

---

**The Standard for  
PORTFOLIO MANAGEMENT**

**Fourth Edition**

# TABLE OF CONTENTS

- 1. INTRODUCTION..... 1
  - 1.1 Purpose of *The Standard for Portfolio Management*..... 1
  - 1.2 Audience for *The Standard for Portfolio Management* ..... 2
  - 1.3 What Is a Portfolio? ..... 3
  - 1.4 Relationships Among Portfolios, Programs, Projects, and Operations..... 4
  - 1.5 What Is Portfolio Management?..... 5
  - 1.6 Relationships Among Portfolio Management, Program Management, and Project Management ..... 5
  - 1.7 Principles of Portfolio Management ..... 6
  - 1.8 Relationships Among Portfolio Management, Organizational Strategy, Strategic Business Execution, and Organizational Project Management..... 7
    - 1.8.1 Portfolio Management and Organizational Strategy..... 8
    - 1.8.2 Strategic Business Execution and Organizational Project Management..... 9
  - 1.9 Portfolio Components and Their Interrelationships ..... 11
    - 1.9.1 Program Management ..... 11
    - 1.9.2 Project Management..... 12
    - 1.9.3 Operations Management..... 13
  - 1.10 Role of the Portfolio Manager ..... 13
  - 1.11 Other Roles in Portfolio Management..... 16
    - 1.11.1 Sponsors..... 16
    - 1.11.2 Portfolio Governance Body ..... 17
    - 1.11.3 Portfolio, Program, and/or Project Management Office..... 17
    - 1.11.4 Program Managers..... 18
    - 1.11.5 Project Managers ..... 19

<b>2. THE PORTFOLIO LIFE CYCLE.....</b>	<b>21</b>
<b>2.1 Overview .....</b>	<b>21</b>
<b>2.2 Guiding Principles .....</b>	<b>21</b>
<b>2.3 Ongoing Life Cycle.....</b>	<b>22</b>
<b>2.3.1 Initiation .....</b>	<b>24</b>
<b>2.3.2 Planning.....</b>	<b>24</b>
<b>2.3.3 Execution .....</b>	<b>25</b>
<b>2.3.4 Optimization .....</b>	<b>25</b>
<b>2.3.5 Monitor and Control .....</b>	<b>26</b>
<b>2.4 Portfolio Management Information System (PMIS).....</b>	<b>26</b>
<b>2.5 Governance Within the Portfolio Life Cycle .....</b>	<b>27</b>
<b>3. PORTFOLIO STRATEGIC MANAGEMENT .....</b>	<b>29</b>
<b>3.1 Overview .....</b>	<b>29</b>
<b>3.2 Guiding Principles .....</b>	<b>30</b>
<b>3.3 Portfolio Strategic Objectives .....</b>	<b>30</b>
<b>3.4 Developing Portfolio Strategic Objectives .....</b>	<b>31</b>
<b>3.4.1 Vision and Mission Statements .....</b>	<b>31</b>
<b>3.4.2 Strategic Goals .....</b>	<b>32</b>
<b>3.4.3 Strategic Objectives .....</b>	<b>33</b>
<b>3.4.4 Strategic Initiatives.....</b>	<b>33</b>
<b>3.5 Strategic Risk Appetite .....</b>	<b>34</b>
<b>3.6 Portfolio Charter .....</b>	<b>35</b>
<b>3.7 Portfolio Roadmap.....</b>	<b>35</b>
<b>3.8 Key Portfolio Components.....</b>	<b>36</b>
<b>3.8.1 Evaluating Portfolio Key Components .....</b>	<b>37</b>
<b>3.8.2 Selecting Portfolio Key Components .....</b>	<b>37</b>
<b>3.9 Portfolio Optimization.....</b>	<b>39</b>
<b>3.10 Managing Strategic Alignment .....</b>	<b>40</b>
<b>3.10.1 Considerations When Managing Strategic Impact .....</b>	<b>41</b>
<b>3.10.2 The Impact of Strategic Change .....</b>	<b>41</b>

<b>4. PORTFOLIO GOVERNANCE</b> .....	<b>43</b>
<b>4.1 Overview</b> .....	<b>43</b>
<b>4.2 What Is Portfolio Governance?</b> .....	<b>43</b>
<b>4.3 Guiding Principles</b> .....	<b>44</b>
<b>4.4 The Concept of Governance</b> .....	<b>44</b>
<b>4.4.1 Portfolio Governance Impact on Programs and Projects</b> .....	<b>44</b>
<b>4.4.2 Portfolio Governance and Other Domains in             Portfolio Management</b> .....	<b>45</b>
<b>4.5 Effective Portfolio Governance Design Factors</b> .....	<b>46</b>
<b>4.6 Portfolio Governance Roles</b> .....	<b>47</b>
<b>4.6.1 Portfolio Sponsor</b> .....	<b>47</b>
<b>4.6.2 Portfolio Governance Board</b> .....	<b>48</b>
<b>4.6.3 Portfolio Audit Organization</b> .....	<b>49</b>
<b>4.6.4 Other Roles</b> .....	<b>50</b>
<b>5. PORTFOLIO CAPACITY AND CAPABILITY MANAGEMENT</b> .....	<b>51</b>
<b>5.1 Overview</b> .....	<b>51</b>
<b>5.2 Guiding Principles</b> .....	<b>52</b>
<b>5.3 Capacity Management</b> .....	<b>52</b>
<b>5.4 Capacity Planning</b> .....	<b>54</b>
<b>5.5 Supply and Demand Management</b> .....	<b>55</b>
<b>5.5.1 Supply and Demand Analysis</b> .....	<b>55</b>
<b>5.5.2 Supply and Demand Allocations</b> .....	<b>55</b>
<b>5.6 Supply and Demand Optimization</b> .....	<b>57</b>
<b>5.7 Organizational Capabilities</b> .....	<b>58</b>
<b>5.8 Capability Assessment</b> .....	<b>59</b>
<b>5.9 Capability Development</b> .....	<b>59</b>
<b>5.9.1 Developing New Capabilities</b> .....	<b>59</b>
<b>5.9.2 Sustaining Existing Capabilities</b> .....	<b>61</b>
<b>5.10 Performance Reporting and Analytics</b> .....	<b>61</b>
<b>5.11 Balance Capacity and Capability</b> .....	<b>61</b>

<b>6. PORTFOLIO STAKEHOLDER ENGAGEMENT .....</b>	<b>63</b>
<b>6.1 Overview .....</b>	<b>64</b>
<b>6.2 Guiding Principles .....</b>	<b>66</b>
<b>6.3 Definition and Identification of Portfolio Stakeholders.....</b>	<b>67</b>
<b>6.3.1 Categorization of Stakeholders .....</b>	<b>68</b>
<b>6.3.2 Identifying Stakeholders.....</b>	<b>69</b>
<b>6.4 Analysis of Portfolio Stakeholders.....</b>	<b>69</b>
<b>6.5 Stakeholder Engagement Planning .....</b>	<b>70</b>
<b>6.6 Identifying Communications Management Approaches.....</b>	<b>70</b>
<b>6.6.1 Alignment with Governance .....</b>	<b>70</b>
<b>6.6.2 Communication Infrastructure .....</b>	<b>70</b>
<b>6.6.3 Portfolio Management Plan .....</b>	<b>71</b>
<b>6.6.4 Portfolio Reports .....</b>	<b>71</b>
<b>6.6.5 Portfolio Process Assets .....</b>	<b>71</b>
<b>6.6.6 Communication Governance and Interface to Components.....</b>	<b>72</b>
<b>6.7 Manage Portfolio Communications.....</b>	<b>73</b>
<b>7. PORTFOLIO VALUE MANAGEMENT .....</b>	<b>75</b>
<b>7.1 Overview .....</b>	<b>75</b>
<b>7.2 Guiding Principles .....</b>	<b>75</b>
<b>7.3 What Is Value Management? .....</b>	<b>76</b>
<b>7.4 Components of Value Management.....</b>	<b>77</b>
<b>7.5 Negotiating Expected Value .....</b>	<b>78</b>
<b>7.6 Maximizing Value .....</b>	<b>79</b>
<b>7.7 Assuring Value.....</b>	<b>80</b>
<b>7.8 Realizing Value .....</b>	<b>82</b>
<b>7.9 Measuring Value .....</b>	<b>84</b>
<b>7.10 Reporting Value .....</b>	<b>84</b>

<b>8. PORTFOLIO RISK MANAGEMENT .....</b>	<b>85</b>
<b>8.1 Overview .....</b>	<b>85</b>
<b>8.2 Guiding Principles .....</b>	<b>86</b>
<b>8.2.1 Managing Portfolio Risk.....</b>	<b>86</b>
<b>8.2.2 Balancing Risk .....</b>	<b>88</b>
<b>8.3 Portfolio Risk Management.....</b>	<b>89</b>
<b>8.4 Key Planning Elements.....</b>	<b>89</b>
<b>8.4.1 Portfolio Risk Management Framework.....</b>	<b>89</b>
<b>8.4.2 Risk Perception .....</b>	<b>91</b>
<b>8.5 Portfolio Risk Management Framework and Portfolio Risk Management Plan.....</b>	<b>93</b>
<b>8.5.1 Portfolio Risk Management Framework.....</b>	<b>93</b>
<b>8.5.2 Portfolio Risk Management Plan .....</b>	<b>95</b>
 <b>REFERENCES .....</b>	 <b>97</b>
 <b>APPENDIX X1</b>	
<b>FOURTH EDITION CHANGES .....</b>	<b>99</b>
<b>X1.1 Structural Changes .....</b>	<b>100</b>
<b>X1.2 Writing Styles .....</b>	<b>100</b>
<b>X1.3 Section 1—Introduction Changes .....</b>	<b>101</b>
<b>X1.4 Section 2—The Portfolio Life Cycle.....</b>	<b>102</b>
<b>X1.5 Section 3—Portfolio Strategic Management .....</b>	<b>102</b>
<b>X1.6 Section 4—Portfolio Governance .....</b>	<b>102</b>
<b>X1.7 Section 5—Portfolio Capacity and Capability Management .....</b>	<b>103</b>
<b>X1.8 Section 6—Portfolio Stakeholder Management .....</b>	<b>103</b>
<b>X1.9 Section 7—Portfolio Value Management .....</b>	<b>104</b>
<b>X1.10 Section 8—Portfolio Risk Management.....</b>	<b>104</b>

<b>APPENDIX X2</b>	
<b>CONTRIBUTORS AND REVIEWERS OF</b>	
<b><i>THE STANDARD FOR PORTFOLIO MANAGEMENT</i></b> .....	<b>105</b>
<b>X2.1 <i>The Standard for Portfolio Management—Fourth Edition</i></b>	
<b>Core Committee</b> .....	<b>105</b>
<b>X2.2 Subcommittee Members</b> .....	<b>106</b>
<b>X2.3 Reviewers</b> .....	<b>106</b>
<b>X2.3.1 SME Review</b> .....	<b>106</b>
<b>X2.3.2 Consensus Body Review</b> .....	<b>107</b>
<b>X2.3.3 Exposure Draft Review</b> .....	<b>108</b>
<b>X2.4 PMI Standards Program Member Advisory Group (MAG)</b> .....	<b>109</b>
<b>X2.5 Harmonization Team</b> .....	<b>110</b>
<b>X2.6 Production Staff</b> .....	<b>110</b>
<b>APPENDIX X3</b>	
<b>CONSIDERING THE PORTFOLIO</b>	
<b>AS A COMPLEX SYSTEM</b> .....	<b>111</b>
<b>X3.1 A Holistic Approach to Portfolios and Their Management</b> .....	<b>111</b>
<b>GLOSSARY</b> .....	<b>115</b>
<b>INDEX</b> .....	<b>121</b>