



Portfolio Management Methodology

Highlights

- ▶ What is PM²-PfM?
- ▶ The PM²-PfM Process Model
- ▶ Monitor & Control
- ▶ Governance
- ▶ Key Artefacts
- ▶ PM²-PfM Mindsets & IAQs
- ▶ Quick Start Tips

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2025 Edition

What is PM²-PfM?

PM²-PfM presents a practical and effective approach to portfolio management as part of the PM² Methodologies Suite. The PM²-PfM Methodology builds on globally recognised best practices, the operational experience of EU Institutions such as the European Commission, its Agencies and Bodies, and the European Parliament, as well as contributions from portfolio and programme management experts and practitioners.

It aims to provide portfolio management guidelines that are lean, user-centric, and accessible to a wide and diverse audience. The methodology proposes a management model compatible with the ways in which portfolios can be governed in any organisation, including Matrix and Functional organisations.

By applying Portfolio Management, an organisation is in a better position to optimise its investments by composing and realising portfolios that will contribute the most to the implementation of its Strategy, given its resource capacity, capability and budgetary or other constraints.

The resulting set of portfolios within an organisation provides an aggregated and holistic view of all of its initiatives, both planned and ongoing, facilitating the effective achievement of its goals.

What is a Portfolio

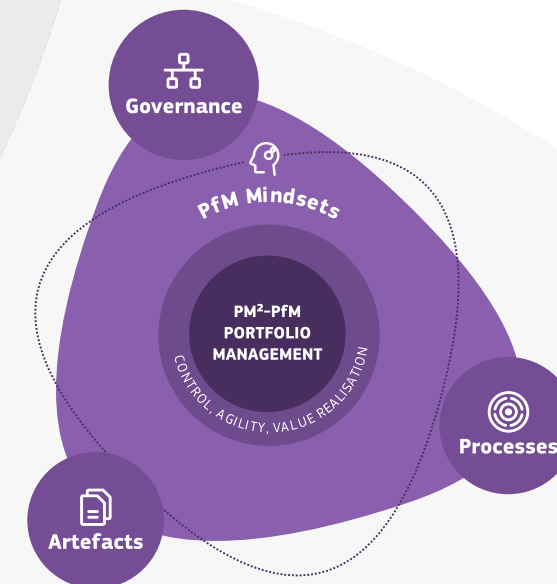
PM²-PfM portfolios are constructs that group together programme and project investments, referred to as portfolio components. They capture effort and financial investments with a view of creating value for an organisation.

A PM²-PfM portfolio is a collection of components which, though not necessarily interrelated or interdependent, contribute together to the achieving of a specific set of strategic value-creation objectives, which form the basis of the portfolio's objectives.

All portfolio components are managed individually and independently through appropriate programme and project management practices and processes. However, an additional layer of portfolio management provides better strategic, financial and value creation focus for the portfolio as a whole.



The PM²-PfM Methodology helps organisations and teams implement portfolios management by offering a concise and complete management methodology. Tailoring a portfolio management methodology ensures alignment with internal procedures and policies and enhances efficacy and flexibility. This enables the effective management of Portfolios from start to finish.



PM²-PfM is supported by three pillars:

- I a **governance** model presenting portfolio management roles & responsibilities.
- II a set of **processes** which group together relevant management activities that take place throughout the life of the portfolio.
- III a set of recommended management **Artefacts** (i.e. documentation templates).

The spirit of PM²-PfM Methodology is further defined by the Portfolio **Mindsets**, which provide a common set of beliefs and values for organisations and teams implementing PM²-PfM.

The PM²-PfM Methodology provides answers to the following fundamental questions:

What are the management activities that need to be performed to manage a portfolio? What are the desired outcomes of each process, activity or artefact produced?

How will each activity and artefact be implemented? What are the skills required? What are the templates, the tools, techniques or technologies that can be used?

When do the management activities need to be executed or management artefacts produced? How often?

Who is responsible for each management activity or artefact? What is the distribution of responsibilities among the various PM²-PfM Roles?

Why do we need a methodology? Why should we be executing a specific management activity? Why should we be producing the recommended artefacts? Why is an activity or artefact needed, or needs to be executed with a given frequency?

Portfolios

Programmes

interdependent components towards common outcomes

Projects

interdependent activities towards common outputs

Portfolios vs Projects vs Programmes

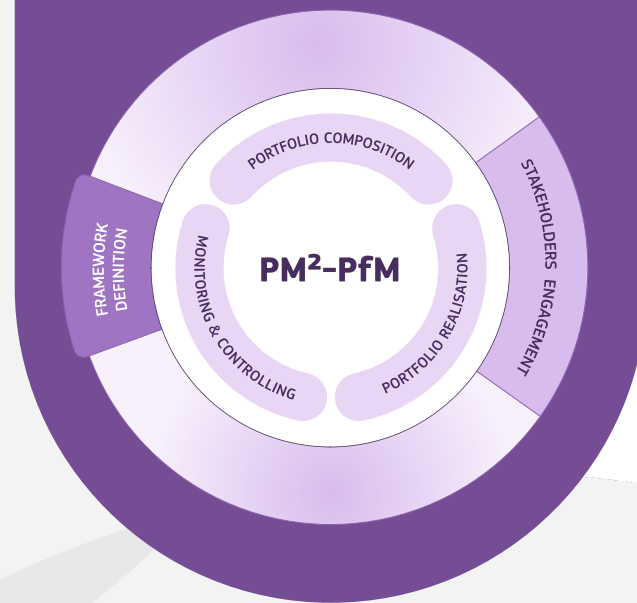
From a strategic and governance point of view, portfolios are higher-level constructs than programmes, projects; they sit closer to an organisation's strategic layer. In addition, portfolio management focuses more on achieving organisational effectiveness (i.e. selecting the right investments), while the management of components focuses more on efficiency (i.e. delivering the component's results efficiently).

The PM²-PfM Process Model

The PM²-PfM process model provides a structured approach for implementing portfolio management within organisations. It brings together the essential processes and connects them to governance elements and practices required to align investments with strategic objectives and to deliver sustainable organisational value.

The model is composed of five interrelated processes that together enable effective portfolio governance and performance management. Together, these processes form a continuous and adaptive management cycle that keeps the portfolio strategically focused and operationally efficient.

The PM²-PfM Portfolio Methodology can be applied at any organisational level, from corporate to departmental portfolios, and complements both project and programme management practices within the broader PM² Methodologies Suite.



The Five Processes

Portfolio Framework Definition

This process defines the portfolio's objectives, characteristics, and management approach, including governance bodies, roles & responsibilities, required competences, processes, and artefacts. It provides the common framework for all portfolio processes, established when portfolio management is introduced and tailored for specific portfolios. The framework is reviewed regularly and adjusted when changes or issues in performance call for improvement.

Portfolio Composition

This process identifies, evaluates, and prioritises portfolio component candidates so that informed investment and resource allocation decisions can be made. It usually follows the organisation's budgeting and planning cycles, but can also be triggered as required. Candidates are assessed on their contribution to portfolio objectives and its composition, using information provided by the component layer.

Portfolio Realisation

This process ensures the portfolio achieves its objectives by maintaining alignment with organisational strategy, managing portfolio value, and addressing change, risks, and issues. While individual components enter and leave over time, Portfolio Realisation activities continue throughout the entire life of the portfolio. They only stop once the portfolio is formally closed.

Portfolio Monitoring & Controlling

This process runs in parallel with all other processes and covers the regular collection of information to determine the portfolio's performance. It compares actual performance with targets, identifies deviations, and proposes corrective actions, thus facilitating informed decision-making for the portfolio.

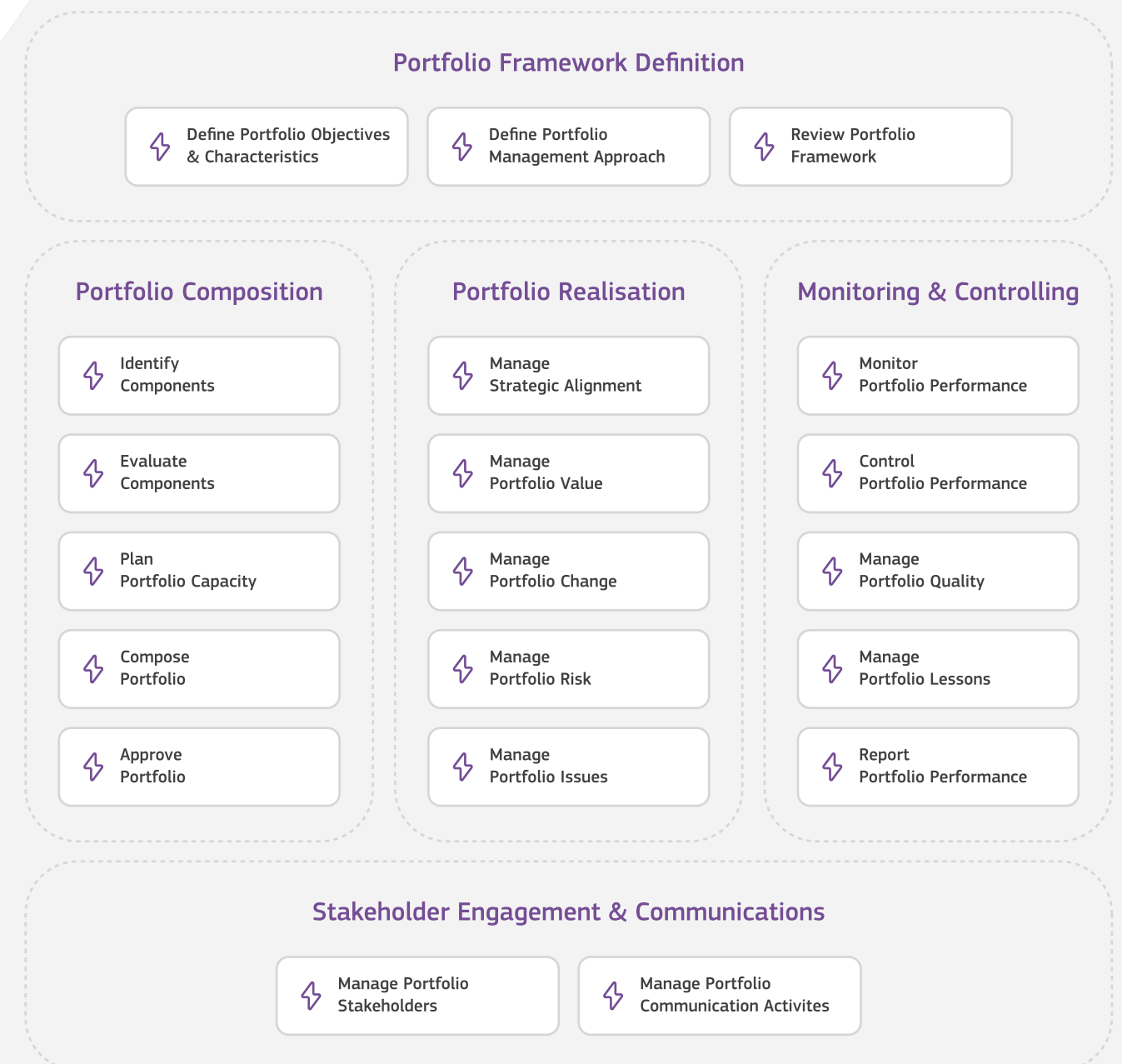
Stakeholder Engagement & Communication

This process manages the ongoing engagement and communication with stakeholders across the portfolio lifecycle. It analyses stakeholder interests and influence, and facilitates interactions to understand how portfolio decisions affect them and how they, in turn, affect portfolio outcomes. It supports their effective involvement in portfolio composition and realisation, running in parallel with all other portfolio processes.

The PM²-PfM Management Activities

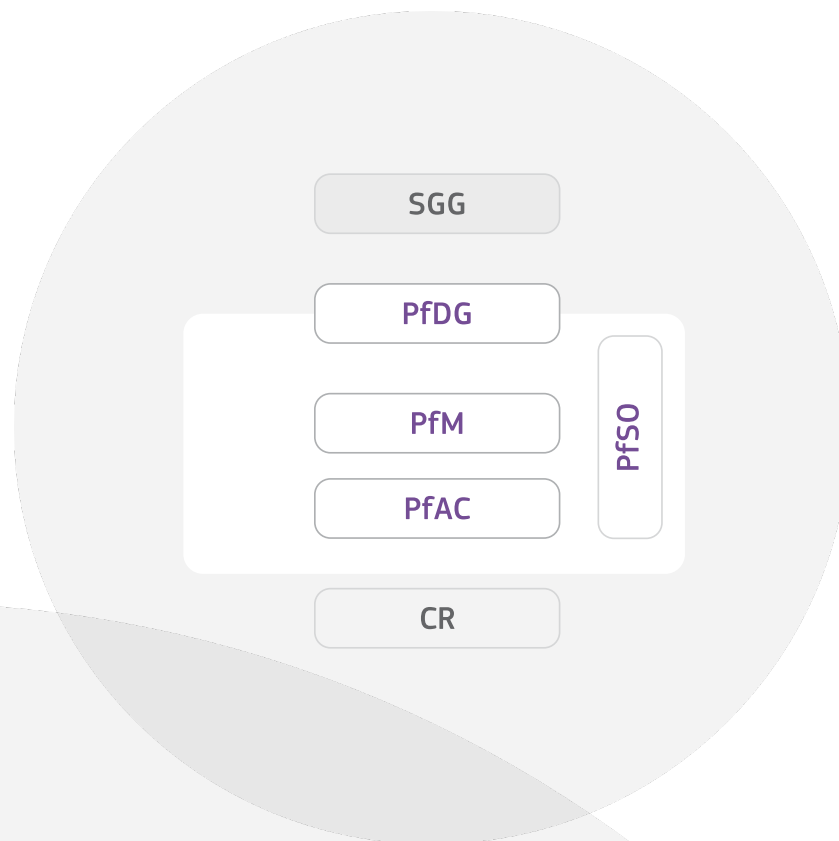
The PM²-PfM Portfolio Management Model defines twenty portfolio management activities organised within five processes. These activities represent the essential management practices required to define, compose, realise, monitor, and communicate portfolio performance.

Each activity contributes to ensuring that portfolios remain strategically aligned, and effectively governed and improved throughout their lifecycle. Together, they provide a structure that supports effective decision-making and value creation across the organisation.



Governance

Governance is the framework within which decisions for the management of Portfolios are made. It defines all management roles and their associated responsibilities. The Roles are essentially defined by the management responsibilities assigned to them, whereas responsibilities describe what each role needs to be concerned with, their domain of (management) work and level of authority.



Strategic Layer



Strategic Governance Group

Hipster ipsum tattooed brunch I'm baby. Hella bottle tile shaman bespoke blog bird readymade selfies shorts. Squid chambray pabst raclette blog vegan swag tousled hexagon sriracha.

Directing Layer



Portfolio Directing Group

As the ultimate decision-making body for a portfolio, it approves the portfolio management framework (i.e. the portfolio objectives, budget, and the management approach) and authorises its initiation. It can also authorise the closure of the portfolio (i.e., on completion or termination).

Portfolio Layer

Managing Layer



Portfolio Manager

Responsible for portfolio management activities focusing on achieving the portfolio and portfolio management goals. Can also participate in the Appropriate Governance Body (AGB) role of the portfolio components.

Advisory Layer



Portfolio Advisory Committee

The Portfolio Advisory Committee (PfAC) advises the Portfolio Manager (PfM) on portfolio issues relating to the composition and realisation of the portfolio. It comprises representatives of the components layer, technical and business domain experts, and others.

Components Layer



Component Representative

Represents a portfolio component (programme, project, or other work component).



Portfolio Support Office

Provides administrative, communication and process support to the Portfolio Manager (PfM). Also maintains the portfolio artefacts, produces the portfolio reports, and interfaces with the programme or project support offices.

Key Artefacts

Strategic Management



Strategic Plans

The Plans that document that define the organisation's strategic objectives and priorities over a given planning horizon. They guide portfolio direction by identifying desired outcomes, target benefits, and areas of investment focus.



Management Reports

Periodic summaries providing senior management with performance information on strategic implementation and portfolio outcomes. They support oversight, accountability, and evidence-based decision-making.

Portfolio Management



Portfolio Handbook

The Portfolio Handbook is the main reference for managing the portfolio, defining its objectives, characteristics, and management approach. It links the portfolio's purpose to organisational strategy, describes eligible component types and attributes, and outlines governance, processes, artefacts, and tools.

It is maintained and updated throughout the portfolio's life to reflect changes and improvements.



Composition & Analysis Report

The Portfolio Composition & Analysis Report presents the current composition, status, and performance of the portfolio, including progress toward objectives, key risks, issues, and proposed improvements. It is defined during the Portfolio Framework Definition process and tailored to meet evolving reporting needs or organisational priorities. It serves as a decision-support document, it informs stakeholders and enables managers to assess portfolio performance, identify deviations, and decide on corrective actions to optimise the portfolio.



Portfolio Repository

The Portfolio Repository is the central database where all portfolio information is stored and maintained. It contains both management artefacts and data collected from portfolio components, such as status reports, performance metrics, and risk or issue information. Acting as the single source of truth, the repository enables consistent reporting, analysis, ensuring that up-to-date and reliable information is available to support portfolio decision-making



Portfolio Logs

Portfolio Logs capture and manage portfolio-level stakeholders, risks, issues, decisions, changes, and lessons learned. They may include escalated items from components but mainly track portfolio-specific matters. The logs feed portfolio dashboards and reports, supporting performance monitoring. The Portfolio Handbook defines their use and access rules, and PfM² provides standard templates for implementation.

Components Management



Component Descriptions

Brief records that define the scope, purpose, and key attributes of each portfolio component, such as objectives, duration, cost, and expected benefits, serving as a baseline for evaluation and monitoring.



Component Status Reports

Regular updates providing current information on a component's progress, performance, risks, and issues. They feed portfolio-level analysis and enable timely corrective or optimisation actions.

PM²-PfM Mindsets



While plans and processes aid in the administrative side of portfolio management, the right mindsets guide us through the complex reality of organisational and portfolio management. Portfolio mindsets are crucial for any portfolio approach, as they help us cultivate attitudes and behaviours that contribute to success. They serve as a unifying force for management processes and practices across an organisation's portfolios.

Organisations and portfolio teams that practice portfolio management should:



IAQs



Infrequently Asked Questions (IAQs) complement the PM²-PfM Mindsets with simple but potent reflection points. While the mindsets describe how portfolio professionals and teams should think and behave, the IAQs invite teams to explore how the Mindsets apply in day-to-day practice. By regularly revisiting these questions, teams can surface hidden assumptions, expose gaps in governance, resourcing or engagement, and refocus attention to what matters most for portfolio success.

To cultivate the right mindsets, portfolio teams should reflect on the following **Infrequently Asked Questions (IAQs)**:

Do we know what we are doing?

Tip: Develop a clear portfolio vision and define portfolio objectives that clearly connect to organisational strategy. Establish success criteria by defining upfront the benefits we expect the portfolio to bring to the organisation.

Do we know how we are doing it?

Tip: Establish a portfolio management approach that acts as a performance enabler rather than another layer of control and bureaucracy. Implement portfolio management at all levels as a fractal organisation and ensure that the management methods used at the portfolio components level are standardised and aligned with the portfolio methods

Do we know how much we can do?

Tip: Be realistic about portfolio investment requirements and consider capacity and capability constraints. Allocate adequate resources, capabilities, and skills to effectively manage the portfolio.

Does anyone care?

Tip: Establish and maintain strong senior management sponsorship and organisation-wide buy-in. Make sure your portfolio's performance matters, and that your portfolio reporting serves a range of informational needs.

Are the right people involved?

Tip: The primary criterion for assigning portfolio management roles should be to serve the needs and objectives of the portfolio, not other criteria such as organisational politics, the career needs of the functional hierarchy, etc.

Do we know who is doing what?

Tip: Clearly define portfolio governance and understand portfolio roles, responsibilities, and accountabilities. Know what you should be doing and make sure others know what they should be doing, too.

Deliver at any cost or risk?

Tip: Show respect for people's efforts and organisational funds. Always remember that it is not just about the end-result; how you get there matters, too. Pursue the interests of the portfolio and the organisation by embracing positive values and principles.

Is this important?

Tip: Everything is NOT equally important. Identify your portfolio's Critical Success Factors (CSFs) and allocate your attention and effort accordingly

Is this a task for them or for us?

Tip: Understand and respect the difference between functional roles and authority on the one hand, and portfolio management roles, responsibility and goals on the other. Make the performance of portfolio components visible but focus on overall portfolio performance.

Should I be involved?

Tip: Contribute from any position. Be proud of the skills, value and positive attitude you bring to the portfolio. Help everyone who needs to be involved to get involved. Foster clear, effective and frequent communication and facilitate the engagement of all portfolio stakeholders.

Have we improved?

Tip: Commit to ongoing professional and organisational improvement by sharing knowledge and lessons learned. Follow portfolio procedures but challenge wasteful practices and update the portfolio management framework when/if needed. Become more effective by adjusting methods and behaviours accordingly.

Quick Start Tips

The goal of these Quick Start Tips is to help you get started with using PM²-PfM for your portfolio management. While further learning about PM²-PfM is beneficial, you don't need to develop in-depth expertise before you begin setting-up and managing your first portfolio. The 9 tips below will jump-start you and your organisation in embarking on portfolio management with the PM²-PfM Methodology:

1

Discover the available PM²-PfM resources:

- Review the PM²-PfM Guide.
- Consult the PM² resources available online.
- Follow an PM²-PfM training course.
- Share these resources within your organisation, teams, and stakeholders.

2

Develop a higher degree of portfolio orientation:

- Understand the benefits of grouping work as portfolios.
- Understand the distinct focus of portfolios (compared with programmes and projects).
- Take the PM²-PfM Mindsets on board.
- Get your organisation, teams, and stakeholders on board.

3

Organise a kick-off meeting:

- Formally kick off the process of using PM²-PfM for a new (or existing) portfolio.
- Ensure the right people are involved.
- Ensure that the basics of PM²-PfM and Portfolio Management are clear to all involved.

4

Clearly define the Portfolio's Governance:

- Discuss the portfolio Governance and assign the Portfolio Management Roles.
- Review the Portfolio Management Responsibilities and achieve clarity.
- Clearly distinguish the Portfolio Roles and Responsibilities from the Programme and Project Roles and Responsibilities, while also relating the two groups to each other.

5

Document the Portfolio's objectives, management approach, and documentation needs:

- Tailor PM²-PfM to your specific organisational needs.
- Capture the portfolio's objectives.
- Define the portfolio management framework.
- Define what documentation is required (i.e. portfolio artefacts and reports).

6

Produce the Key Portfolio Artefacts:

- Set up the Portfolio Logs (Change, Issues, Risk, Decisions, Stakeholders and Lessons Logs).
- Define the structure of the Portfolio Composition & Analysis Report.
- Create the Portfolio Handbook and document the objective, approach, and tailoring decisions in the appropriate sections.

7

Plan the Portfolio's Monitor & Control activities.

- Understand the portfolio's monitoring and controlling needs.
- Align portfolio monitoring and controlling activities with programme and project reporting cycles.
- Put in place the information-gathering infrastructure required for portfolio reporting.

8

Select appropriate PfMIS tools.

- Automate critical portfolio management processes.
- Use a central document and knowledge-management repository.
- Connect with corporate systems and component management tools.

9

Develop a plan on how to keep the Portfolio Stakeholders engaged and informed.

- Identify the key Portfolio Stakeholders.
- Prepare a communications and stakeholders engagement plan.
- Involve Stakeholders and keep them informed from the beginning.



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