



Portfolio  
Management  
Methodology

# Overview

EN

2025 Edition

## European Commission

DIGIT.A2, Methodologies Office

# PM<sup>2</sup> Portfolio Management Overview



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## Table of contents

<b>1</b>	<b>Introduction.....</b>	<b>1</b>
1.1	About this Publication.....	1
1.2	The Methodologies Office.....	2
1.3	The Open PM <sup>2</sup> Initiative.....	2
1.4	The PM <sup>2</sup> Suite of Publications.....	3
<b>2</b>	<b>Overview of PM<sup>2</sup>-PfM.....</b>	<b>4</b>
2.1	PM <sup>2</sup> -PfM Processes.....	5
2.2	PM <sup>2</sup> -PfM Portfolio Governance.....	7
2.3	PM <sup>2</sup> -PfM Artefacts.....	8
2.4	PM <sup>2</sup> -PfM Mindsets.....	10
2.5	Tailoring PM <sup>2</sup> -PfM.....	11
2.6	PM <sup>2</sup> -PfM Quick Start Tips.....	12
<b>3</b>	<b>Portfolio Management Processes.....</b>	<b>14</b>
3.1	Portfolio Framework Definition.....	14
3.2	Portfolio Composition.....	16
3.3	Portfolio Realisation.....	18
3.4	Portfolio Monitoring & Controlling .....	20
3.5	Stakeholder Engagement & Communication.....	23
<b>4</b>	<b>Portfolio Artefacts.....</b>	<b>25</b>
<b>5</b>	<b>Portfolio Governance – Description of Roles &amp; Responsibilities.....</b>	<b>27</b>
<b>6</b>	<b>Appendices.....</b>	<b>29</b>
6.1	Appendix A - Acknowledgements & Contributions.....	29
6.2	Appendix B - The D-ARSCI Model of Responsibility Assignment.....	30
6.3	Appendix C - Glossary of Key Terms.....	32
6.4	Appendix D - Key Portfolio Management Concepts and Techniques.....	34



# 1 Introduction

As the number of programmes, projects, services, and products managed within an organisation increases, it becomes necessary to streamline the identification, selection, monitoring, control, and performance reporting of these initiatives in a standardised and efficient way.

By applying Portfolio Management, an organisation is in a better position to optimise its investments by composing 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 provides an aggregated and holistic view of all of an organisation's initiatives, both planned and ongoing, which will facilitate the effective achievement of its strategic objectives.

The application of a Portfolio Management within an organisation formalises its Portfolio Orientation. It helps to define the governance, processes, documentation, and techniques required to:

- maintain a link between the organisation's strategy implementation and resource allocation.
- support the elaboration of the organisation's Strategic Plans and resulting Work Plans.
- select and follow up on the portfolio components effectively.
- realign the portfolio to address changes in the environment.
- escalate portfolio risks and issues for resolution.

## 1.1 About this Publication

PM<sup>2</sup>-PfM presents a practical and effective approach to portfolio management as part of the PM<sup>2</sup> Methodologies Suite. The PM<sup>2</sup>-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.

Its guiding strategy is 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 are typically governed in most organisations, including Matrix and Functional structures.

This overview publication does not present the full methodology but serves as an introductory companion to the PM<sup>2</sup>-PfM Guide, where the complete methodology, processes, and implementation guidelines are described in detail.

This publication provides:

- An overview of the PM<sup>2</sup>-PfM Model for Portfolio Management, introducing its structure and underlying principles for managing portfolios within a coordinated governance framework.
- A summary of key elements of the methodology, including its processes, governance structure, management activities, core artefacts, and supporting mindsets, intended to familiarise the reader with the main concepts and terminology.
- Implementation guidelines which are simple and realistic in their application.
- Quick start tips and general guidance, helping programme teams understand how to begin applying the methodology and where to focus initial attention.
- Reference tools and visual aids, such as diagrams, glossaries, and responsibility assignment matrices, which support understanding and facilitate communication.
- A common vocabulary (glossary) shared across the PM<sup>2</sup> suite of methodologies.
- A basis for teams and organisations to tailor the PM<sup>2</sup>-PfM approach to better suit their portfolio management needs.

## Intended Audience

The PM<sup>2</sup>-PfM Guide provides practical guidelines on portfolio governance, processes, and artefacts. These guidelines are relevant to anyone involved in managing portfolios, including members of Portfolio Support Offices (PfSOs), as well as Programme Managers (PgMs), Project Managers (PMs), and other staff interested in developing their understanding of portfolio management.

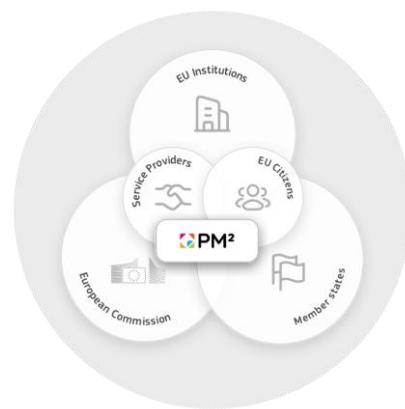
This Guide is intended for:

- Managers and staff who wish to learn about or implement Portfolio Management.
- Portfolio Managers (PfMs) who seek to apply an effective and structured methodology.
- Component Managers and their teams who want to understand how their work contributes to a portfolio and how the different management layers interact.
- Members of a Portfolio Support Office (PfSO) who provide portfolio management support.
- Consultants and trainers assisting organisations in establishing portfolio management practices.
- Participants in PM<sup>2</sup>-PfM portfolio management training programmes.

## 1.2 The Methodologies Office

The purpose of the Methodologies Office is to provide the European Commission and European Union Institutions with high-quality management methodologies, support and advisory services. The Methodologies Office supports the PM<sup>2</sup> Methodology internally, coordinates an inter-institutional network, and offers the PM<sup>2</sup> Methodologies beyond the European Union Institutions through the Open PM<sup>2</sup> initiative and the Digital Europe Programme.

## 1.3 The Open PM<sup>2</sup> Initiative



Open PM<sup>2</sup> is a European Commission initiative, which brings the PM<sup>2</sup> Methodology and its benefits closer to its broader stakeholders and user community.

The Open PM<sup>2</sup> Initiative provides European Union institutions, contractors and public administrations, as well as broader stakeholders, with open access to the PM<sup>2</sup> publications and associated resources. Its goal is to enable increased effectiveness in the management of projects, programmes, and portfolios and, thus, to serve the objectives of the European Union and the needs of Member States and citizens.

The Open PM<sup>2</sup> Initiative aims to enhance project management competency within Europe, leading to increased project efficiency and success.

Opening PM<sup>2</sup> does this by:

- Harmonising management approaches across European Union Institutions and beyond.
- Establishing a common language and processes, resulting in effective project communication.
- Providing a common set of productive mindsets.
- Enabling transparency in cross-organisational project and programme collaborations.
- Enabling better project management, leading to improved cost/effort efficiency.
- Enabling the improved management of European Union-funded projects and grants.
- Applying the European Commission decision of 12 December 2011 (2011/833/EU) on the reuse of Commission documents to promote accessibility and reuse.

## 1.4 The PM<sup>2</sup> Suite of Publications

The PM<sup>2</sup> Methodologies Suite offers methods for the management of Projects, Programmes and Portfolios, each one comprising a series of publications that are aligned with each other and cover the varied needs for methodology guidelines of organisations and teams. The PM<sup>2</sup> Methodologies Suite comprises:

- The PM<sup>2</sup>-PM and PM<sup>2</sup>-Agile Methodologies for the management of projects.
- The PM<sup>2</sup>-PgM Methodology for the management of programmes.
- The PM<sup>2</sup>-PfM Methodology for the management of portfolios.

PM<sup>2</sup> Methodologies Portal: <https://pm2.europa.eu/>

EU Bookshop of the Publications Office of the European Union: <https://op.europa.eu/>

## 2 Overview of PM<sup>2</sup>-PfM

PM<sup>2</sup>-PfM is a lean and effective approach to portfolio management. It draws on a broad range of globally recognised best practices, the operational experience of EU Institutions and other organisations, as well as the contributions of experienced practitioners.

The purpose of PM<sup>2</sup>-PfM is to support organisations in establishing portfolio management by providing a concise yet complete framework within which effective portfolio management can be practised.

PM<sup>2</sup>-PfM promotes portfolio management as an enabler rather than an additional layer of control or bureaucracy. It strives to enhance organisational effectiveness without adding unnecessary complexity. Its model supports implementation through a fractal structure that addresses both global and local levels, ensuring that portfolios remain valuable and relevant across all layers of the organisation.

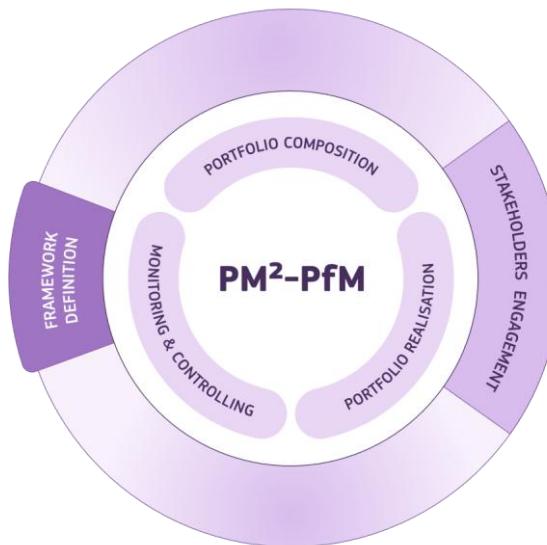
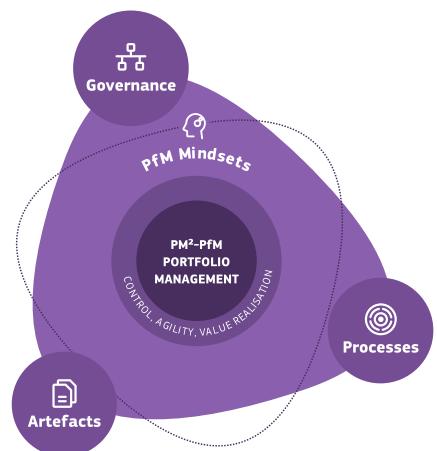


Fig. 2.1: Overview of the PM<sup>2</sup>-PfM processes

The PM<sup>2</sup>-PfM management approach is fully compatible with Matrix and Functional Organisations, including EU Institutions and most other organisational structures.

The PM<sup>2</sup>-PfM Methodology provides:

- a governance structure,
- a process model,
- portfolio management activities,
- portfolio artefact definitions,
- a set of effective portfolio management mindsets.



## 2.1 PM<sup>2</sup>-PfM Processes

The PM<sup>2</sup>-PfM Portfolio Management Model defines the key portfolio management activities, and groups them into five core processes:

1. Portfolio Framework Definition,
2. Portfolio Composition,
3. Portfolio Realisation,
4. Portfolio Monitoring & Controlling, and
5. Portfolio Stakeholder Engagement & Communication.

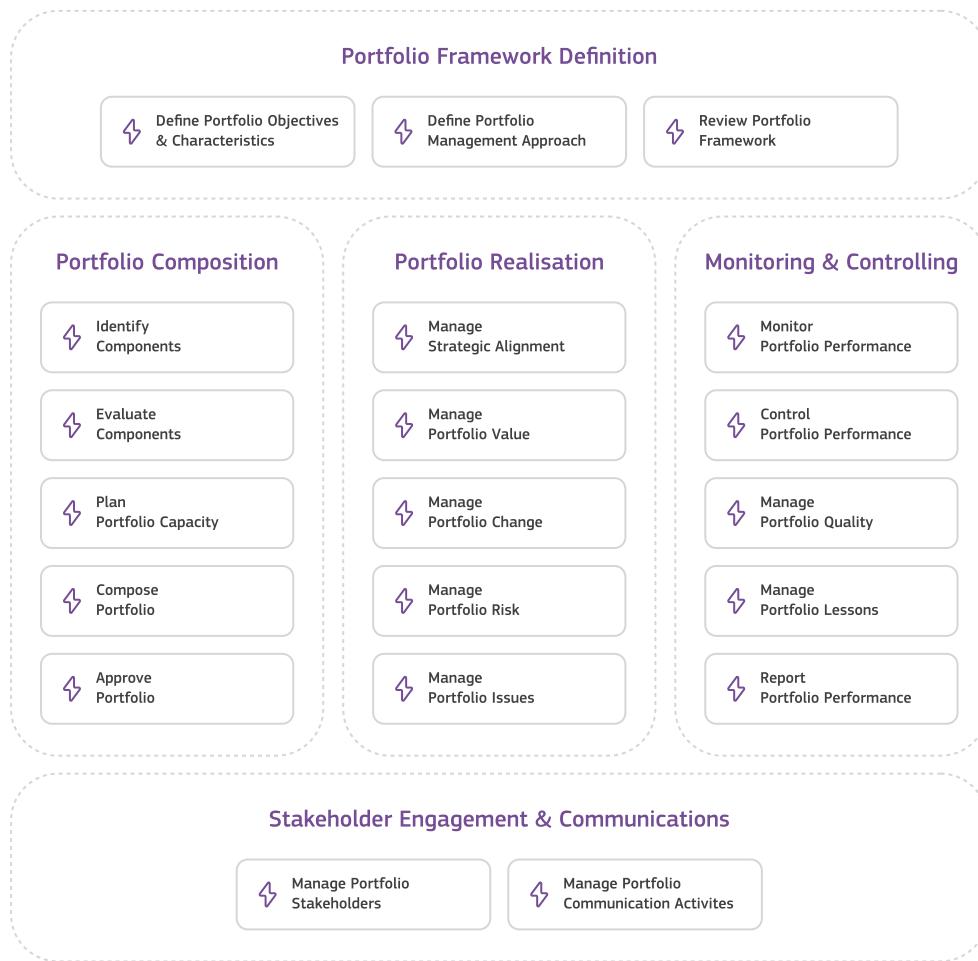


Fig. 2.2: PM<sup>2</sup>-PfM processes and their activities

Note that portfolio management is an iterative process, so all PM<sup>2</sup>-PfM processes interact with one another.

### Portfolio Framework Definition

This process encompasses the activities required to define the portfolio's objectives, characteristics, and management approach. It includes specifying the governance bodies (roles) and their responsibilities, identifying the necessary management competences, establishing the management processes, and defining the portfolio artefacts. The Portfolio Framework Definition process sets the foundation for the subsequent processes of Portfolio Composition, Portfolio Realisation, and Stakeholder Engagement & Communication.

The framework is first developed during the implementation of portfolio management within the organisation and may be further tailored, when necessary, for each new portfolio. It should be reviewed periodically and

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adjusted in response to changes in the portfolio environment or to incorporate improvements identified through experience.

### **Portfolio Composition**

This process encompasses the activities involved in identifying and evaluating candidate portfolio components with the aim of making investment decisions and allocating resources. These activities are recurring and respond to the periodic needs of both the portfolio and the organisation. Portfolio Composition is typically aligned with the organisation's budgeting and multi-annual planning cycle. During this cycle, new potential portfolio components (referred to as *candidates*) are evaluated and compared with the existing components to determine the optimal portfolio configuration for the coming period. New portfolio candidates identified outside the regular planning cycle are assessed based on their respective Business Cases and their potential impact on other portfolio components.

The Portfolio Composition process also interacts with the Initiating Phases of PM<sup>2</sup>-PM and PM<sup>2</sup>-PgM, while portfolio-level decisions influence which initiatives proceed to initiation, creating a dynamic exchange between the portfolio and its component layers.

### **Portfolio Realisation**

The Portfolio Realisation process includes the activities related to managing the portfolio's value and strategic alignment, and managing change, risks and issues, to ensure that its components achieve their objectives, and that the portfolio delivers its intended outcomes and benefits. Portfolio Realisation seeks to maximise the likelihood of success while minimising the risk of failure. Although portfolio management does not involve directly managing the components themselves, it is through the successful completion of approved portfolio components that the portfolio ultimately realises its objectives.

Portfolio components are temporary, while portfolio realisation activities are continuous throughout the life of the portfolio. All components are monitored to ensure continued alignment with portfolio objectives, benefits realisation and sustained value creation for the organisation.

### **Portfolio Monitoring & Controlling**

This process runs throughout the portfolio's lifecycle and in parallel with all other portfolio processes. It includes the periodic and ad hoc collection, consolidation and analysis of information to assess the portfolio's status against pre-defined indicators, targets and objectives, and to verify the quality and reliability of portfolio information and reporting. It also includes identifying and tracking corrective control actions to address deviations from plan and maintain strategic alignment.

While Portfolio Realisation focuses on steering decisions and interventions to deliver intended outcomes and benefits, Monitoring & Controlling focuses on oversight, control and lessons learned to improve governance practices and the Monitoring & Controlling approach itself.

### **Stakeholder Engagement & Communication**

This process includes the activities related to effectively engaging stakeholders throughout the entire portfolio management process. It involves analysing and interacting with the different stakeholders to assess how portfolio decisions will affect them or be affected by them directly, and to ensure the stakeholders' effective involvement in the composition and realisation of the portfolio. All portfolio communication activities, such as informing stakeholders and others about the performance of the portfolio, are also managed through this process.

Note that the PM<sup>2</sup>-PfM Guide for Portfolio Management provides detail guidelines on the activities of the five PM<sup>2</sup>-PfM processes.

## 2.2 PM<sup>2</sup>-PfM Portfolio Governance

Portfolio governance is the framework within which portfolio management decisions are made. It defines all portfolio roles and their corresponding responsibilities. Portfolio management roles are essentially characterised by the management responsibilities assigned to them, while responsibilities describe what each role needs to be concerned with, its domain of management activity, and its level of authority.

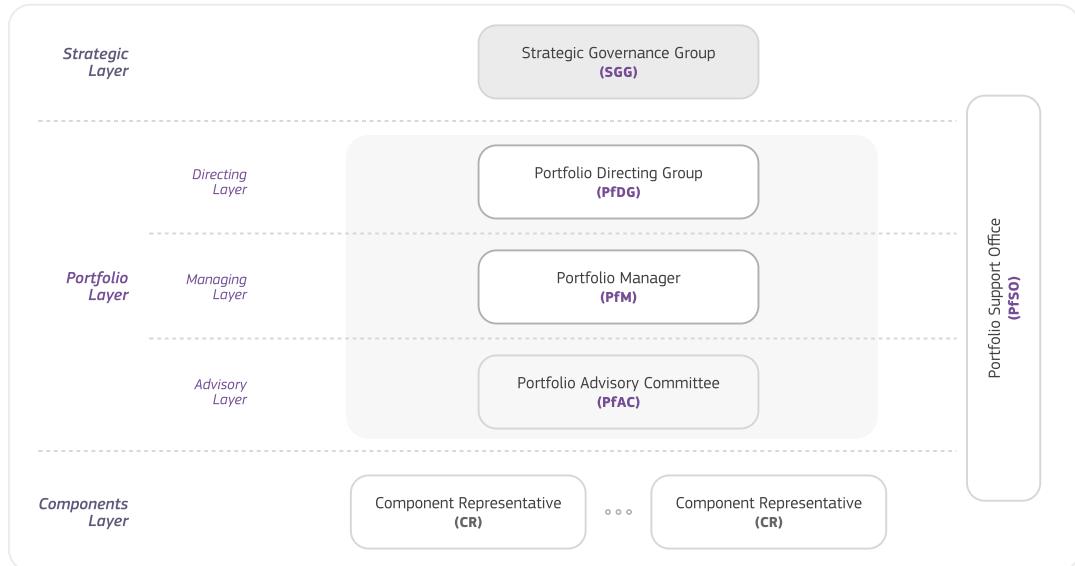


Fig. 2.3: PM<sup>2</sup>-PfM Portfolio Management Governance: Roles and Layers

The table below provides a description of the main PM<sup>2</sup>-PfM Roles:

Roles and brief Descriptions
<b>SGG (Strategic Governance Group)</b> The Strategic Governance Group (SGG) sits in the <b>Strategic Layer</b> above the Portfolio Layer, where the strategic objectives are defined. It comprises those roles in the organisation responsible for developing strategy and monitoring its execution. The Strategic Layer provides the necessary senior management direction for defining the portfolio-level objectives, which can be short, medium, and long-term in terms of their realisation timeframe.
<b>Portfolio Directing Group (PfDG)</b> Acts as the ultimate decision-making body for the portfolio. It approves the Portfolio Framework, including objectives, budget, and management approach, and authorises its initiation and closure. It provides strategic direction, ensures alignment with organisational priorities, and remains accountable for overall portfolio performance.
<b>Portfolio Manager (PfM)</b> Leads the execution of portfolio management activities with a focus on achieving portfolio objectives and maximising value delivery. The Portfolio Manager coordinate composition, realisation, and monitoring activities, advise the Portfolio Directing Group (PfDG), and may also take part in governance roles at the component level.
<b>Portfolio Advisory Committee (PfAC)</b> Serves as an advisory forum to the Portfolio Manager (PfM) on matters concerning portfolio composition, realisation, etc. It brings together representatives from the components layer, technical and business domain experts, and other contributors to provide analysis, insight, and recommendations that support effective portfolio decision-making.
<b>Portfolio Support Office (PfSO)</b>

<p>Provides administrative, communication and process support to the Portfolio Manager (PfM). It maintains portfolio artefacts, consolidates data, produces portfolio reports, and supports communications across governance levels. The PfSO also liaises with programme and project support offices to ensure consistency and quality across all portfolio activities.</p>
<b>Local Portfolio/Project Support Office (LPSO)</b>
<p>In large or distributed organisations where centralised support is impractical, the LPSO offers localised administrative and reporting support to portfolios, programmes, and projects. It facilitates the collection and consolidation of management data and ensures consistent application of standards and tools in coordination with the PfSO.</p>

<b>Component Representative (CR)</b>
<p>Represents a <b>portfolio component</b> (programme, project, or other work component) within the portfolio governance framework. Component Representatives (CRs) communicate component performance, risks, and opportunities, ensuring that component perspectives and dependencies are reflected in portfolio-level analysis and decisions.</p>

Table 2.1: Summary description of key PM<sup>2</sup>-PfM Roles.

## 2.3 PM<sup>2</sup>-PfM Artefacts

Portfolio management is supported by documentation throughout its lifecycle. Portfolio documentation is therefore produced from the composition of a portfolio through to its completion. Portfolio documentation should be standardised within an organisation (i.e. PM<sup>2</sup>-PfM Artefacts), but above all, it should serve the information and communication needs of the portfolio and its stakeholders.

Artefacts play an important role in the management of a portfolio. They:

- provide portfolio stakeholders with a clear picture of the portfolio's objectives.
- facilitate communication with internal and external groups.
- provide a baseline for monitoring and controlling a portfolio's progress.
- provide a record of important decisions.
- provide the information required by audits.
- support organisational memory and act as an historical reference.
- are needed to improve the portfolio process and future portfolios.

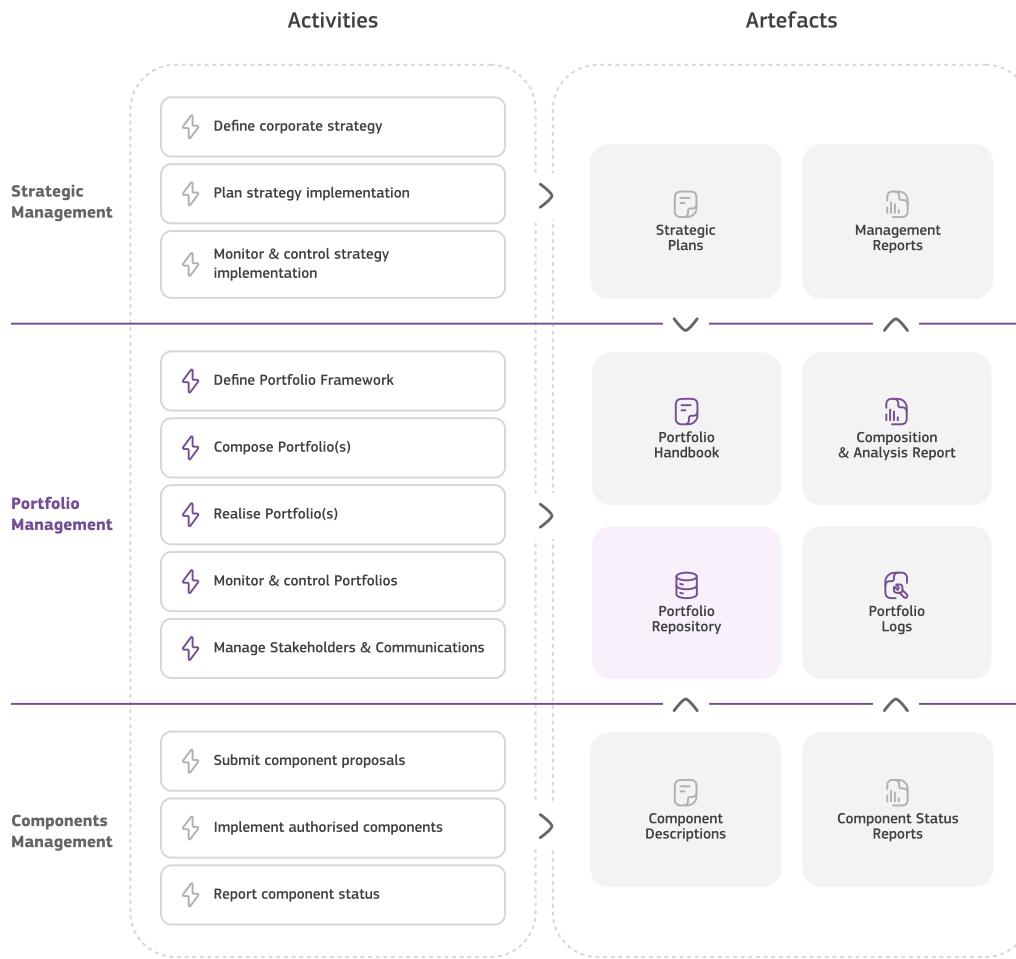


Fig. 2.4: High-level representation of the various Management domains and key Activities and Artefacts

Portfolio documentation should adhere to the quality standards of the organisation; above all else, the documentation should be clear, easy to understand, and add value as it performs its purpose.

There are four types of portfolio Artefacts which:

- define the portfolio **objectives** and **management** approach (i.e., the Portfolio Handbook).
- capture the **composition** and **performance** of the portfolio (i.e., Portfolio Composition & Analysis Report, Benefits Matrix).
- facilitate **monitoring & controlling** (i.e., Portfolio Logs) and **stakeholder engagement** (i.e., Communications Plan and Stakeholders Log).
- convey input from the **Strategic** Layer (i.e., Strategic Plans and Objectives) and the **Components** Layer (i.e., Component Descriptions and Status Reports).

Key PM <sup>2</sup> -PfM Artefacts	Description
Portfolio (Management) Handbook	Defines the portfolio's objectives, governance, and management approach, serving as the main reference for portfolio activities and ensuring consistency, traceability, and strategic alignment.
Portfolio Communications Plan	Specifies how information will be shared across stakeholders to ensure transparency, engagement, and trust through clear communication objectives, responsibilities, and channels.
Portfolio Composition & Analysis Report	Provides an overview of the portfolio's composition and performance, supporting data-driven decisions and portfolio optimisation.
Benefits (Traceability) Matrix	Links portfolio objectives to expected and realised benefits, KPIs, and component contributions, ensuring visibility in value realisation.

Portfolio Logs	A set of records used to document and track key portfolio events, including stakeholders, risks, issues, decisions, changes, lessons learned.
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## 2.4 PM<sup>2</sup>-PfM Mindsets

While plans and processes support what can be considered the administrative side of portfolio management, the right mindsets help us navigate the complex realities of organisational portfolio management.

Portfolio mindsets are an essential part of any portfolio methodology. Just as we define processes to help us manage portfolios more effectively, we also define mindsets to foster the attitudes and behaviours that enable success. They establish a shared set of **beliefs and values** that act as the glue binding management processes and practices across all portfolios within the organisation.

To begin developing the right mindsets, portfolio teams should ask 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 acknowledge organisational capacity and capability constraints. Ensure adequate resources, capabilities and skills are allocated to our portfolio components to provide the effort, skills and support infrastructure needed for the management of 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.

Portfolio teams that practice PM<sup>2</sup>-PfM Portfolio Management:

1. **Apply** PM<sup>2</sup>-PfM portfolio best practices to manage their portfolios.
2. **Remain mindful** that portfolio management processes are there to serve the portfolio and organisational objectives, not the other way around.
3. Maintain an **outcomes orientation** towards all portfolio management activities.
4. Commit to delivering portfolio results with **maximum value**, rather than simply following procedures and plans. Manage the portfolio **holistically** by **optimising** the whole portfolio, not just parts of it.
5. **Provide strategic direction** and support to the component levels to ensure their continued alignment with the objectives. However, so this **without interfering** in their daily management or asking them for additional reporting.
6. **Foster** a culture of cross-organisational **collaboration**, clear communication, and **accountability**.
7. Encourage the delegation and management of issues and decisions at the **lowest possible governance level**, while providing clear escalation channels and procedures.
8. Assign portfolio roles to the **most appropriate people** for the long-term **benefit** of the portfolio and the organisation.
9. **Balance** in the most **productive way** the often-conflicting management Ps of Process, People, **Pleasure**/Pain, Progress, Participation, Perception, Power, Politics and Peace.
10. **Invest** in developing technical and behavioural **competences** to become better portfolio contributors.
11. **Engage** portfolio stakeholders and involve them in the organisational change needed to maximise portfolio **outcomes and benefits**.
12. **Share knowledge**, actively manage Lessons Learned, and contribute to the **improvement** of portfolio management within organisations.
13. **Draw inspiration** from the PM<sup>2</sup>-PfM Guidelines on **Ethics** and Professional **Virtues**.

Working with these Mindsets enhances the effectiveness of portfolio management and thus increases the likelihood of a portfolio achieving its goals. Beyond that, applying the Mindsets consistently across sub-portfolios helps to build capacity within the organisation over time; management maturity is achieved as the methodology and mindsets are embedded in an organisation's working practices.

Mindsets help us discern the value and impact of every attitude, decision, and action on both the portfolios and the organisation's strategic objectives. They offer the lenses through which we can see the true colours of the different elements that together compose the picture of the portfolio and the organisation as a whole. This allows us to tell whether an element fits into the picture we envision, or not. Mindsets not only make for a more colourful everyday reality; they also enable us to all see the same colours. When everyone across our entire organisation acquires a common clear view of reality, there are efficiency and effectiveness gains beyond the portfolios themselves.

When a unified portfolio management mindset is applied across the entire organisation, the consistency and critical mass of change enablement generate enduring improvements in performance and organisational alignment.

## 2.5 Tailoring PM<sup>2</sup>-PfM

The PM<sup>2</sup>-PfM Methodology has been designed to address the portfolio management needs of any organisation. However, as with any methodology, PM<sup>2</sup>-PfM should be tailored to ensure it is applied in the

most effective and efficient way, taking into account specific organisational conditions and constraints. Tailoring can take place both at organisational level and at individual portfolio level.

Tailoring is not about deciding which processes or activities to include or exclude. Rather, it involves defining the appropriate level of prescriptive rigour in applying the methodology, while ensuring that the intended purpose and outcomes of each element are still achieved.

Tailoring should take into consideration organisational environmental factors and constraints, existing governance bodies and management processes, as well as established policies and organisational culture. All tailoring decisions should be clearly documented in the **Portfolio Handbook**.

When tailoring the PM<sup>2</sup>-PfM Methodology, the following best practices should be followed:

- **Understand** the purpose and value of the element to be tailored before making any changes.
- **Maintain the integrity** of the methodology as an integrated whole; avoid simplifying it by removing entire elements. Instead, scale the scope of individual elements up or down as needed.
- **Weigh the effort, cost, and complexity** of maintaining a significantly tailored version against the expected benefits.
- **Balance** methodological rigour with available resources and the level of complexity that such rigour entails.
- **Adopt a lean approach** while remaining fully aligned with PM<sup>2</sup>-PfM management best practices and mindsets.

## 2.6 PM<sup>2</sup>-PfM Quick Start Tips

The purpose of this section is to help you get started with using PM<sup>2</sup>-PfM for your portfolio management. Naturally, you will want to learn more about the PM<sup>2</sup>-PfM Methodology but remember you do not need to become an expert before you compose and manage your first portfolios.

Below, you will find our PM<sup>2</sup>-PfM Quick Start Tips, which aim to help jump-start you and your organisation in starting a portfolio with the PM<sup>2</sup>-PfM Methodology:

### 1. Discover the available PM<sup>2</sup>-PfM resources:

- Review the PM<sup>2</sup>-PfM Guide.
- Consult the PM<sup>2</sup> resources available online.
- Follow an PM<sup>2</sup>-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 PM<sup>2</sup>-PfM Mindsets on board.
- Get your organisation, teams, and stakeholders on board.
- Ensure senior management support and sponsorship

### 3. Organise a kick-off meeting:

- Formally kick off the process of using PM<sup>2</sup>-PfM for a new (or existing) portfolio.
- Ensure the right people are involved.
- Ensure that the basics of PM<sup>2</sup>-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 PM<sup>2</sup>-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 key portfolio management activities.
- 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.**

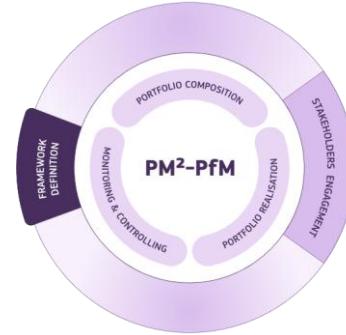
- Identify the key Portfolio Stakeholders.
- Prepare a communications and stakeholders engagement plan.
- Involve Stakeholders and keep them informed from the beginning.

## 3 Portfolio Management Processes

### 3.1 Portfolio Framework Definition

For a new portfolio to be established, its characteristics, structure (e.g. sub-portfolios), and management approach must first be defined. The portfolio's characteristics, metrics, processes, and governance bodies are set through the Portfolio Framework Definition process.

The framework is first developed during the implementation of portfolio management within the organisation to reflect the organisation's specific portfolio management needs, culture and maturity level, while remaining consistent with the spirit and core principles of the PM<sup>2</sup>-PfM Methodology. The framework can be further tailored, when necessary, for each new portfolio.



Over time, the effectiveness of the framework should be periodically reviewed considering experience gained from managing the portfolio and any lessons learned captured. Where necessary, the framework may be updated to address evolving portfolio management needs.

It is also essential to estimate the cost and effort required to manage the portfolio and to allocate the necessary resources and budget. This cost will depend on factors such as the portfolio's size, the frequency of portfolio management activities, and the number of people involved in governance and support roles (e.g. members of the Portfolio Support Office (PfSO)).

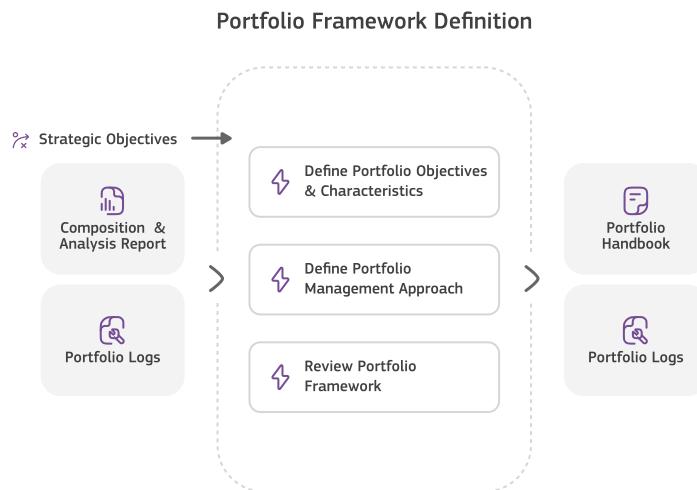


Fig. 3.1: Portfolio Framework Definition activities and key input/output artefacts

#### Framework Definition Objectives

Executing the indicated management activities and producing the recommended Artefacts are good practices that should be followed. However, the effectiveness of the Portfolio Framework Definition process depends on achieving the following objectives:

- To **recognise the value** of carrying out the **upfront work** required to set up the infrastructure needed to initiate a portfolio.
- To ensure that the process is performed **early in the life of a portfolio**, ideally as the first process to be executed.
- To enable the clear and effective **capturing** of the portfolio's **objectives**.
- To establish the foundations for effective portfolio management by defining realistic and tailored management **processes aligned** with the organisation's goals and maturity level.

- To define a governance structure that is both **effective and compatible** with existing corporate systems and decision-making bodies.
- Instantiate the Portfolio Logs and the Benefits Traceability Matrix.
- To **document the results** of the process in the Portfolio Handbook at an appropriate level of detail.
- To periodically **review and improve the framework** to address identified shortcomings or emerging portfolio management needs.

The Responsibilities of the Roles involved in the Portfolio Framework Definition activities are shown in the RAM/D-ARSCI table below.

Portfolio Framework Definition	PfDG	PfM	PfAC	PfSO	CR	LPSO
Define Portfolio Objectives & Characteristics	D	A	S	R	I	I
Define Portfolio Management Approach	D	A	S	R	I	I
Review Portfolio Framework	A	R	C	S	C	C

**Define Portfolio Objectives & Characteristics:** Establishes the purpose, scope, and key attributes of the portfolio. It clarifies why the portfolio exists, what strategic objectives it supports, and what types of components (e.g. programmes, projects, or/and other) it will include. This activity also defines eligibility criteria, evaluation metrics, and component lifecycle states to ensure consistency in how portfolio candidates are assessed and managed. The outputs are documented in the Portfolio Handbook and form the foundation for portfolio composition and guide future performance evaluation and strategic alignment.

**Define Portfolio Management Approach:** Specifies how portfolio management will be conducted, setting out the governance framework, roles and responsibilities, processes, and artefacts required for effective management. It aligns the portfolio management approach with organisational procedures (e.g. planning, budgeting, approvals), defines the necessary competences and capacity for portfolio governance, and captures the mindsets that will guide behaviour. Documented in the Portfolio Handbook, the management approach ensures that the portfolio operates within an agreed framework that balances rigour and efficiency.

**Review Portfolio Framework:** Ensures the continuous improvement and ongoing relevance of the portfolio management framework. Conducted periodically or in response to change, it evaluates the framework's effectiveness, drawing on performance data and lessons learned from portfolio operations. Findings are used to refine governance, processes, metrics, and documentation to enhance portfolio efficiency and alignment with organisational needs. The outcomes of this review are recorded in the Portfolio Handbook and Portfolio Lessons Log, ensuring that the portfolio framework evolves alongside the organisation's maturity and strategic direction. The review frequency follows the organisational needs and can also be done whenever significant changes are evident from the examination of the lessons learned

### 3.2 Portfolio Composition

The purpose of the Portfolio Composition process is to facilitate the creation of an optimal portfolio by applying predefined processes and component selection criteria.

This process includes the activities required to evaluate candidate portfolio components, make investment decisions, and commit the necessary organisational resources.

Portfolio Composition does not need to be a one-time or annual event, although it is often aligned with other annual planning or budgeting activities. PM<sup>2</sup>-PfM supports greater flexibility and granularity within portfolio sub-structures, enabling organisations with dynamic or rapidly evolving needs to conduct more frequent reviews, closer monitoring, and apply additional controls to manage risk.

When a portfolio is primarily optimised to maximise the use of available capacity and capability, any changes to its composition will inevitably have an impact. To support portfolio management agility, periodic portfolio adjustments are possible; however, these should be managed with discipline to ensure efficiency. Re-planning a balanced portfolio can be time-consuming and may give rise to discussions, trade-offs, or tensions that need to be handled carefully.

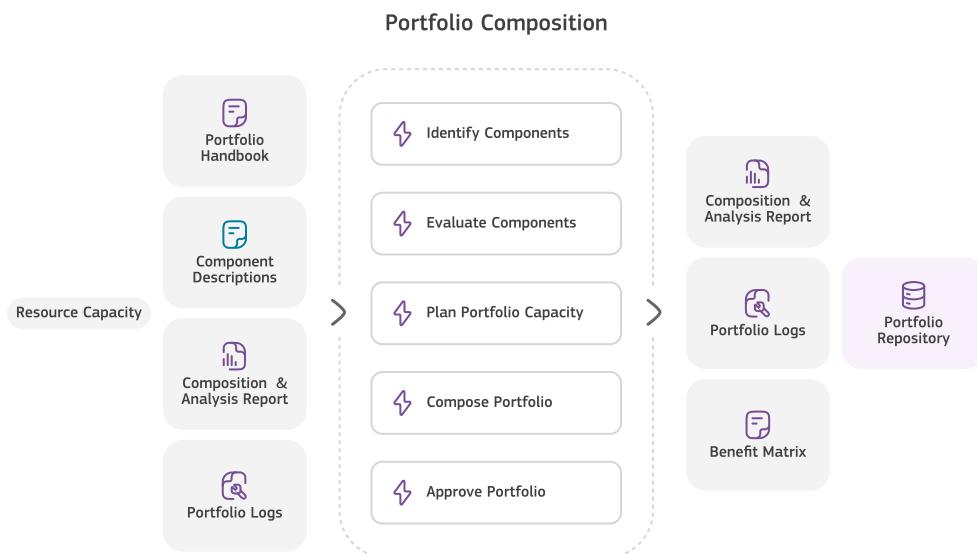
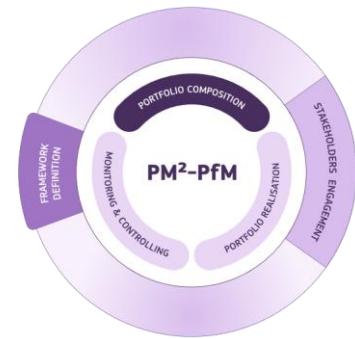


Fig. 3.2: Portfolio Composition activities and key input/output artefacts

#### Portfolio Composition Objectives

Executing the indicated management activities and producing the recommended Artefacts are good practices that should be followed. However, the effectiveness of the Portfolio Composition process depends on achieving the following objectives:

- To ensure that the process is carried out through **repeatable and well-executed management activities** that maintain consistency and quality over time.
- To achieve the **qualification, evaluation, and prioritisation** of portfolio components based on **objective and well-defined criteria** that support informed decision-making.
- To produce a **well-balanced portfolio** that satisfies the defined **portfolio objectives**, while remaining aligned with the organisation's **capacity, capability, and risk appetite**.

- To form a **productive Portfolio Advisory Committee (PfAC)** that provides valuable **input, analysis, and advice** for the effective composition and ongoing management of the portfolio.
- To ensure the **formal approval of the portfolio**, validating its alignment with strategic priorities and available resources.
- To recognise that portfolio composition is **not a one-off activity**, but a **recurrent process** performed whenever necessary to address changes in context or emerging organisational needs.

The Responsibilities of the Roles involved in the Portfolio Composition activities are shown in the RAM/D-ARSCI table below.

Portfolio Composition	PfDG	PfM	PfAC	PfSO	CR	LPSO
Identify Components	I	A	C	R	C	C
Evaluate Components	I	A	C	R	C	C
Plan Portfolio Capacity	I	A	C	R	C	C
Compose Portfolio	I	A	C	R	I	I
Portfolio Approval	D	A	I	R	I	I

**Identify Components:** Focuses on identifying existing and new initiatives that may qualify as portfolio components. It involves collecting information on each candidate, confirming eligibility against predefined portfolio criteria, and categorising them to enable comparison and prioritisation. The result is a structured inventory of qualified and non-eligible candidates that serves as the input to the evaluation activity. This activity ensures that all potential investments are identified and that only initiatives contributing to portfolio objectives progress to further analysis.

**Evaluate Components:** Assesses portfolio candidates against objective criteria to determine their relative value, risk, and alignment with strategic goals. Using predefined scoring models and evaluation techniques, candidates are prioritised based on factors such as expected benefits, resource requirements, urgency, and strategic contribution. The outcome is a ranked list of candidates that provides input to portfolio composition and decision-making. Evaluation results are recorded in the Portfolio Composition & Analysis Report to support transparent and data-driven selection.

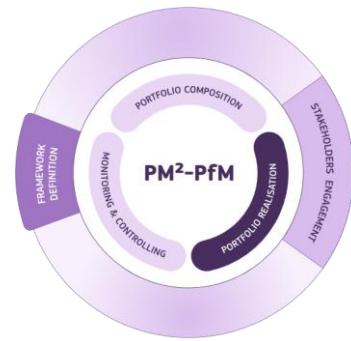
**Plan Portfolio Capacity:** Analyses the organisation's financial, human, and operational capacity to implement the proposed portfolio composition. It ensures that the portfolio's ambitions remain realistic within existing constraints and that capacity and capability are aligned with priorities. This activity also considers timing, dependencies, and capability needs, resulting in a high-level capacity plan that informs composition and scheduling decisions. Documented findings support a balanced portfolio that maximises value while respecting resource availability and risk appetite.

**Compose Portfolio:** Integrates evaluation results and capacity considerations to create a proposed portfolio composition. It explores multiple configuration scenarios to determine the optimal mix of components that best achieves portfolio objectives, benefits and risk, while maintaining balance. The proposed composition is reviewed with the Portfolio Advisory Committee (PfAC) and finalised in the Portfolio Composition & Analysis Report for approval, with the associated Benefits Traceability Matrix updated to show how the selected components map to portfolio objectives, expected benefits and (where applicable) related measures/KPIs.

**Portfolio Approval:** Formalises the decision-making process for endorsing the proposed portfolio composition. The Portfolio Manager (PfM) presents the composition to the Portfolio Directing Group (PfDG) for validation and authorisation, ensuring that resources, budgets, and priorities are approved in line with organisational strategy and portfolio objectives. Decisions are documented in meeting minutes and logs, while stakeholders are informed of the approved composition via the Composition and Analysis Report. Approval marks the official baseline for portfolio realisation and monitoring.

### 3.3 Portfolio Realisation

The Portfolio Realisation process encompasses all management activities aimed at maximising the likelihood of achieving portfolio goals while minimising the risk of failure. Although portfolio management does not involve directly managing the components themselves, it is through the successful completion of approved portfolio components that the portfolio ultimately realises its objectives. Consequently, the **delivery status** of portfolio components, in terms of their timelines, budgets, and benefits achievement, is of primary concern to the Portfolio Manager (PfM).



Portfolio Realisation comprises the activities concerned with managing the portfolio's value and strategic alignment, and managing change, risks and issues, so that benefits are delivered and sustained. It builds on monitoring information but focuses on the decisions and interventions needed to steer the portfolio towards its intended outcomes, rather than on the systematic oversight and control activities themselves.

All portfolio components are monitored as part of this process to ensure that they continue to realise their intended objectives. While each portfolio component is temporary in nature, portfolio realisation activities are continuous and extend throughout the entire lifecycle of the portfolio.

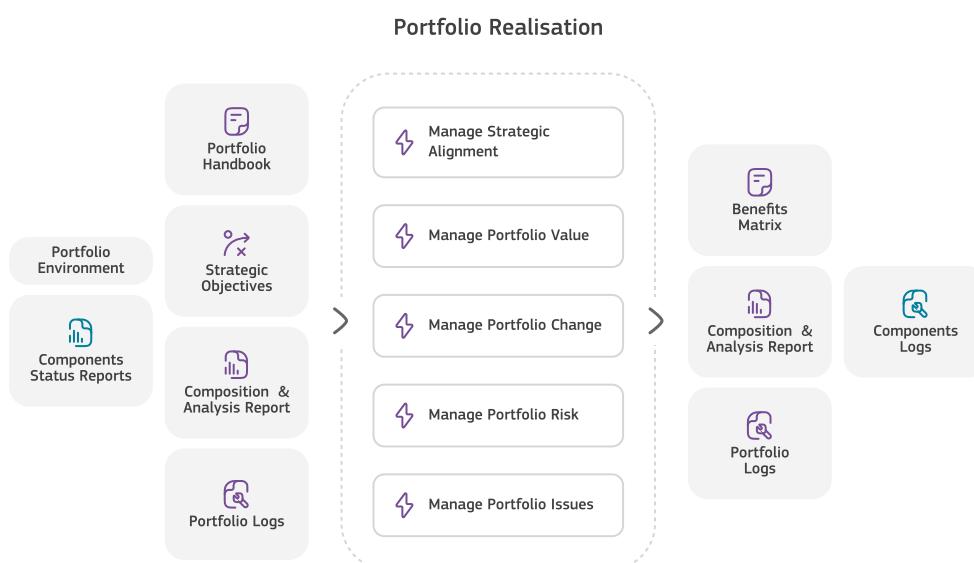


Fig. 3.3: Portfolio Realisation activities and key input/output artefacts

#### Portfolio Realisation Objectives

Executing the indicated management activities and producing the recommended Artefacts are good practices that should be followed. However, the effectiveness of the Portfolio Realisation process depends on achieving the following objectives:

- To ensure the **continued alignment** of portfolio objectives with the **organisation's strategic priorities**, sustaining or strengthening this alignment throughout the portfolio's lifecycle.
- To achieve the **maximisation of the value** delivered by the portfolio through effective management and optimisation of its components.
- To facilitate the **identification and management of change** within the portfolio environment and its components, ensuring that such changes are addressed in ways that **benefit the portfolio**.
- To support the **systematic management of threats and opportunities**, in a manner consistent with the organisation's **risk appetite** and governance standards.

- To enable the **effective management of portfolio issues**, ensuring they are addressed promptly and efficiently to minimise impact.
- To facilitate the **achievement of portfolio objectives** to the highest degree possible, ensuring the delivery of sustained value and outcomes.

The Responsibilities of the Roles involved in the Portfolio Realisation activities are shown in the RAM/D-ARSCI table below.

Portfolio Realisation	PfDG	PfM	PfAC	PfSO	CR	LPSO
Manage Strategic Alignment	D	A	S	R	I	I
Manage Portfolio Value	D	A	S	R	C	I
Manage Portfolio Change	A	R	C	S	C	C
Manage Portfolio Risk	A	R	S	S	C	I
Manage Portfolio Issues	A	R	S	S	C	C

**Manage Strategic Alignment:** Ensures that the portfolio remains aligned with the organisation's strategic objectives and evolving priorities. It involves monitoring changes in the internal and external environment, assessing their impact on portfolio objectives, and initiating adjustments when necessary. This activity provides the mechanism through which the portfolio adapts to strategic shifts, ensuring that investments continue to deliver value and relevance. Findings are reviewed with governance bodies and reflected in the Portfolio Handbook and Portfolio Composition & Analysis Report.

**Manage Portfolio Value:** Focuses on maximising the overall value created by the portfolio through systematic monitoring of benefit realisation. It consolidates performance information from all components to assess progress towards expected outcomes, using predefined performance indicators and benefit metrics. Deviations from expected results are analysed, and corrective actions are triggered when necessary. The Benefits Traceability Matrix serves as a key input and output, ensuring traceability between portfolio objectives, expected benefits, and realised value throughout the lifecycle.

**Manage Portfolio Change:** Identifies, assesses, and manages changes that may affect the portfolio's objectives, composition, or components. Changes can originate from the organisational environment (i.e. policy, funding, regulatory developments, etc.), internal decisions, portfolio components, or from other external factors. Each proposed change is logged, evaluated for its impact, and if approved, implemented in coordination with the relevant portfolio processes. The Change Log captures all such actions, providing a single reference for decision traceability and maintaining portfolio stability while enabling controlled adaptation.

**Manage Portfolio Risk:** Aims to identify, assess, and manage risks that may influence the achievement of the portfolio's objectives. It consolidates risk information from component levels and evaluates aggregated risk exposure at the portfolio level, including dependencies and systemic vulnerabilities. Preventive and mitigating actions are defined, prioritised, and monitored through the Risk Log. This activity aligns the portfolio's risk posture with the organisation's overall risk appetite and by promoting informed and balanced decision-making.

**Manage Portfolio Issues:** Provides a structured approach to identifying, recording, and resolving portfolio-level issues that arise during implementation. It ensures that issues affecting portfolio performance, composition, or governance are analysed, prioritised, and escalated when necessary for resolution by the appropriate authority. The Issues Log is maintained by the Portfolio Support Office (PfSO) and updated continuously to track actions and outcomes. Effective issue management strengthens responsiveness, decision quality, and the overall resilience of the portfolio.

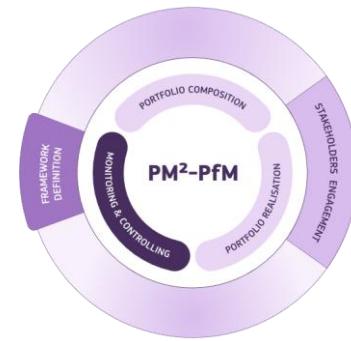
### 3.4 Portfolio Monitoring & Controlling

Monitoring & Controlling activities run throughout the portfolio's lifecycle and in parallel with all other portfolio processes. They include the systematic collection, consolidation and analysis of information to assess the portfolio's status against predefined indicators and objectives. These activities also involve the implementation of corrective actions to address deviations from plan and to ensure continued alignment with strategic goals, including verifying the quality and reliability of portfolio information and reporting.

These activities may take place at predetermined intervals (triggered periodically) or as required (triggered by specific circumstances).

The purpose of the process is to provide continuous oversight and assurance that the portfolio remains viable, balanced and effectively governed. Where Portfolio Realisation focuses on steering value delivery, benefits realisation and strategic alignment through active management of change, risks and issues, Monitoring & Controlling provides the evidence base and control actions that detect drift early and keep the portfolio on track.

Through ongoing monitoring and control, the Portfolio Manager (PfM) can also identify trends and propose adjustments that sustain value creation and alignment with organisational priorities, while also capturing lessons learned to improve the portfolio's governance practices and the Monitoring & Controlling approach itself.



#### Portfolio Monitoring & Controlling

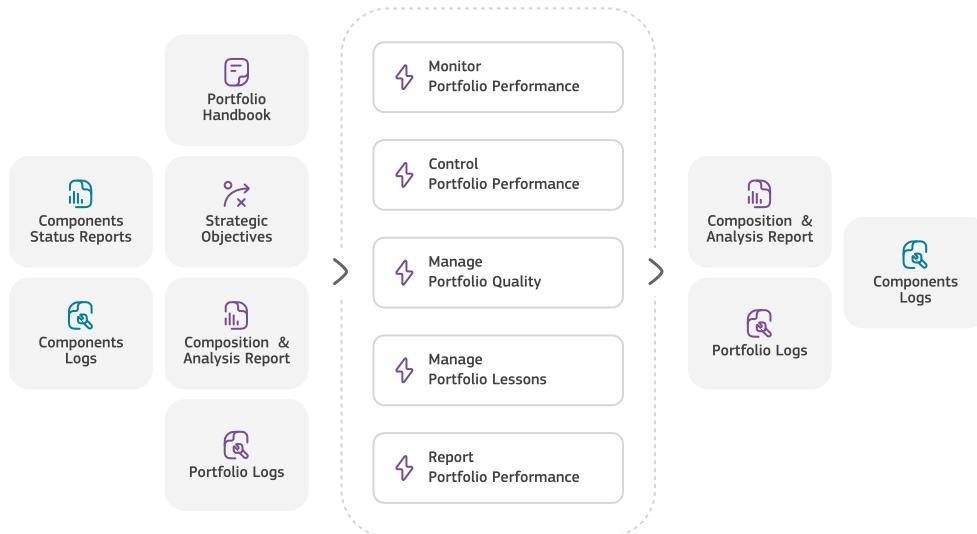


Fig. 3.4: Portfolio Monitoring & Controlling activities and key input/output artefacts

The outputs of the Monitoring & Controlling activities are documented in the Portfolio Logs and the Portfolio Analysis Report, while controlling decisions can trigger other portfolio activities which can result in changes to the portfolio's objectives, its composition, components, or management framework (i.e. management approach).

#### Portfolio Monitoring & Controlling Objectives

Executing the indicated management activities and producing the recommended Artefacts are good practices that should be followed. However, the effectiveness of the **Portfolio Monitoring & Controlling** process depends on achieving the following objectives:

- To ensure that monitoring and controlling are conducted **consistently and regularly** through well-defined management activities performed at a **predetermined frequency**.

- To enable the process to **adapt to the emerging needs** of the portfolio and its components, maintaining flexibility and responsiveness to change.
- To monitor portfolio performance effectively and trigger corrective actions that have broad stakeholder buy-in and are planned and implemented in a timely and coordinated manner.
- To **consider and respond to changes** in the portfolio's **context, environment, or components**, triggering the appropriate portfolio processes and management activities.
- To ensure the **production of reports** that accurately reflect the **overall performance and status** of the portfolio, supporting informed decision-making.
- To achieve **effective and transparent communication** across all **portfolio governance layers**, promoting trust, accountability, and alignment.
- To **collect and integrate stakeholder feedback**, maintaining close contact with stakeholders with **diverse perspectives** to obtain valuable insights that support continuous improvement.

The Responsibilities of the Roles involved in the Monitoring & Controlling activities are shown in the RAM/D-ARSCI table below.

Portfolio Monitoring & Controlling	PfDG	PfM	PfAC	PfSO	CR	LPSO
Monitor Portfolio Performance	A	R	C	S	C	S
Control Portfolio Performance	A	R	C	S	C	C
Manage Portfolio Quality	A	R	C	S	C	C
Manage Portfolio Lessons	I	A	S	R	C	S
Report Portfolio Performance	I	A	C	R	C	I

**Monitor Portfolio Performance:** Focuses on systematically collecting, consolidating, and analysing information about the portfolio's progress, performance, and value delivery. It evaluates performance against predefined indicators, baselines, and targets, enabling early identification of deviations or emerging trends. Through continuous analysis of data from portfolio components, this activity provides the basis for evidence-based decisions and adjustments that sustain alignment with strategic objectives. Its outputs feed into the Portfolio Composition & Analysis Report and inform subsequent control actions.

**Control Portfolio Performance:** Ensures that appropriate corrective or preventive measures are taken when deviations from expected portfolio performance are detected. Based on monitoring insights, it supports the Portfolio Manager (PfM) in implementing adjustments to maintain balance, optimise resource use, and protect portfolio value. Actions may include re-prioritisation of components, reallocation of resources, or initiation of change or risk management processes. Control activities are documented and tracked through the Portfolio Logs to ensure transparency and accountability in performance management.

**Manage Portfolio Quality:** Ensures that portfolio processes, outputs, and reports meet agreed quality standards and support informed decision-making. It defines the criteria, procedures, and responsibilities for verifying the accuracy, completeness, and timeliness of portfolio information. By conducting periodic quality reviews, this activity promotes consistency across governance levels and enhances stakeholder confidence in portfolio data. Quality findings are recorded in the Portfolio Logs and used to inform process improvements or training needs within the portfolio management team.

**Manage Portfolio Lessons:** Captures, analyses and disseminates lessons learned from the portfolio and its components to support continual improvement. It ensures that both good practices and areas for improvement are identified, documented and shared through the Lessons Log. The Portfolio Manager (PfM)

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and the Portfolio Support Office (PfSO) coordinate the consolidation of lessons learned and their integration into updated procedures, frameworks and artefacts, for example through the Portfolio Framework Review activity. By institutionalising learning, this activity strengthens organisational maturity and improves the effectiveness of future portfolios.

**Report Portfolio Performance:** Provides stakeholders and governance bodies with accurate, timely, and synthesised information about the portfolio's status, progress, and performance. It consolidates data from monitoring and controlling and other portfolio activities into clear reports that support decision-making by the Portfolio Directing Group (PfDG) and other stakeholders. Reports may include progress summaries, financial updates, benefit realisation data, and risk assessments. The Portfolio Composition & Analysis Report serves as the principal output, ensuring transparent and informed strategic oversight.

### 3.5 Stakeholder Engagement & Communication

The Portfolio Stakeholder Engagement & Communication process focuses on planning and implementing the activities required to achieve and sustain the appropriate level of engagement with portfolio stakeholders.

Portfolio management decisions and activities can have a significant impact across all levels of the organisation, from strategic management to project execution and the day-to-day operation of services. Active stakeholder engagement is therefore a critical success factor; without it, portfolio management risks becoming merely an additional layer of bureaucracy and reporting rather than a value-creating governance practice.

Ensuring that the objectives of portfolio management remain aligned with the needs and interests of stakeholders is a key management priority. This alignment must be planned, maintained, and reinforced throughout the portfolio's lifecycle to secure commitment, promote transparency, and support informed decision-making.

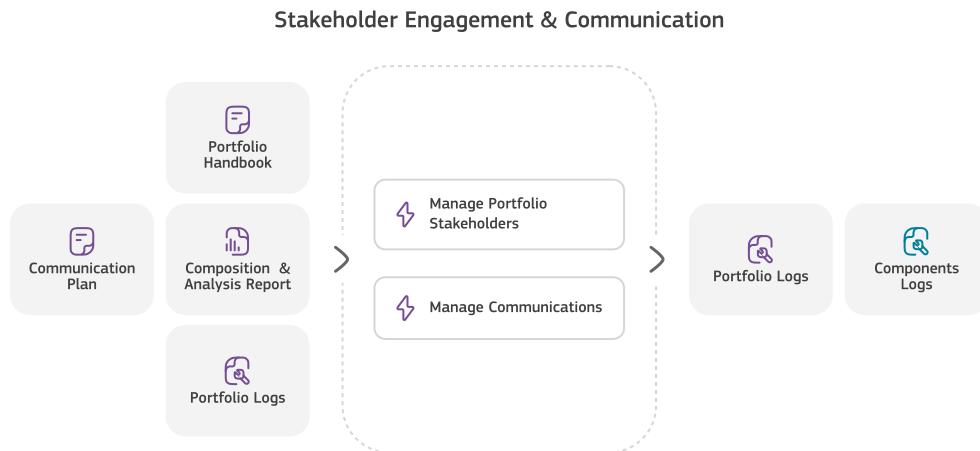
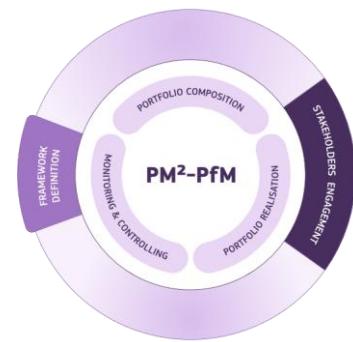


Fig. 3.5: Stakeholder Engagement & Communication activities, inputs and outputs

#### Stakeholder Engagement & Communication Objectives

Executing the indicated management activities and producing the recommended Artefacts are good practices that should be followed. However, the effectiveness of the **Stakeholder Engagement & Communication** process depends on achieving the following objectives:

- To ensure the **necessary level of engagement and commitment** from all stakeholders throughout the portfolio's lifecycle.
- To **enable the exchange of ideas** and perspectives between stakeholders with **diverse backgrounds and interests**, fostering collaboration and shared understanding.
- To **promote the alignment of mindsets** among all stakeholders, creating a unified approach to portfolio management and decision-making.
- To **provide clarity** regarding the **purpose, performance, and value** of the portfolio, ensuring that its direction and results are well understood.
- To **clarify roles and responsibilities**, making it explicit who is expected to do what in relation to portfolio management and governance.

- To prevent the process from being hindered by organisational politics or bureaucracy, maintaining focus on results and transparency.
- To **keep stakeholders informed** about portfolio progress and performance, reinforcing their **confidence** in the management approach and in the **value of organisational investments**.

The Responsibilities of the Roles involved in the Stakeholders Engagement & Communication activities are shown in the RAM/D-ARSCI table below.

Stakeholder Engagement & Communication	PfDG	PfM	PfAC	PfSO	CR	LPSO
Manage Portfolio Stakeholders	A	R	C	S	I	I
Manage Portfolio Communications Activities	A	R	C	S	I	I

**Manage Portfolio Stakeholders:** The Manage Portfolio Stakeholders activity focuses on identifying, analysing, and engaging all individuals and groups who influence or are affected by the portfolio. It ensures that stakeholder expectations, interests, and influence are understood and appropriately managed throughout the portfolio's lifecycle. By maintaining proactive engagement and promoting mutual understanding, this activity secures buy-in and strengthens decision-making. The stakeholder information and engagement strategies are documented in the Stakeholders Log and in the Portfolio Communications Plan.

**Manage Portfolio Communications Activities:** Ensures that timely, accurate, and relevant information flows across all portfolio governance layers and stakeholder groups. It defines how, when, and by whom portfolio information will be shared, ensuring that communication supports transparency, trust, and alignment with organisational priorities. Communication content and channels are tailored to stakeholder needs and influence levels, while feedback mechanisms ensure continuous two-way exchange. The activity results in the execution of a tailored *Portfolio Communications Plan* that supports effective engagement and portfolio visibility across the organisation. For portfolios with simpler communication needs, the Portfolio Communications Plan can be integrated into the Portfolio Handbook.

## 4 Portfolio Artefacts

Portfolio documentation is an important activity for planning, reporting and communication during the management of the portfolio. The purpose of portfolio documentation is to:

- capture the portfolio's objectives.
- describe the management processes and governance responsibilities.
- facilitate communication with stakeholders.
- provide a baseline for controlling the realisation of the portfolio.
- capture important portfolio management decisions.
- capture snapshots of the portfolio performance in reports.
- provide a baseline for the assessment of the portfolio management effectiveness and efficiency.
- support organisational memory and act as an historical reference which can be used to increase the portfolio management maturity of the organisation.

Note that portfolio documentation should adhere to the quality standards of the organisation and the portfolio regarding quality of information, format, style, etc. Above all, it must be lean and user-friendly if it is to fulfil its purpose.

Determining what documentation is required is therefore an important decision that should be made during the Portfolio Framework Definition. The decision to add, remove or modify PM<sup>2</sup>-PfM artefact templates as per the needs of the portfolio should be determined by its complexity and size, the formality required, and the input of the Portfolio Advisory Committee (PfAC).

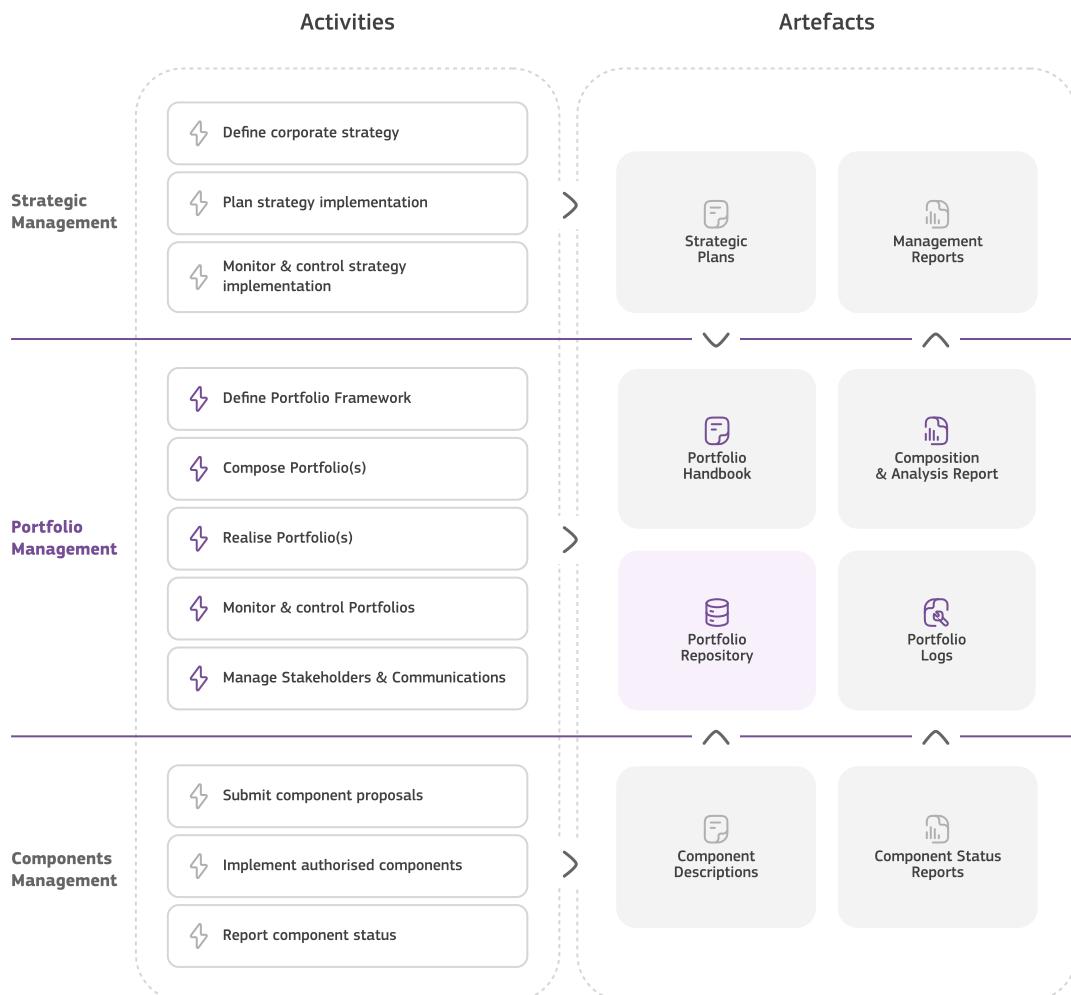


Fig 4.1 Key Portfolio Management Artefacts

A summary description of the **PM<sup>2</sup>-PfM portfolio artefacts** is provided below:

**Portfolio (Management) Handbook:** Defines the portfolio's objectives, characteristics, governance, and management approach. It serves as the primary reference for all portfolio management activities, outlining the portfolio's scope, component types, evaluation criteria, and management processes. Developed during the Portfolio Framework Definition process and maintained throughout the portfolio lifecycle, it ensures methodological consistency and alignment with organisational strategy. The Handbook is approved by the Portfolio Directing Group (PfDG) and updated when needed to reflect improvements and lessons learned.

**Portfolio Communications Plan:** Defines how portfolio information will be communicated to stakeholders. It specifies what will be communicated, to whom, by whom, how often, and through which channels or artefacts. The plan ensures that communication activities are aligned with stakeholder needs, influence and expectations. Its purpose is to promote transparency, engagement and trust by maintaining an effective flow of relevant information and feedback across all governance layers. For portfolios with simpler communication needs, the Portfolio Communications Plan can be integrated into the Portfolio Handbook.

**Portfolio Composition & Analysis Report:** Presents a consolidated view of the portfolio's composition, performance, and strategic alignment. It lists ongoing and candidate components, highlighting new additions and those to be removed or closed. The report analyses portfolio performance against objectives and benefits, identifying causes of deviation and recommending corrective or preventive actions. Updated periodically, it serves as the primary decision-support tool for the Portfolio Manager (PfM) and the Portfolio Directing Group (PfDG), enabling informed adjustments to optimise portfolio value and risk.

**Benefits (Traceability) Matrix:** Provides a structured and standardised means of documenting, tracking, and assessing the realisation of portfolio benefits. It links expected benefits to portfolio objectives, KPIs, and component contributions, thereby ensuring traceability and accountability in benefit delivery. Updated throughout the portfolio's lifecycle, it supports ongoing value management and provides a critical input to performance reviews and the Portfolio Composition & Analysis Report. It helps ensure that the portfolio's outcomes remain aligned with strategic and organisational goals.

**Portfolio Logs:** Essential tools for capturing and managing portfolio-level information on risks, issues, changes, decisions, stakeholders, and lessons learned. Maintained by the Portfolio Support Office (PfSO), they provide transparency and traceability across governance levels. The logs consolidate critical data from portfolio components and serve as inputs to dashboards, reports, and reviews. They support proactive monitoring and control, improve situational awareness, and strengthen organisational learning by recording both operational insights and strategic lessons for continuous improvement.

- **Stakeholders Log:** Captures the names, roles, contact details, and communication needs of all portfolio stakeholders, and records outcomes of stakeholder interactions linked to issues or decisions.
- **Change Log:** Records changes in the organisation, environment, or portfolio context, along with the analysis, decisions, and actions required to address their potential impact.
- **Risk Log:** Documents all portfolio-level risks, their analysis, and mitigation strategies, supporting continuous monitoring and reporting.
- **Issues Log:** Tracks portfolio-level issues, actions, and responsibilities, serving as a dynamic record of unplanned or corrective management activities.
- **Decisions Log:** Captures all significant portfolio decisions, including approvals, risk acceptances, and key meeting outcomes, providing a clear record of decision rationale and governance history.
- **Lessons Log:** Consolidates key lessons learned from portfolio management activities to support continuous learning and organisational improvement.

## 5 Portfolio Governance - Description of Roles & Responsibilities

This section offers a brief description of each of the PM<sup>2</sup>-PfM Roles involved in the governance of a portfolio.

### Portfolio Directing Group (PfDG)

The Portfolio Directing Group (PfDG) is the **highest decision-making authority** within the portfolio governance structure. It provides overall strategic direction and ensures that the portfolio remains aligned with the organisation's objectives and priorities. The PfDG approves the Portfolio Framework, including the portfolio's objectives, budget, and management approach, and authorises both the initiation and closure of the portfolio.

In fulfilling its responsibilities, the PfDG reviews performance reports, endorses corrective actions, and ensures that portfolio value is maximised through balanced investment decisions and continuous alignment with strategy. It intervenes when decisions exceed the authority of the Portfolio Manager (PfM) and ensures that governance at the portfolio level remains coordinated with the organisation's broader strategic and operational structures.

### Portfolio Manager (PfM)

The Portfolio Manager (PfM) is **responsible for the day-to-day management and coordination of the portfolio**. Acting as the central operational authority, the PfM ensures that portfolio management activities are effectively executed, monitored, and continuously improved. The PfM leads the processes of portfolio composition, realisation, and monitoring, and ensures that decisions are supported by accurate analysis and transparent reporting.

As the link between strategic direction and operational implementation, the PfM provides recommendations to the PfDG and ensures that portfolio components collectively deliver the expected outcomes and benefits. The PfM also promotes the consistent application of the PM<sup>2</sup>-PfM Methodology, supports governance at the component level where necessary, and encourages adherence to sound management practices and mindsets across the organisation.

### Portfolio Advisory Committee (PfAC)

The Portfolio Advisory Committee (PfAC) acts as a **consultative and analytical body** that supports the PfM in decision-making. It brings together representatives from the component layer, business and technical domains, and other relevant functions to provide expertise on portfolio composition, prioritisation, and risk assessment.

The PfAC reviews proposals for new portfolio components, assesses their alignment with strategic goals, and contributes to maintaining a balanced and feasible portfolio. By offering insight into dependencies, constraints, and opportunities, it enhances the quality of portfolio decisions. The committee also serves as a communication channel between the portfolio and its constituent elements, fostering transparency and collaboration across governance levels.

### Portfolio Support Office (PfSO)

The Portfolio Support Office (PfSO) provides **administrative, analytical, and procedural support to the PfM and the PfDG**. It maintains the portfolio artefacts and logs, consolidates data from portfolio components, and prepares reports that inform decision-making. The PfSO also facilitates communication across governance levels and promotes methodological consistency throughout the portfolio.

In addition to supporting reporting and performance analysis, the PfSO plays a key role in ensuring the proper application of the PM<sup>2</sup>-PfM Methodology. It assists in scheduling governance meetings, preparing documentation, and maintaining portfolio records, while also coordinating with programme and project

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support offices to ensure the accuracy and timeliness of information. Through these activities, the PfSO acts as the operational backbone of portfolio management.

#### Local Portfolio/Programme/Project Support Office (LPSO)

In large or geographically dispersed organisations, the Local Portfolio/Programme/Project Support Office (LPSO) provides **localised support to portfolios, programmes, and projects** that cannot be managed effectively through a single central office. It ensures that local data, reporting, and documentation are accurate and consistent with portfolio-level standards and that information flows efficiently between local teams and the PfSO.

The LPSO helps bridge the gap between central governance and local execution by supporting administrative and coordination activities at the operational level. It contributes to maintaining methodological alignment across distributed teams, ensures compliance with established portfolio procedures, and facilitates the integration of local performance data into corporate portfolio reporting.

#### Component Representative (CR)

A Component Representative (CR) serves as the **primary liaison between a portfolio component**, such as a programme, project, or other work components, **and the portfolio management layer**. The Component Representative (CR) ensures that the component's status, risks, and benefits are effectively communicated and that portfolio-level decisions are implemented at the component level.

By representing the component's perspective in portfolio reviews and coordination meetings, the Component Representative (CR) supports the alignment between component objectives and the overall portfolio strategy. They also contribute to the continuous improvement of portfolio management by sharing insights, lessons, and performance information that can influence portfolio adjustments or strategic decisions.

## 6 Appendices

### 6.1 Appendix A – Acknowledgements & Contributions

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## 6.2 Appendix B – The D-ARSCI Model of Responsibility Assignment

Responsibility is not an on/off concept. The D-ARSCI Model (pronounced dee-arskie) defines five (plus one) different degrees of responsibility. The highest degree of responsibility is 'Accountable' and the second highest 'Responsible', while the lower degrees of responsibility are 'Support', 'Consulted' and 'Informed'. The 'Decides' responsibility is used to denote Decision power (e.g. formal approvals).

D-ARSCI		Summary Description
D	Decides	Decision-making authority
A	Accountable	Ultimately answerable for the success or failure of what they are accountable for.
R	Responsible	Does the work. Others can be asked to assist in a supporting role.
S	Supports	As part of a team, supports the completion of the activity or artefact.
C	Consulted	Provides information/insights.
I	Informed	Kept informed of the progress and the end-result.

The Role with the **Decide** responsibility (D-ARSCI:D) is the decision-making authority. This decision can be related to the approval (or rejection) of the results of a given management activity or artefact. Decisions for moving past a Phase Gate are typically areas in which the Decide (D-ARSCI:D) Responsibility is applied. When there is no explicit assignment of the Decide responsibility (D-ARSCI:D), the implication is that no formal approval is necessary. There is always a single Role that has the Decide responsibility.

The Role that is **Accountable** (D-ARSCI:A) is ultimately answerable for the success or failure of what they are accountable for. To ensure this success, they need to provide the resources, leadership and support that will enable everyone else to perform their own responsibilities. Note that the Role that is Accountable accepts the results of an activity, which also implies (informal) approval. There is always a single Role Accountable for any given management activity or artefact.

The Role that is **Responsible** (D-ARSCI:R) is responsible for doing the work (e.g. creating an artefact). Often, others may also be responsible for doing work, when they have the Support responsibility, for instance, or when work is delegated to them. However, it should be clear that only work can be fully delegated and not the responsibility itself, as in such cases the delegator becomes Accountable for the performance of the delegee. Note that, as with Accountability, in PM<sup>2</sup>-PM there is always a single role Responsible for any given management activity or artefact.

As part of a team, Roles with the **Supports** (D-ARSCI:S) responsibility also work with the person Responsible to complete the given management activity or artefact. There is no restriction to how many people can be D-ARSCI:S.

As part of a team, Roles with the **Consulted** (D-ARSCI:C) responsibility need to provide information or insights to the person Responsible, so they can complete a given management activity or artefact. The Consulted responsibility is not simply a right, it is also an obligation. There is no restriction to how many people can be ARSCI:S.

Finally, those Roles with **the Informed** (D-ARSCI:I) Responsibilities need to be kept informed of the progress or/and the end result of the activity or artefact. As with the Consulted responsibility, the Informed responsibility is not simply a right; it also carries an obligation to remain informed. There is no restriction to how many people can be D-ARSCI:I.

### Consolidated PM<sup>2</sup>–PfM RAM (Responsibilities Assignment Matrix)

The following table presents the Consolidated PM<sup>2</sup>–PfM Responsibilities Assignment Matrix (RAM), which outlines the main roles involved in portfolio management and their respective responsibilities across the 20 activities organised within the five PM<sup>2</sup>–PfM processes.

Portfolio Framework Definition	PfDG	PfM	PfAC	PfSO	CR	LPSO
Define Portfolio Objectives & Characteristics	D	A	S	R	I	I
Define Portfolio Management Approach	D	A	S	R	I	I
Review Portfolio Framework	A	R	C	S	C	C

Portfolio Composition	PfDG	PfM	PfAC	PfSO	CR	LPSO
Identify Components	I	A	C	R	C	C
Evaluate Components	I	A	C	R	C	C
Plan Portfolio Capacity	I	A	C	R	C	C
Compose Portfolio	I	A	C	R	I	I
Portfolio Approval	D	A	I	R	I	I

Portfolio Realisation	PfDG	PfM	PfAC	PfSO	CR	LPSO
Manage Strategic Alignment	D	A	S	R	I	I
Manage Portfolio Value	D	A	S	R	C	I
Manage Portfolio Change	A	R	C	S	C	C
Manage Portfolio Risk	A	R	S	S	C	I
Manage Portfolio Issues	A	R	S	S	C	C

Portfolio Monitoring & Controlling	PfDG	PfM	PfAC	PfSO	CR	LPSO
Monitor Portfolio Performance	A	R	C	S	C	S
Control Portfolio Performance	A	R	C	S	C	C
Manage Portfolio Quality	A	R	C	S	C	C
Manage Portfolio Lessons	I	A	S	R	C	S
Report Portfolio Performance	I	A	C	R	C	I

Stakeholder Engagement & Communication	PfDG	PfM	PfAC	PfSO	CR	LPSO
Manage Portfolio Stakeholders	A	R	C	S	I	I
Manage Portfolio Communications	A	R	C	S	I	I

### 6.3 Appendix C – Glossary of Key Terms

This glossary defines key terms used in PM<sup>2</sup>-PfM, including general portfolio management terminology and selected PM<sup>2</sup>-specific terms. It is not exhaustive. For a more detailed understanding of PM<sup>2</sup> terminology, consult the relevant appendix of the latest official PM<sup>2</sup> Guide – Project Management Methodology, available from the Publications Office of the European Union and at <https://pm2.europa.eu>.

Term	Definition
Artefact	A document, template, log, or tool produced or used during portfolio management to support planning, execution, monitoring, or reporting activities. Artefacts provide structure, traceability, and a basis for decision-making.
Benefit	The measurable improvement resulting from portfolio or component outcomes that contributes to strategic objectives. Benefits may be tangible or intangible, financial or non-financial.
Component	A discrete element of a portfolio, such as a programme, project, service, or product, that contributes to achieving the portfolio's objectives.
Composition	The process of selecting, prioritising, and balancing portfolio components to create an optimal mix aligned with strategic goals, available resources, and organisational constraints.
Fractal structure	A structure in which the same management model is repeated at each level, from the highest-level organisational portfolio down to the lowest-level sub-portfolios.
Governance	The framework within which portfolio management decisions are made. It defines the roles, responsibilities, accountabilities, and processes necessary for effective oversight, control, and strategic alignment.
Lesson Learned	A documented insight gained from portfolio experience that contributes to improving management practices and the success of future portfolios.
Management Framework	The set of structures, processes, roles, artefacts, and guiding principles that together define how portfolio management is conducted within an organisation.
Matrix structure	An organisational arrangement where roles, responsibilities and reporting lines operate across two dimensions resulting shared authority and resource allocation between line management and portfolio, programme or project governance.
Mindsets	The shared beliefs and attitudes that underpin effective portfolio management. PM <sup>2</sup> -PfM Mindsets promote collaboration, transparency, value orientation, and continuous improvement.
Monitoring & Controlling	The set of recurring activities through which portfolio performance is tracked, analysed, and corrected when deviations from planned objectives are detected.
Outcome	The direct result of a portfolio or component activity that contributes to the achievement of one or more benefits. Outcomes typically precede benefit realisation.
Performance Indicator	A measurable value that provides information on the efficiency or effectiveness of portfolio management and its components. Indicators are used to monitor progress toward objectives.
Portfolio	A collection of projects, programmes, and other work grouped together to facilitate effective management and alignment with strategic objectives.
Portfolio Candidate Component	A discrete entity proposed for inclusion in a portfolio, which is not yet part of the portfolio and becomes a portfolio component only after completing the required assessment and selection decision.
Portfolio Component	A discrete entity that has been assessed against the portfolio's evaluation criteria and formally included in the portfolio through a selection decision.
Portfolio Report	A consolidated document presenting portfolio performance insights, trends, and recommendations based on analysis of data gathered through monitoring activities.
Portfolio Directing Group (PfDG)	The senior decision-making body responsible for providing strategic direction, approving the Portfolio Framework, and authorising portfolio initiation and closure.

Portfolio Framework	The foundational structure that defines how a portfolio will be governed and managed. It includes objectives, governance bodies, management processes, metrics, and artefacts.
Portfolio Manager (PfM)	The individual responsible for the day-to-day management of the portfolio and for ensuring that its objectives are achieved efficiently and in alignment with organisational priorities.
Portfolio Management	The coordinated management of one or more portfolios to achieve strategic alignment, optimal resource utilisation, and value delivery for the organisation.
Portfolio Management Process	A structured sequence of management activities that collectively enable the planning, execution, monitoring, and improvement of the portfolio. PM <sup>2</sup> -PfM defines five core processes.
Portfolio Orientation	The degree to which an organisation adopts portfolio management as a core way of working, treating work as investment and using governance and decision-making to maximise value, maintain strategic alignment, and manage risk.
Portfolio Realisation	The process that encompasses all management activities aimed at achieving portfolio goals and maximising value delivery through the successful completion of portfolio components.
Portfolio Repository	The central storage location for portfolio information (artefacts, reports, Portfolio Logs, etc.) used to manage, control and evidence the portfolio.
Portfolio Support Office (PfSO)	The function or unit that provides administrative, analytical, and procedural support to portfolio governance. It maintains artefacts, consolidates performance data, and supports reporting and coordination.
Portfolio Stakeholder Engagement & Communication	The process focused on planning and executing stakeholder engagement and communication activities to ensure transparency, commitment, and alignment throughout the portfolio lifecycle.
Programme	A temporary flexible structure composed of related projects and other work managed in a coordinated way to achieve benefits and control not available from managing them individually.
Project	A temporary endeavour undertaken to deliver a unique product, service, or result. Projects are the building blocks of programmes and portfolios.
Risk	An uncertain event or condition that, if it occurs, could have a positive or negative effect on portfolio objectives. Risks are monitored and controlled throughout the portfolio lifecycle.
Strategic Governance Group (SGG)	A senior governance group in the Strategic Layer that defines strategic objectives, oversees their execution, and provides direction for portfolio-level objectives.
Stakeholder	Any individual, group, or organisation that can affect or be affected by the portfolio or its outcomes. Stakeholders include governance bodies, management teams, component leaders, and beneficiaries.
Tailoring	The adaptation of the PM <sup>2</sup> -PfM Methodology to suit the organisation's specific needs, culture, and maturity, while maintaining alignment with its principles and intended outcomes.

Abbreviation	Description
AGB	Appropriate Governance Body
ARSCI	A Responsibility Model: Accountable, Responsible, Supports, Consulted, Informed
CR	Component Representative
DG	Directorate-General
D-ARSCI	Same as ARSCI but with a separate D (Decides) responsibility
EC	European Commission
IAQ	Infrequently Asked Questions

KPI	Key Performance Indicator
LPSO	Local Portfolio/Programme/Project Support Office
PfAC	Portfolio Advisory Committee
PfDG	Portfolio Directing Group
PfM	Portfolio Manager
PfSO	Portfolio Support Office
PM	Project Manager
PM <sup>2</sup>	Project Management Methodology (core PM <sup>2</sup> methodology)
PM <sup>2</sup> -Agile	Agile Extension of the PM <sup>2</sup> Methodology
PM <sup>2</sup> -PgM	Programme Management Methodology of the PM <sup>2</sup> Suite
PM <sup>2</sup> -PfM	Portfolio Management Methodology of the PM <sup>2</sup> Suite
RAM	Responsibilities Assignment Matrix
SGG	Strategic Governance Group

## 6.4 Appendix D - Key Portfolio Management Concepts and Techniques

This section presents a curated list of tools and techniques commonly used in portfolio management. These methods support strategic planning, performance monitoring, stakeholder engagement, benefits management, and decision-making across the life of the portfolio. While each technique is briefly described here, more comprehensive guidance and practical applications can be found in widely available public references. Portfolio Managers and portfolio teams are encouraged to select and use these techniques based on the specific needs, complexity, and context of their portfolios.

Concepts & Techniques	Short Description
Activity-Based Costing (ABC)	Allocates costs based on actual resource consumption across portfolio components, providing accurate financial tracking and supporting informed investment decisions.
AI-Assisted Portfolio Scoring Models	Applies machine learning to historical portfolio data to predict success likelihood, cost overruns, or benefit-realisation probabilities.
Balanced Scorecard	Translates strategic objectives into measurable performance indicators across financial, customer, process and learning perspectives.
Benefits Tracking	Monitors and validates the achievement of expected benefits through predefined metrics and phased reporting.
Benchmarking Analysis	Compares portfolio performance and practices against internal or external benchmarks to identify improvement opportunities.
Bubble Diagrams	Visual representations that plot components against variables such as risk, value, and cost to facilitate discussion on portfolio optimisation.
Maturity Model	Assess the organisation's portfolio-management maturity, identifying gaps and guiding capability-building initiatives.
Cost-Benefit Analysis (CBA)	Evaluates potential investments by comparing anticipated costs and benefits, often expressed as ROI, NPV, or payback period.
Decision Matrix Analysis (DMA)	Supports structured decision-making by comparing alternative options against weighted criteria such as cost, impact, and risk.
Delphi Technique	Collects and consolidates rounds of expert opinions anonymously to reach consensus on priorities, risks, or evaluation criteria.
Dependency Mapping	Identifies and visualises interdependencies between portfolio components to manage cascading risks and coordination bottlenecks.
Early Warning Indicators	Use data trends and pattern recognition to detect early signs of deviation in portfolio performance or risk exposure.
Gap Analysis	Compares current and desired states of portfolio performance, identifying deficiencies to target improvement actions.

Concepts & Techniques	Short Description
Lessons Learned	Captures and analyses experience from current and past portfolios to improve future decision-making and governance.
Life-Cycle Cost (LCC) Analysis	Estimates the total cost of ownership of a solution or product across its entire life cycle to inform long-term investment choices.
Monte Carlo Simulation	Uses probability distributions and repeated random sampling to assess the likelihood of meeting portfolio objectives under uncertainty.
Outcome Harvesting	Collects evidence of achieved results, especially emergent or intangible benefits, to assess real-world portfolio value.
Pareto Analysis (80/20 Rule)	Highlights the small number of components or factors that contribute most to overall results, focusing management attention effectively.
PDCA Cycle (Plan–Do–Check–Act)	A continuous-improvement loop used to refine portfolio governance, processes, and performance management.
Performance Indicators	Quantifiable measures used to monitor alignment to strategy, delivery performance, and portfolio health.
Portfolio Communication Canvas	A structured template mapping key messages, audiences, channels, and timing for coherent communication across governance layers.
Portfolio Dashboards	Interactive visual dashboards integrating KPIs, risks, and financials for near-real-time decision support.
Portfolio Repository	A central database capturing all component data to support evaluation, selection, prioritisation, and tracking throughout the lifecycle.
Portfolio Risk Heat Map	Plots portfolio-level risks by probability and impact, providing a visual overview of exposure and critical clusters.
Portfolio Road mapping	Illustrates sequencing and timing of major initiatives to communicate strategic coherence and dependencies over time.
Portfolio Value Stream Mapping	Analyses how value flows from strategic intent through execution to realised benefits, highlighting inefficiencies and bottlenecks.
Resilience Modelling	Evaluates the portfolio's ability to absorb shocks such as budget cuts or policy shifts while maintaining essential value delivery.
Resource Heat Mapping	Visualises resource allocation and utilisation across components to identify overloads or capacity gaps.
Sensitivity Analysis	Tests how variations in key assumptions affect portfolio outcomes, revealing the most influential factors.
Stakeholder Influence Grid	Maps stakeholders by interest and influence to plan effective engagement and communication strategies.
Strategic Contribution Scoring (SCS)	Assigns weighted scores to initiatives based on their contribution to defined strategic objectives for transparent prioritisation.
SWOT Analysis	Identifies Strengths, Weaknesses, Opportunities and Threats related to the portfolio or its environment to guide planning.
Value vs Complexity Matrix	Plots initiatives by business value and implementation complexity to identify "quick wins" and high-effort, low-return candidates.
Weighted Scoring Method	Evaluates portfolio components by assigning weighted values to multiple criteria such as strategic alignment, value, risk, and feasibility.
What-If Scenario Analysis	Tests alternative portfolio configurations or investment options under different assumptions to forecast potential impacts.



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