to defining a Portfolio.

Portfolio Delivery Cycle
One of two continuous Cycles within the PfM Model containing PfM Practices related to delivering a Portfolio.

Portfolio Management (PfM) Model
A logical diagram describing the relationship between the PfM Principles, PfM Cycles and PfM Practices.

P3RM
An acronym to describe Portfolio, Programme, Project and Risk Management together.
PRINCE2
A method that supports some selected aspects of Project Management. The acronym stands for Projects IN Controlled Environments.

Resource
An organisation’s physical or virtual entities (human or otherwise) that are of limited availability and can be used to undertake operations or Business Change.

Senior Responsible Owner (SRO)
The single individual with overall responsibility for ensuring that a Project or Programme meets its objectives and delivers the Projected benefits.

SWOT Analysis
Acronym for ‘Strengths, Weaknesses, Opportunities and Threats’. A technique to determine favourable and unfavourable factors in relation to Business Change or current state.
Page left blank intentionally
This is a Crown copyright value added product, reuse of which requires a Click-use licence for value added material issued by OPSI

OGC 1 Horse Guards Road, London SW1A 2HQ
Service Desk: 0845 000 4999 ServiceDesk@ogc.gsi.gov.uk
www.ogc.gov.uk

About OGC
The Office of Government Commerce is an independent office of HM Treasury.

The OGC logo is a trade mark of the Office of Government Commerce in the United Kingdom.

PRINCE® is a Registered Trade Mark of the Office of Government Commerce in the United Kingdom and other countries.

PRINCE2® is a Registered Trade Mark of the Office of Government Commerce in the United Kingdom and other countries.

MSP™ is a Trade Mark of the Office of Government Commerce.

P3O® is a Registered Trade Mark of the Office of Government Commerce.

P3M3™ is a Trade Mark of the Office of Government Commerce.

ITIL® is a Registered Trade Mark of the Office of Government Commerce in the United Kingdom and other countries

OGC Service Desk
OGC customers can contact the central OGC Service Desk about all aspects of OGC business.

The Service Desk will also channel queries to the appropriate second-line support. We look forward to hearing from you.

You can contact the Service Desk 8am – 6pm Monday to Friday:
T: 0845 000 4999
E: ServiceDesk@ogc.gsi.gov.uk
www.ogc.gov.uk

Press enquiries
T: 020 7271 1318
F: 020 7271 1345

© Crown copyright 2008
This is a Crown copyright value added product, reuse of which requires a Click-use licence for value added material issued by OPSI.