Mini-guide to Portfolio Management

Portfolio management involves selecting, prioritising, approving, and overseeing investments for an organisation. It implements the overall strategy through projects, optimising return on investment. This brief paper looks at a tried-and-tested framework identifying the portfolio from the many candidate investment oportunities.

Portfolio management consists of four broad activities

The framework shown is simple but its execution can be extremely complex, with strategic, political, timing, commercial and capability challenges to be identified and dealt with.

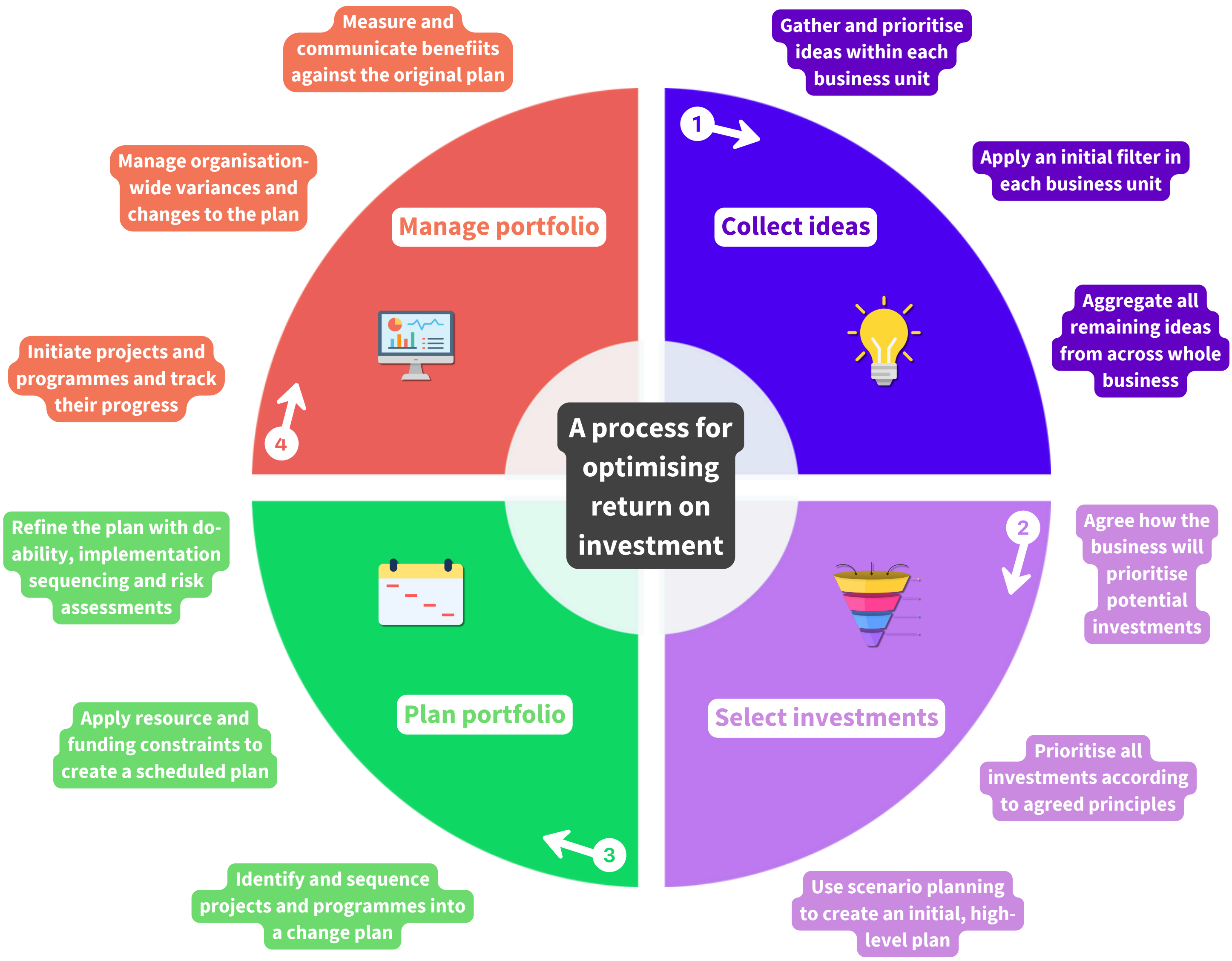
Whilst there are four phases shown in this framework, it is really a continuum, often performed on an annual basis with quarterly reviews aimed at maintaining ongoing strategic alignment.

People within the business, who understand the business and the demands upon it, identify ideas for initiatives that have a business case and some degree of strategic alignment.

These ideas for initiatives flow into the portfolio management process, being prioritised and adjusted as they do so. Some will certainly fall by the wayside, but the most valuable will become the portfolio of change initiatives that best deliver the strategy.

This last point is important in that there must be an agreed prioritisation schema, a schema that evolves year by year as the strategy of the organisation evolves.

The '*Portfolio Board*' or '*Change Board*' is the body that agrees this schema and becomes an important oversight body going forward.



The importance of the PMO

There needs to be a group of people who manage the Portfolio Management process. They may be part of a central Transformation Function, or they could be assignees from the different areas involved. This Portfolio Management Office needs to ensure the process runs well, and becomes crucial as an objective and informed reporting function to the Change Board.